

# Positioning of the new product marketing essay



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Starbucks is the leading roaster, retailer, and marketer of speciality coffee in the world, It also has the world famous Frappuccino Blended Beverages, which include Green Tea and Chai Tea beverages. Currently, Starbucks is planning to introduce bubble tea products into New Zealand. Bubble tea is a tea base drink blended with fruit flavour and chewing balls. It is a popular drink in Asian countries, and has been accepted and loved by the people around the world. This bubble tea product line will be branded as Bubblecino. This marketing plan analysed the current market environment and situations, and will be used for the introduction of Bubblecino into New Zealand market. According to the analysis, Bubblecino is going to be the premium bubble tea in the market which offers premium quality with best service and outstanding store environment. The main target market for Bubblecino is younger people and people who are concerning healthy drinks. This marketing plan also identified the marketing objectives in the following two years, including achieving NZ\$1 million on Bubblecino sales. This marketing plan then suggested the products design, pricing of Bubblecino, distribution decisions, and promotion mix, which includes internet advertisements, outdoor display, bus signs, sampling and use of coupons. Lastly, the coordination and control of the marketing plan was also covered in this report.

## **Market's Size**

It is difficult to analysis the market size for bubble tea as it is still a brand new market in the most of western nations. However, New Zealand has the culture of drinking traditional English tea, and New Zealanders should have a decent market foundation for the tea based beverages. Another way to

analyse New Zealand market is to look at the other countries that have similar culture and other social characteristics. One of example is London, UK. DailyMail reported Bubbleology, which is London's foremost purveyor of bubble tea had a forecast sale of £4. 5 million for 2013 (Arthurs, 2012). Considering the population of London is around 8 million currently which is two times of New Zealand population, it would be reasonable to estimate the market size of bubble tea in New Zealand would be around NZ\$2 million per year. It is a decent size of market for Starbucks, who made a sale of NZD26. 5 million last year (Starbuck, 2012). In additional, based on the last year's sales figure and assumption of average spending of NZ\$8 per person, Starbuck accommodates around 3 million customers every year. Although it is too unrealistic to estimate all 3 million customers to buy a bubble tea product, this customer base provides a market potential for Starbuck to promote its bubble tea products.

## **Market's Needs and Trends**

The market trend within the recent decade on drinking industry is people in western countries are more open and starting to fall in love with the tea based drinks. Iced tea products, such as ready-to-drink Lipton Iced teas can be seen in every supermarkets and shops in New Zealand. The fast developing of Lipton helps bubble teas to unlock the preconceived notions about the tea. People nowadays are more accepting the new tea based products, such as bubble teas. In addition, more and more people appreciate and understand the benefit of drinking tea. It is scientifically proven that drinking tea could reduce the chance of heart diseases and several cancers (Harvard Women's Health Watch, 2004). The current market trend in

beverage is people are more concern about the health issues and would prefer a healthier drink (Theodore, 2005), and there is a expecting continually grow on the demand of tea related products. This trend is recognised by the Starbucks. Recently, Starbucks is offering to buy Teavana Holding Inc, which sells high-end loose leaf tea in 300 shopping malls in US (The New Zealand Herald, 2012). Starbucks already owns Tazo tea brand since 1999, and this purchase offer shows Starbucks' growing interest in tea, and its willingness to expand its tea related products.

## **Competitors**

The current competitors for Starbucks on bubble teas are other bubble tea shops. Most of these bubble tea shops are located in the Chinese or Asian restaurants, food courts, or the place where there is a big Chinese customer flow. The bubble tea was firstly introduced into New Zealand by these bubble tea shops. They have the advantage of being well known by the Asians and bubble tea lovers. Other advantages of these bubble tea shops are lower price and shops are offering other Asian cuisines. It is very common for people to order a cup of bubble tea while they having their lunch in Chinese or Asian restaurants or food courts.

