

Pacific Coffee Market Analysis: The Viability of Asian Coffee Brand Pacific Coffee in US

North Eastern Market

Kean University

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Executive Summary

Pacific Coffee, a Hong Kong based coffee shop chain with a Pacific Northwestern U.S style, aims to go international and expand their brand beyond East-Asian markets. Despite its growing prospects towards an American market, Pacific Coffee would encounter many obstacles such as an oversaturated market and difficulties in increasing brand awareness with its previous methods. Through a PEST and SWOT analysis the brand's ability to create a successful presence in Union Township of New Jersey was measured amongst the powerful coffee shop chains currently dominating the region. This data was then compiled alongside surveys to ultimately provide a recommendation to Pacific Coffee on which integrated omni-channel marketing campaign will ultimately be the best method to enter the American Market. Instead of a sales approach, by attempting to infiltrate the market through increased brand awareness Pacific Coffee has a much higher chance for success within the city of Union.

Company & Market Overview

Pacific Coffee is a Pacific Northwest U.S.-style coffee shop group from Hong Kong with market branches developed in China, Singapore and Malaysia. Pacific Coffee has a profitable business model which contains both B2B (Business to Business) and B2C (Business to Customer) models. For their B2C model, Pacific Coffee sells different kinds of premium level beverages besides the main product coffee. Pacific Coffee also provides fresh baked bread from the oven in the store. As for the B2B business model, they provide coffee beans and coffee machines to coffee stores and business organizations. Pacific Coffee produces high-quality drinks and baked goods to attract consumers purchasing high price point goods. Pacific Coffee is a brand well established in Asian markets but has little market share in western markets.

The retail value of the U.S. coffee industry is projected to be forty eight billion dollars. In Union, New Jersey there are major populations of students and business professionals. Pacific Coffee is expanding its scale in Chinese markets. They targeted the brand as eastern coffee that is made in China and by Chinese people to attain success. Pacific Coffee has collaborated with Mixc in China to gain market share from 2010 to now. In the US market, the market potential of Pacific Coffee in New Jersey is very significant. However, the competition in the coffee industry in New Jersey is very intense. In New Jersey consumers have many alternative coffee brands to choose from such as McCafe, Starbucks, and Dunkin. Also according to our data collected, almost half of the participants have Starbucks as their favorite coffee brand. Pacific Coffee needs to compete with these brands using its high-quality production level and freshly made food.

Project Objectives

The project is aiming at earning 10% market share of local coffee consumption by one-year starting in Fall 2020. The brand will majorly have two campaign series to activate the brand awareness and foster consumer loyalty. In phase one, we will use omni-channel marketing to bring up brand awareness on social media platforms. In phase two, we will initiate the reward program, build up brand loyalty, and accumulate consumers. We have a one-year quantitative goal of getting 10% of the local market share of coffee consumption by entering in Fall 2020. The phase one activating social media campaign will be held during September and October; the reward app and other sales related consumer loyalty tactics will be introduced to the market in the following three months.

PEST Analysis of your potential market (Union, New Jersey)

A PEST analysis is an analysis of a potential market's political, economic, social and technological factors that may influence the success rate of the future business within the region.

Political factors.

Pacific Coffee is greatly dependent on international trade and regulations, specifically because coffee is the main product sold. Trade relationships between different countries is one of the main factors when it comes to determining the price of the beverage (coffee), which then ultimately impacts the sales. As of now, there are plenty of international trade agreements securing the success of the coffee industry.

Economic factors.

A growing economy can help consumers view coffee as a staple beverage they can afford, thus enabling the sale of premium grade coffee. However, coffee could also become a luxury if the

economy hits a low point. Economic crises can also have an impact on consumers' spending and saving habits, which may be a factor in how often they purchase coffee. Combined, all of this can directly affect the sales of Pacific Coffee.

Social factors.

