

Marketing plan for lollicup business plan sample

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Launching Bubble Tea in UK

Proposed By:

Executive Summary

Lollicup is a beverage and restaurant company based out of California, USA. This is a small chain of restaurants which offers products in the tea and coffee ready to drink segment. However, the products of Lollicup are distinctly different from the traditional tea and coffee based product. Bubble tea is the flagship product of the company and within 13 years of opening its first store in USA, the company is already an established name in the alternate beverage solutions market. Lollicup now wants to expand beyond USA. It plans to launch its bubble tea products in UK market. This essay will discuss the marketing plan of Lollicup to launch the product in UK.

Company and Product Description

Bubble milk tea aka pearl milk tea is a drink that was invented in tea shops across Taichung, a city located in western Taiwan in 1980s. The special ingredient used in bubble milk teas that makes it stand out from other non-carbonated drinks is the small tapioca marbles known as boba or pearls. Served in large transparent plastic glasses with an excessively wide straw to help the jumbo tapioca pearls floating up into the mouth, these drinks are a huge craze in Taiwan and Southeast Asia for over a decade.

Lollicup opened its first shop in the year 2000 in San Gabriel, California.

Bubble milk tea is a very popular Taiwanese product and Lollicup saw an opportunity to make business out of this product in US market. By 2002,

Lollicup opened 30 stores across the nation extending its target customers

outside the student community, who were the primary customers of bubble tea till that time. In next few years, Lollicup opened another line of business called Karat line of high quality papers and plastic disposable goods. In 2009, Lollicup having observed of its stores becoming a popular hub for hangout introduced other snacks and food items for catering to the customers (Lollicup Coffee & Tea).

Strategic Focus and Plan

The strategic focus of Lollicup is to continue its growth in the US market and attract newer segment of customers by launching products that satisfy both the appetite and the nutritional needs. Lollicup's objective is to offer products different from its competitors in taste and nutritional value than any other ready to go beverages available in the market. Lollicup apart from growing in the domestic market wants to expand its business to China, Middle-East and UK.

Core Competency and Sustainable Competitive Advantage

Though Lollicup offers tea and coffee based products and other types of snacks and foods in its outlets, the original bubble milk tea is its flagship product which has garnered immense popularity among the customers. Despite the existence of myriads of its other products, bubble tea forms the core competency for the company. The demand for bubble milk based tea products, Boba tea powders and seeds constitute majority of its revenue. Innovative and unique varieties of bubble milk tea are expected to continue giving competitive advantage to the company in future market.

Situation Analysis

1. 0 SWOT Analysis

The biggest strength of Lollicup is its experience in selling bubble milk tea successfully in US. The UK market not being much different from the US market in terms of customer segments and perceptions, Lollicup can use the same strategy used in USA to launch the product in UK.

The main weakness for Lollicup is its endeavor to expand beyond US for the first time. So it has no experience in external markets. UK being its first external venture, Lollicup is faced with this new challenge of running an operation successfully in two different countries.

The UK market is still untapped. A new product like bubble milk tea will definitely offer enormous opportunities to Lollicup in UK. It has the potential to take the market by storm with its new product within few years.

The main threat comes from the two main competitors already present in the UK market. Bubblicious Tea and Bubble Tea House Company sell bubble milk tea products online and in few places through third party vendors in UK. As soon as Lollicup enters the market with its products and set up restaurants and kiosks, these competitors can replicate the same model to sell bubble tea. This will create more competition for Lollicup.

2. 0 Industry Analysis

Nonalcoholic beverage industry is mainly dominated by carbonated drinks with Coke and Pepsi constituting $\frac{3}{4}$ of the market. However, in recent years there is a trend seen among people in shifting towards more healthy drink options. Fruit juices as well as other healthy choices are becoming very popular in demand. Bubble milk tea is healthy and does not contain high

caffeine substances with less calorie content compared to other drinks.

Hence it has the potential to become a very healthy choice for the customers in future given the current drinking trend in UK.

3. 0 Competitor Analysis

In UK currently two companies, Bubblicious Tea and Bubble Tea House Company are the leading players in the market of bubble milk tea. However, both the companies don't have any store for bubble milk tea in UK with all their products sold online and through third party vendors. These companies also sell their products through established supermarkets like TESCO. The competition still lacks the visibility in UK because physical presence of a store provides a lot more visibility than just selling a beverage product online or through third party retailers where among hundreds of products bubble tea doesn't accrue the visibility it deserves.