However, these bubble tea shops have their disadvantages. There are operating individually, and there is a lack of brand awareness for these bubble tea shops. For those who are unfamiliar with Asian cuisines, it is possible that they have never heard about bubble tea before. There is no domain brand in the bubble tea market at this moment, and most bubble tea shops are in small size. Lastly, the shop environment of these bubble shops

is not very decent. Most of these shops have the similar store decoration level as fish and chips stores.

## **Internal Environmental Factors**

### **Strength**

The internal environmental factors facing by Starbuck if it wants to promote bubble tea include its strong brand awareness across New Zealand.

Starbucks is the leading retailer in coffee and other blended beverages. It is most welcomed by the young people and white-collars. It is well known on its modern in-store design and great customer services. There are 35 stores across the nation in New Zealand currently. Most of stores locate in CBDs or big shopping malls. This is a great platform and store chain to promote the bubble tea. In addition, Starbucks have well trained staffs in every store, which means Starbucks requires less training time on staff.

### **Weaknesses**

However, Starbucks has its disadvantages. For some people, Starbucks has been considered as a fast food brand from the US, and the products Starbucks offered are nothing but fast food from mass production line. This will create a bad image for Starbuck if it wants to promote the health benefit of drinking tea based products. Another weakness of Starbucks is the requirement on machine upgrade and staff training as bubble tea is a brand new product for Starbucks. Lastly, although Starbucks has already offered tea based products, such as Green tea and Chai Tea beverages for years, the society still link Starbucks with coffee. This innate ideas from society will require Starbucks to spend time and money on convert such ideas during the promotion of bubble teas.

## **External Environmental Factors**

**Opportunities** The opportunities facing by Starbucks for promoting bubble teas include the market trend of that more people are concerning the health issues and how their beverage could influence their health. Tea has been recognised as a healthier drink, and it could be expected there is a increasing demand on the tea related products. Another opportunity for Starbucks is the fact that although bubble tea market has many market players, there is no domain brand in the market. Starbucks has capital and brand advantages, with lower level of competition in the market, Starbucks could gain a big market share if it decides to introduce bubble tea in New Zealand.

## **Threats**

However, because the barrier to enter the market is low, and there is really nothing to stop others to step into the market, the competition in bubble tea market could increase if other big brands, such as Coca cola or Pepsi decided to introduce their bubble tea products.

## **Market Segmentation, Profile of the Target Market and Positioning of the Product**

### **Segmentation Factors**

The current New Zealand market could be divided into different segments based on demographic, geographic, psychographic, or behavioural.

Demographic segmentation factors divide the population by age, income, gender, and education. There is a need to conduct a market research to better understanding the correlation between individuals' demographic characters and their preference on bubble teas. However, it could be

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expected that young people and female might like bubble tea more. People who have a higher education level may also more concern about their health. This high level of health might lead them to drink more tea based products.

Geographic segmentation factors divide the population into different geographic areas. However, New Zealand is a small country, and there is no big difference between people live in different cities, or live in rural or urban areas. Therefore, the geographic segmentation might be irrelevant in this case.

Psychographic segmentation factor will divide the population by lifestyle and their interest to the Asian foods. As discussed previously, people who have a healthier lifestyle would like to have a health tea based drink. People who interested in Asian or Asian foods would have heard or tried bubble tea before. They are existing customers of bubble teas. It also means this group of people are more open to accept new taste and like to try something new.

Lastly, behavioural segmentation factors divide the population by their loyalty status. There is not much difference between bubble tea offered by Starbucks and bubble tea from other bubble tea shops. The indifference on bubble tea products means Starbuck needs to focus on the customers who have a strong or absolute loyalty on the bubble teas offered by the Starbucks.

## **Description of the Target market**

Based on the above discussion on the segmentation factors, this business plan could describe the target market for Starbucks. The target market of <https://assignbuster.com/positioning-of-the-new-product-marketing-essay/>

Starbucks's bubble tea is those young people who have a higher education level, have a healthier lifestyle, who are interested in Asian or Asian foods, and who have a higher level of loyalty to brands.