While coffee has always been a popular beverage, in recent years the development of endless customizable options cater to a larger demographic of consumers whose main priority isn't simply caffeine consumption. Consumers now place a much larger importance on the type of brand they drink, which cafe they go to, and the process by which the coffee beans are grown and harvested. Sustainable and ethical sourcing may also be a deciding factor in where consumers choose to buy their drinks from. A simple cup of coffee made at home has now evolved into artistically topped lattes and cappuccinos at coffee shops. This growing coffee culture is a huge plus point for Pacific Coffee because this means a growing number of consumers. Consumers are also increasingly looking for healthier alternatives when it comes to their food and beverage. This awareness of healthy eating is a great opportunity for Pacific Coffee to add healthier milk options, sugar free drinks, and just an overall menu with healthy snacks and drinks. Staying in tune with the customers will help Pacific Coffee stay relevant. Lastly, the growing middle class in Asia is another opportunity for the coffee industry. If one enters the middle class, they have a little extra money to spend beyond basic needs, such as buying a cup of coffee or even adding extra cups.

Technological factors.

Consumers are now able to order food and drinks directly from their phone, which makes restaurants and cafes far more convenient and accessible. These mobile purchasing apps can be a

great opportunity because it gives customers an enhanced consumer experience which will then drive brand loyalty. Since coffee is such an important part of one's daily morning routine, mobile purchasing apps will allow Pacific Coffee to make it easier for customers to save time because they can order through the app and then just pick up. With the increasing number of coffee machines made for home use and their ability to create lattes and specialty drinks consumers may feel they no longer need to purchase handcrafted beverages. This technological advancement places a direct threat on businesses attempting to survive in the already oversaturated cafe industry, like Pacific Coffee.

Situation Analysis of the project (SWOT Analysis) of potential market (Union, New Jersey)

<p style="text-align: center;">Strengths</p> <p>Brand Image: The company is recognized as serving the best coffee in Hong Kong, having won numerous consumer awards organized by major magazines and websites.</p> <p>Fine Products and Services: The company selects only the best coffees from Central and South Africa, Indonesia, and Kona. The coffee is 100% Arabica, sustainable varieties, chemical and pesticide free.</p> <p>Social Responsibility: The company has committed to raising funds for disabled children in local communities and to actively combat climate change.</p>	<p style="text-align: center;">Weaknesses</p> <p>Low brand awareness & low market share in overseas markets: Pacific Coffee's goal was the Asia Pacific region but the company only has a few branches outside of Hong Kong</p> <p>Over dependent on coffee and coffee related products: With the coffee industry growing and offering a variety of different drinks and foods, Pacific coffee doesn't have much variety compared to its competitors.</p> <p>High price products: The product price is also higher than some competitors such as McCafe, which can result in loss of customers and profit.</p> <p>Poor advertisement: There's limited advertising while other companies in the market have better marketing, which results in more customers.</p>
<p style="text-align: center;">Opportunities</p> <p>Expansion of Global Operations: Due to the growing popularity of coffee, Pacific Coffee has the ability to enter different markets.</p> <p>Social Trend of Environmental Protection: Pacific Coffee can encourage the use of reusable cups and in return provide discounts.</p>	<p style="text-align: center;">Threats</p> <p>Limited Variety: There are always new drinks being introduced to the market and this can be harmful to the company since it only relies on coffee products.</p> <p>Multiple Competitors: Starbucks, McCafé, and local Rock'n'Joe Cafe are all direct competition for Pacific Coffee.</p> <p>Economic Impact: Downturns in the economy and shifting consumer priorities can affect consumer</p>

Coffee Culture: Pacific Coffee can capitalize off of consumers desire for more diverse menu options.	spending, which can lead consumers to see coffee as a luxury rather than a need.
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Market Segmentation, Target, and Positioning

Demographic:

The demographic would consist of college students and young professionals with income levels between \$10,000-\$50,000, high educational background, and about 50% male 50% female aged 18 to 30.

Behavioral:

The intended consumers should already be familiar with third-party delivery services like that of Doordash, Uber, and Grubhub and can be categorized as an avid consumer of higher quality coffee but unwilling to pay for more expensive brands. Users of such apps are more likely to join a rewards system like that of the “A Perfect Cup Card” loyalty program.

Target:

Target will be the Kean University population of around 10,000+ students and staff and local young professionals in the Union City Area. This will consist of a specific focus on commuters and those that rely on meal points. There is a high growth rate within this part of the coffee market and the potential for high revenue once a strong brand presence is established within the area. Pacific Coffee will diversify the current options available to commuters and university students. These markets were selected as they are ones that are the most compatible with Pacific Coffee’s brand. While Pacific Coffee has multiple locations in major cities it has yet to reach

college campuses and the surrounding area so this would be an entirely new market for Pacific Coffee to enter.