4. 0 Company Analysis

Lollicup has experience in selling beverages in restaurants. Also it knows how to operate kiosks for bubble milk tea in college campuses and sell its product through internet. Lollicup can use its experience in USA to expand its business in UK which is a smaller market comparatively.

5. 0 Customer Analysis

In view of the fact that the UK market still lacks something creative and outrageously fashionable in terms of non-carbonated drinks for children and females, an exclusive product of bubble milk tea typically targeting students and young females could be developed and sold into the market. Since besides students, the targeted customers include young females many of whom are figure conscious, the new product would keep the option open for

using sugar substitutes like honey, stevia, agave and aspartame on special request (Stradley, 2004).

Market-Product Focus

- Marketing and Product Objective

Bubble milk tea has huge potential to become a sensation in the UK market, primarily because nothing close to the novelty of bubble milk tea has ever been introduced in the UK through retail outlets and restaurants. Currently the market has a few varieties of energy drinks like boost, red bull, monster and sodas like Coke, Pepsi but nothing novel like a tea based smoothie or tea based choco flavored drink with strawberry tapioca marbles floating at the bottom of the glass is sold yet. Further, since in recent times people are shifting from carbonated drinks like Cokes and Pepsi to non-carbonated drinks and the non-carbonated drinks available in the UK market currently are not exciting enough, something as interesting as bubble milk tea would give Lollipcup a lot of marketing advantage. A Bubble milk tea outlet will be a new and refreshing concept for the UK customers.

- Target Customer Segment

The target segment for bubble milk tea is young females aged between 16 and 30 and students between ages 13 to 30. The beverage industry is now focused on producing health oriented drinks which shows that the consumers are not merely satisfied with the offering of good taste and a multitude of flavors, they are also looking for health ingredients in their drinks. They need a drink which would fulfill their nutritional needs. Bubble milk tea gives that nutritional value that a body of growing age is in need of.

- Points of Difference

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Lollicup will not launch the whole line of products initially in UK. Lollicup will launch mainly tea based or milk based bubble milk tea products with an additional option for coffee base for lovers. Either green or black tea would be used as base of the drink. Green tea is calorie free and its consumption up to 8 times a day is recommended. Green tea is 99.5% water and therefore, it will maintain body hydration perfectly in summer months. Milk is essentially very good for young students and health conscious customers. These features will distinguish bubble milk tea from other carbonated and non-carbonated drinks.

- Positioning

In the wake of the latest ban imposed on selling energy drinks in few UK schools and colleges, there are chances to grab the market in schools by introducing bubble milk tea which would be a much healthier substitute for the energy drinks. The base of bubble milk tea is mainly black or green tea. Additionally, there is yet no drinking product launched targeting at women. Therefore, the coffee based, tea based and even the milk based bubble tea drinks would appeal the young female crowd. Further, since there would be option for using sugar substitute for health freak customers, many young college students and young women would get drawn to it.

Marketing Program

- Product Strategy

For teenagers, the products can be made available in the schools kiosks. Lollicup intends to design small colorful and low priced bottles of the drinks with flavors which are popular among teenagers in schools and colleges. The colorful bottles will attract them and also the low price will help them buy the

product as often they may not carry much money with them to buy something pricey. For attracting young adults, a curvy and colorful bottle design to package the product should be hugely helpful in drawing the attention of the young customers, especially young women (Jones). These bottles can be made available in colleges, university kiosks and restaurants strategically placed around college and school campuses. If this strategy works then it can create a buzz among the student community immediately. Later after the product peaks up among the young population, it can be targeted to the general audience.

- Price Strategy

Based on the secondary data available on internet, it is seen that competitive price ranges from £1. 00 to £4. 00 per bottle of beverage. The lowest priced beverage segment is dominated by carbonated drinks like Coke and Pepsi. The higher end of the bottled beverage market is dominated by pure fruit juices. The pure fruit juice bottles are often priced more than £3. 00 and upwards. Lollicup plans to sell in colleges and school through bubble milk tea kiosks and restaurants (Ho et al, 2007). In those places the product will be available in bottles and ready-to-go glasses. The ready-to-go glasses will be sold at £1. 25. Bigger sizes will be sold at £1. 75 which will place it at comfortable lower price than fruit juices and not too high a price than carbonated drinks. In schools smaller sizes will be available in kiosks priced at £0. 99 in different flavors. This pricing strategy will not dilute the product image as a roadside cheap product and maintain its image as a good healthy and quality product.