## **Positioning of the New Product**

The position of bubble tea offered by Starbucks is a premium bubble tea offered by Starbucks. It is fashion, cute, and fulfilled the needs of younger people who like something sweet, health, and fun to drink. It is a bubble tea with a higher price compared to other bubble tea shops, but it is also a bubble tea offered in the great in-store environment with high quality services. It is also a bubble tea which served in the classics Starbucks's clear plastic package with Starbucks's famous two tails mermaid logo on the package.

## **Measurable Marketing Objectives**

Starbucks is considering introducing bubble tea into New Zealand. It is going to be branded as Bubblecino, and it will be introduced to public in all 35 stores across the nation. The objectives of the business plan for bubble tea in the next two years are:

To increase the public brand awareness on Bubblecino, especially the public awareness about the health benefit of drinking tea based beverage and the fun and tasty of drinking Bubblecino

Start with the most popular flavour and mixing formulas, Bubblecino will introduce a new flavours and mixture every months to gather the responds from the public and determine the best sellers



To achieve NZ\$1 million on the sales of bubble tea, which is the 50% of the estimated New Zealand market share, if there is no major competitors appeared during the next two years period

## **Marketing Strategies**

### **Product Decisions**

The Bubblecino is going to make in store as other beverage in Starbucks.

The Bubblecino is served in the half-round top, clear plastic cup which is also used for Green tea Frappuccino, and Tazo Chia. The reason to use clear plastic cup is that customers and other could see the colourful of beverage (depends on the flavours customers choose), and the chewing pearls at the bottom of cup. The reason to use half-round top is the customers could have the option of adding cream on top of their bubble teas. The straw will be slightly different to the straw used for Frappuccino. The straw will bigger so the chewing pearls could be easily sucked out. The straw will still be the classic Starbucks's green. The package will help to differentiate the Bubblecino from other bubble teas, and help people to be aware that it is a cup of Bubblecino from Starbucks.

The waiting time for bubble tea should be similar to the waiting time for other coffee products, which is normally no more than one minutes if the store is not very busy. When making the orders, customers have the choice of different fruit flavours, such as honeydew, watermelon, strawberry, bananas and other common fruit flavours. As discussed in previous section, Bubblecino will introduce new flavours every month to gather responds from customers about the taste of such flavours, and if such flavour is welcomed, it will stay on the menu. During the early marketing stage, a research is also <https://assignbuster.com/positioning-of-the-new-product-marketing-essay/>

needed to determine what mixture formulas and which flavours are most suitable and accepted by New Zealanders. There are three size of cups available, tall, grande, or venti (which represent small, median, or large respectively). Lastly, customers also have the options of adding cream on top of their bubble tea, upgrade to double chewing balls, or adding Nata (which is coconut gel and it is also chewing).

## **Pricing Decisions**

When deciding the pricing of Bubblecino, this marketing plan considers both internal factors and external factors. The first consideration is the cost of goods sold. The raw materials for Bubblecino include tea, milk, fruit flavours, chewing balls, cream (if customers order it), Nata (if customers order it) and package. According to Boba Tea Direct. com (n. d.), the approximate cost for materials was USD \$0. 75, which was about NZD \$1. 00. The cost of cream and nata is difficult to determine at this stage and there are extras customers could add on, so this business plan will focus on the cost of making a regular bubble tea at this stage. The cost of package is around NZ\$ 0. 10 as there are similar plastic cups on sale on the internet for less than US\$ 0. 05 each. The labour cost of making a cup of Bubblecino will determine by the time required to make one. Assuming the labour cost is NZ\$ 15. 00 per hour and it would take around 2 minutes (1 minute to order and 1 minute to make), the labour cost of making a cup of Bubblecino is NZ\$0. 50. The cost of overhead is difficult to determine, with lack of information on the total overhead cost. Therefore, in this marketing plan, the overhead cost will be assumed as NZ\$1. 00 per cup. From above assumptions, the cost of

making a cup of Bubblecino is around NZ\$2.60. This cost gives Starbucks enough margins to set their prices.

