

Marketing research for costa cafe



**ASSIGN
BUSTER**

Italian brothers Sergei and Bruno Costa established Costa in 1971 . At that time they first started importing and roasting beans, which was long before the current growth in coffee bars. The brothers began roasting and grinding coffee for wholesale to the catering market. From the very beginning, Sergei and Bruno Costa insisted on slow roasting beans in a traditional Italian drum roaster to give a quality of coffee that is recognized by their customers as superior to others.

Costa samples, tests and selects beans which have the best flavor characteristics, and which are suitable for their authentic style of roasting, whether as a single variety, or as part of their selected blends. As real coffee experts they have created their reputation from the expert blending of Arabica and Robusta coffee, which they import from Indonesia and Brazil. Only by the right blending can the Arabica beans be correctly balanced by Robusta beans to create a coffee with great aroma, body and golden cream.

This unique combination of beans is the original Costa blend and is why coffee lovers always visit Costa stores. The recipe, acclaimed for producing great tasting coffee with a distinctively rich fragrance and taste, is their most prized secret. Beans from 6 specially selected Arabica varieties are combined with those from a single Robusta to create just the right amount of ' edge' for the perfect espresso. Costa Coffee Store Espresso is the authentic Italian Pick-me-up and from listening to lovers of real coffee, they tend to agree!

The four factors that influence the making of the perfect espresso at Costa (4 MS) are: ; Missile: The coffee blend ; Macarthur: The grinding of coffee ;

Machine: The use of the correct machine and equipment ; Mann: The hand skills of the barista In addition they only slow roast beans, this process takes at least 18 minutes-far longer than is the case for the majority of roasters. Slow roasting provides a fuller flavor and significantly reduces the presence of harsh and bitter acids. The wide appreciation of their secret coffee blend led to the opening of the first coffee UK Costa stores in the early 1980's.

This promoted the popularity of coffee bean sales and revalidated the trend towards drinking authentic Italian espresso, cappuccino and other espresso based drinks. Many coffee companies specialize in only one element of the coffee supply chain. For example: importing only, roasting only, wholesaling or retailing only. At Costa, the coffee production process starts from the stage of importing the beans, by taking control of the whole process to ensure that standards are applied at all stages.

They import beans to their specification, roast beans in their own roaster to the highest standard, they create their own unique blends of the finest coffees, they package and distribute to their outlets to ensure the highest quality and freshest product. The aim is to create and serve the finest authentic Italian real coffee experience every time. When entering a Costa Store, with its Continental ambiance, a coffee lover will not just be able to consume the finest cup of real coffee around, but will be able to buy all the necessary equipment and coffee products required to repeat the Costa experience at home.

Costa is expanding, opening stores in many locations such as high streets, airports, railway stations, shopping centers, office developments and leisure

complexes. The Costa Wholesale division is also expanding nationwide, promoting sales of roasted coffee and coffee equipment in hotels, restaurants, multiple catering outlets and supermarkets. Now Costa can be experienced by a greater number of people in more ways than ever before. Costa became part of Whitehead Pl in 1995 and immediately established Whitehead s the market leader in the premium coffee shop sector.

Before Whitehead acquired the company, thus between 1978-1994 there were 41 Costa outlets selling coffee as well as coffee beans. The first store being established in Victoria station in London- where it still runs successfully keeping up to the traditional coffee preparation methods. Since then, Costa has embarked on a major expansion programmer in support of its Mission... “ To become recognized nationally as the people to come to for the best Real Coffee Experience”.

The company’s four values encompass everything they believe, how they should behave and act: Cure-(Koori-ere)-sharing a love for coffee, making and serving the best coffee in the world. The roasting and blending knowledge, the coffee making skills and the dedication to service. Responsibility and sense of personal duty. People who take pride in what they do, in being able to achieve sales and profit targets, maximizing the potential of available resources and maintaining an excellent standard of guest and customer service. ; Excellence-(Etch-el-n-shah)-Making the perfect coffee every time.

Costar’s skilled Baristas are trained to create a coffee masterpiece in every cap they serve, within a throng retail merchandise environment. Its due to

this focus in training that Costa has become well known throughout the I-J for a perfect coffee every time, with a stylish and contemporary Italian ambiance. Challenging and innovative. Taking initiative, tackling tough issues and looking at the business with a critical eye. Costa offers thoroughly rewarding and stimulating environment for people who have the ability to make things happen. At the heart of Whiteboards strategy is the drive to provide experience, which its customers enjoy, appreciate and consider good value for money. It is this strategy, which has taken the company from brewing, into pubs, pub food, restaurants, hotels, and Leisure and also into high street retailing. Some of Whiteboards businesses include Bella pasta, Pizza Hut (I-J) Ltd, TGIF Fridays, The Dome, Cafe Rouge and David Lloyd Leisure. Recently, Whitehead Pl is stepping up the overseas expansion of its Costa coffee brand with plans to open at least 55 new stores across Saudi Arabia, Oman, Qatar, and Bahrain.