The cost of goods sold for the company will be £0. 50 for the smaller bottles

and £0.65 for the standard sizes. The bigger size will cost £0.80 to the company. Lollicup needs to spend £500,000 million in acquiring and renting machines and manufacturing facility. Additionally Lollicup needs to pay £50,000 as rent every year. It also needs to pay £200,000 as salary and other administrative cost. To break even the company needs to sell around 2,500 bottles/cups of drink every day in London and Birmingham.

- Promotion Strategy

Lollicup wants to be the number one brand in non-carbonated drinking segment in the UK within next 5 years. Therefore, the main purpose of the promotional campaigns would be to create awareness and reputation for the product among the targeted customers and eventually increase the market share. Lollicup plans to hire a PR team to launch a promotional campaign in Facebook, Twitter and MySpace. The PR team would post the links of promotional videos, posters and anecdotes related to bubble milk tea to grab the attention of the consumers on these social networking sites. Lollicup will try directly engaging in communication with customers who are using bubble milk products in USA to get their feedback on the products on social networking platforms. Free samples of the drinks would be distributed in schools, colleges, universities and other public places in order to increase awareness and encourage people to give our product a try. Lollicup will also create marketing campaigns through mails and emails to targeted customers. Lollicup plans to place advertisement on popular women magazines such as Vogue, i-D, In Style UK, Dazed & Confused, Look, Schön! Magazine and Asian Woman magazine. The company also wants to promote the products by purchasing spaces on billboards, subway stations, buses,

schools, colleges and shopping malls.

- Place Strategy

Lollicup has plans to roll out the product in UK market in a phased manner. In the first year the plan is to test in schools of 2 different cities and open up restaurants in those cities only. It plans to open around 30 kiosks and restaurants in those two cities. London and Birmingham will be the pilot locations for testing as they have high population density. This first year is very crucial to the whole product launch and segmentation. The smaller bottles sold in schools in all three size options will be available in colleges and universities.

Financial Data and Projections

Lollicup has grown very fast in last ten years with only 5 stores and revenue of less than \$300, 000 in 2000 and now it has become a \$50 million company in 2012. The average growth rate in last few years has been almost 30-40% with no signs of slowing down.

UK market will be completely a new market for Lollicup but with its experience in USA, the company plans to start with 30 stores or kiosks in and around schools and universities in London and Birmingham. It plans to sell around 2, 500 bottles/cups per day during the first year with year on year growth target of 30% in first 5 years. The revenue will be around £ 800, 000 in the first year and it will grow to become £ 2. 25 million in next 5 years.

Organizational Structure

Implementation

Lollicup needs to invest in operations and marketing initially to launch the

product in UK market. Lollicup has to invest in a big few hundred thousand square feet warehouse in the first year in Coventry from where it will provide its operating stores the required raw materials. Buying machines for mixing different types of ingredients and then bottling them is not costly and even can be bought from second hand market to start with. Lollicup will buy some of the machines from the second hand market to reduce initial investment. By the time second year starts Lollicup will know how well the product is picking up. If it shows desired acceptance Lollicup will start selling it in all major cities in UK. Also the number of stores and kiosks channels through which Lollicup is selling in the first year will increase. By the third year, the product will be available throughout the UK market provided there is no major hiccups occur in sales or operations.

Evaluation and Control

The target taken by Lollicup seems to be moderate and achievable. The main threat comes from the two competitors in UK market in the same line of product. These competitors may expand their business faster than Lollicup will be able to do in UK market. However, Lollicup has an advantage of being a bigger company than those two companies. Lollicup can make big investment to eliminate competition by low cost strategy which other players will not be able to sustain (Evaluation and Control of Marketing Performance). This new venture also gives the company new opportunities to venture in mainland Europe in near future. Mostly this marketing venture by bubble milk tea will be a success as it has got more opportunities than threats in the project.

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