The external factors include the prices offered by competitors and customers expectations. Other bubble tea shops sell their regular bubble tea at NZ\$5.00 per cup. However, customers should be happy to pay more if the service they received is great and the in-store environment is great, as they understand Starbucks will have a higher level of overhead costs. In addition, Starbucks is selling their coffee and other beverage at around NZ\$6 per cup. Therefore, it is reasonable and acceptable by the market to set a cup of Bubblecino at NZ\$6.00 per tall cup, NZ\$6.50 per grande cup, and NZ\$7 per venti cup. Customers need to pay NZ50c more if they want double the chewing pearls, or add cream, or add Nata.

At this selling price, every tall cup of regular bubble tea will give Starbucks a NZ\$3.40 operating profit. This higher profit margin will help Starbucks to continually improve the quality of products and services, and become the premium retailers of bubble teas.

## **Place (Distribution) Decisions**

The direct retail in 35 Starbucks stores across New Zealand will be the distribution channel for Bubblecino. Bubblecino will be offered in these stores as coffee or other beverages. These 35 stores are either located in CBDs or big shopping malls. Because the target market of Bubblecino is young people and white collars, these stores are the great distribution channel. There is a huge amount of customers flow past the store every day, especially during

the weekend and holiday. This creates a good platform for Starbucks to distribute Bubblecino.

## **Promotional Decisions**

The promotional decisions for Bubblecino include advertisement through the internet, outdoor displays, and signs at the back of buses. Internet advertisement includes advertising the introduction of new Bubblecino on Trademe, and other most frequent visiting websites in New Zealand.

Facebook is also an efficiency way to promote new products, and it is a very common practice in food and beverage industry. Currently Starbucks New Zealand does not have a Facebook account. The marketing manager might consider opening an account for Bubblecino and using it to promote new products and new events. The outdoor displays outside of the stores will also help to advertise the new product as most of stores are located in the busy place where there are thousands of people walk past every day. The outdoor display is a low cost and very efficiency way to promote the new products. The signs at the back of buses have the similar effect as outdoor display do, but buses signs could reach beyond the CBDs or shopping malls. Because buses travelled to different places, including residential areas and industrial areas, it has a wider coverage to promote the new products. This advertisement mix has the advantage of lower cost but efficient to spread the awareness of new Bubblecino.

Starbucks should also use sales promotions, such as sampling and coupons are also effective to promote new Bubblecino. Starbucks, and other food and beverages like to use sampling taste to promote their new products. It is quite often to see in the supermarket, malls, or on the street that staffs are

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offering taste samples to people who walk past. This will help customers to have a direct perceive about know how good and tasty their products are. The sampling will work better if the coupons are also used during the new product promotion. Marketing managers could consider to offer the coupons, such as two cups at price of one on group buy websites, such as GrabOne and TreatMe. It is a very efficiency way to quickly generate big amount of sales for new products, and start to build its customers base. It also attracts customers who have seen the products, but was not bother to try.

## **Coordination and Control**

The success of a market plan is also determined by its coordination and control. One of the most important coordination is ensuring the flow of the feedback and information among different departments in the Starbucks. The stores need to report the sales and responds from customers to marketing department to help them decide the appropriate marketing decisions. The marketing department needs to inform the store about any special or coupons they are going to advertise so the stores could prepare themselves well for the possible increase demand and sales.

Another important factor is the review. There is no marketing plan which will work forever. Through the time and change of situations, the marketing department needs to review its market plan according the external and internal environments, such as change of market share, or new competitors entering the market. The review will also help marketing department to determine and evaluate the success of a marketing plan and whether and how such marketing plan need to adjust.