At the time being, there are 265 stores worldwide including countries such as Dublin, Kuwait and Germany. Samuel Whitehead, a brewer, founded Whitehead Pl in 1742. It became a public company in 1948. Over the years, the company became a restaurateur, an hotelier and (in 1995) an operator of healthy and fitness clubs in addition to its original status of brewer and pub owner. At the turn of the millennium, Whitehead was the country's leading restaurant operator, number one in budget hotels and sports, health and fitness, first in the pub restaurant and a clear winner in high street coffee shops.

The I-J is becoming a nation of coffee drinkers, with coffee overtaking tea as the most popular drink outside home. A decade or so ago an Englishman

would have balked at the idea of sitting at a table in his free time with a coffee rather than a beer in his hand. Coffee was a work pick-me-up or a post-meal sober-me-up, its taste and aroma just trivial distractions. 8 But times change. And as Britain has become more cosmopolitan, consumers have realized that coffee does get more sophisticated than a Jar of Cafe Hag and that sipping a cappuccino while chatting with friends does not make you weird.

Or Italian. 8 It is a fact that the UK branded coffee shop chain sector has evolved into a multi- lion pound industry after experiencing explosive growth over the past 4-5 years. 9 In March 2001 market research firm Minted compiled Coffee Shops/ Bars, a snapshot of the branded coffee market. 8 It estimated the market for branded coffee to be worth more than Million, a 16-fold increase on 1994. 8 Moreover according to a management consultancy, Allegro Strategies, the branded coffee chain segment currently represents 20. % of the total I-J coffee shop market, and is forecasted to grow by a compound annual growth rate of 20. 4%, from 1 , 532 units in June 2001 to 2, 435 outlets by December 2003. High street coffee bars have sprung up with such voracity that there is now talk of over-saturation, particularly in the London area. 8 With just one branded coffee bar per 65000 people the UK is still playing catch up with the US, where the penetration levels are one per 27000. 10 Four operators who control 63% of the branded coffee shop market dominate the I-J coffee scene. Whitehead-owned Costa Coffee with 300 sites and US giant Struck Coffee Company with 294 account for the lion's share, outstripping Cafe Nero and Coffee Republic who have 107 and 85 outlets respectively. Furthermore, the fact that Struck now has sites in

Sunburst's stores and Waterfronts bookshops, while Costa Coffee can be found on Abbey National premises, shows that the new coffee houses have been recognized by leading I-J companies as adding value to the experience of visiting them. The competition is very high as coffee chains, like Costa coffee, Struck, Coffee Republic, Cafe Nero and Prt a Manger struggle for the top. Costa coffee has been a victim of this hard competition and faces a number of problems. According to recent findings from a consumer research conducted by Allegro Strategies Ltd, Struck has the highest consumer brand recognition of all Costa Coffee with 72%. 9 Naturally, the management of Costa Coffee is very concerned.

Their decision problem is what must be done in order to serve more consumers with different segmentation criteria, so they can overcome their main competitors, and therefore become the number one branded coffee shop in the I-J. 2. Marketing RESEARCH QUESTION/ OBJECTIVE 2. 1 . Research Objective The main research objective is to identify who are the typical customers of coffee outlets and ascertain their needs, expectations and buying behavior. . 2. Component questions of this research: ; What are the key demographics and chirography's of branded coffee shops customers in the major centers in I-J? What is customer's opinion on various branded coffee shops? Has it changed throughout the years? ; What are the main criteria people use to decide on which coffee shop to go? ; What do customers look for and expect from a coffee shop? ; Have customers habits changed towards coffee in the past and how? 2. 3. Decision outcomes On completion of this research, Costa management will know the typical

customers of fee shops, their needs, expectations, buying behavior and opinions towards various branded coffee shops.

Based on the research findings Costa management can implement new strategies in order to gain more customers and therefore, overcome its competitors and take the lead of the branded coffee shop chain sector. The research project will be carried out in two main phases utilizing both exploratory and descriptive research techniques. We will begin by using exploratory research techniques in order to conduct further background research, as well as gathering information for the research project as a whole. The key methods of exploratory research that we will use will be, conducting secondary research, observation and focus group.

These techniques involve qualitative research methods as they rely on a great deal of interpretation by the researcher and also because they generally involve smaller non-representative samples. It is more the nature of how the research is gathered and interpreted than of size of the samples that make a study qualitative. The first phase of our research is exploratory in nature that will allow us to gain insights about the typical customers of coffee outlets, their needs, expectations and buying behavior.

This information will give us the opportunity to build a better questionnaire, one that respondents can understand. Secondary research will first be conducted to find background information from internal and external data in order to diagnose and understand more precisely the research problem and to formulate an appropriate research design. When the secondary sources of data fail to provide the information necessary to meet the research

objectives, primary data is going to be gathered. Further an exploratory and qualitative research in the form of observation will be carried out.

We want to understand coffee drinking behavior and brand dynamics and the best thing to do is to get as close as possible to real behavior as it happens. Observation will be carried out under normal conditions, in a controlled environment. Three or more different coffee shop chains will be subject to this technique. During this procedure we will observe coffee being ordered, served, consumed on its own with snacks or pastries, consumed in a group setting, with the mood and atmosphere changing, with different types of consumer drinking different brands.

The queuing system, the hygiene of the coffee shop and employee's actions will be also observed, so that we can get an overall picture of each coffee shop and point out its advantages and disadvantages. Within a full-scale project we would conduct three to six observations in different times of the day so an objective overall picture of each coffee shop will be formed instead of being judged by one observation only. In order to sufficiently address our component questions a focus group will also be conducted.

The group will include a maximum of ten people excluding the moderator and observers. We feel that in a focus group “ group members ‘ feed’ off each other and creatively reveal ideas that the researcher may not have thought of or dared to tackle” . The focus group will be useful to us in finding out what the current customer's attitudes and perceptions regarding coffee are, as well as their needs and expectations towards branded coffee shops in I-J.

Within a full-scale project we would use three to five focus groups consisting of a maximum of ten people each simply because we would have no time restrictions, this would make the results from various focus groups a lot more reliable to interpret than having just one focus group to study. Once we have carried out exploratory research we will be in position to proceed with the descriptive research- using quantitative techniques-, which will help in formulating a decision for the research question.

In order to get reliable information a survey questionnaire will be developed, " The questionnaire must motivate the respondent to cooperate, become involved, and provide complete, honest and accurate answers" . We will use questionnaires consisting of around eighteen questions each and will be given out to 30 coffee drinkers divided into 15 male and 15 female, who visit branded coffee shops in London. This research will be conducted outside Brent Cross shopping mall, Middlesex University and among friends, family and work colleagues.

This form of quantitative research will give us a more refined response and allow us to make resource allocation decisions, because we talk to more people who represent a larger portion of the target population, making our research more reliable. This technique will also augment the observation and focus group results and provide primary information about the purposes of research. The population group for our research is defined as UK male and female coffee drinkers, who have been to coffee shop chains within the past three months. The element for this population will be men and women coffee drinkers aged between 17-75.

The extent of the population will be all coffee shop customers within London. Finally the time frame will be within the past three months. For this research project we will use a non-probability sampling method as we do not have a complete list of our population, and therefore clearly understand that we risk not having a representative sample. The sampling technique that we will use will be that of quota sampling, a non-probability sampling procedure that ensures that various subgroups of a population will be represented on pertinent characteristics to the exact extent that the investigator desires.

Ideally our sample size should be determined statistically -probably 1000-, but our restraints will limit us to only 30 branded coffee shop customers . Within a full-scale project sample size should be determined by statistics, according to the market's current situation. Even though we will carry out the research face to face the research administration method we would have used if this were a full scale survey would have been Mail reverse, simply because mail surveying remains a popular data collection technique in commercial marketing research.

In fact, more and more people participate in mail surveys than any other type of survey research . On first consideration, mail appears to be an attractive way to collect data. There are no interviews to recruit, train, monitor and pay. The entire study can be sent out and administered from a single location. Hard to reach respondents can be easily surveyed and can fill out the questionnaires in their spare time and wherever they like, whether they are at work or in the comfort of their own home.

Mail surveys appear to be convenient, efficient and inexpensive. Like self-administrated questionnaires, mail surveys encounter problems with not having an interviewer present. In particular, no one is there to probe responses to open-ended questions, a real constrain on the types of information that can be sought. However probing responses to open-ended questions will hopefully not be much of a problem for our questionnaire, as it only consists of one open- ended question.

Response rates in mail surveys may run anywhere from less than 5% to more than 50%, depending on the length of the questionnaire, its content, the groups surveyed, the incentives employed, and other factors. Those who operate mail panels claim that response rate in the vicinity of 70%⁴.

Response rates can be enhance by implementing strategies such as advance postcard or telephone call alerting respondent to survey, premiums such as pencil, pen, key chain, coffee mugs etc, self-addresses stamped return envelope, personalized address and well written and personally signed cover letter, and drawings or prizes.

Finally once we have gathered our data, we will then be in position to analyses the expectations, needs and buying behavior of the typical coffee shop customers and make suitable recommendations to Costa Coffee management group as to how it can improve its outlets in order to gain a competitive advantage and become the number one branded coffee shop in the I-J.