Positioning:

Pacific Coffee not only provides the perfect cup but a total lifestyle. It offers the luxury coffee drinking experience through its high-quality drinks to coffee lovers on-the-go at affordable prices. Our current market position is a high-quality coffee Northwestern Style brand with an “East meets West” concept. Our new position will consist of an “East meets Union” concept, a brand that specifically caters to the needs of the American coffee consumption market by providing premium quality coffee on a budget. We are aiming for a 10% market share in one-year within each target market.

Marketing Strategy (4P)

We conducted our study by distributing surveys to the sample of 25 Kean University students on their inputs of coffee prices, preferred shops, and demographics. This allowed us to analyze how and what to change in our marketing strategy to effectively cater to the target market.

Figure 1: About 72% of the demographics in the participants are from Generation z and reside within our target market. This allows for more validity in our survey giving us more of an accurate understanding of the consumer base.

What generation do you reside with?

25 responses

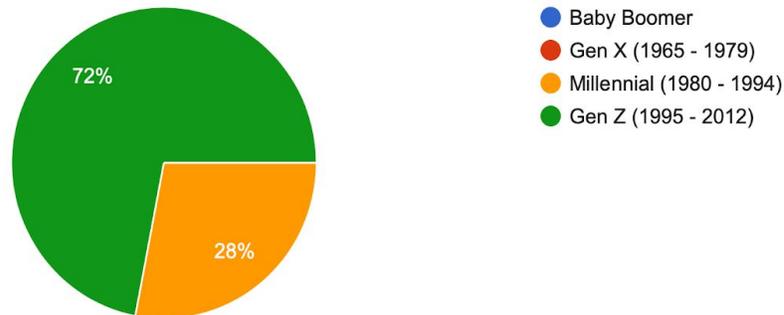


Figure 2: 92% of our participants have had a college education. This may influence their taste in coffee or patterns in coffee drinking as college students are more susceptible to drinking coffee, especially during exam weeks.

What is your highest educational level?

25 responses

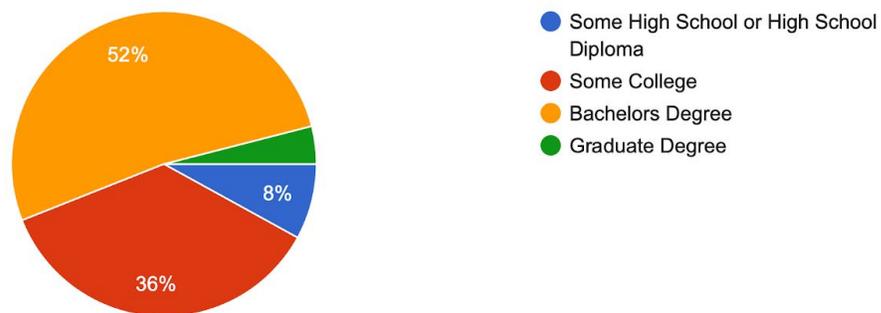


Figure 3: Since not all of the participants do drink coffee, this gives us information on how there may be alternative beverages to market forwards instead of staying in the coffee area. This would expand on our selection and be more inviting to non-coffee drinkers.

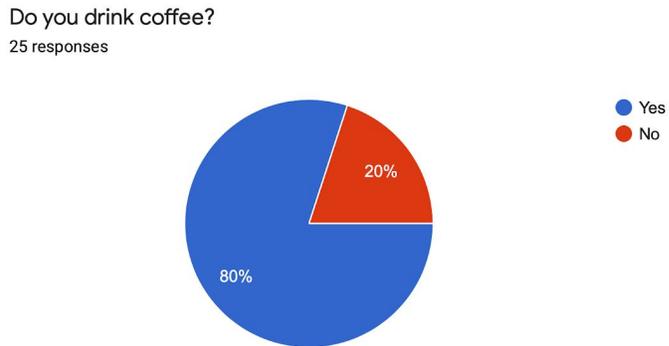


Figure 4: Surprisingly, 20% of participants are not welcoming to entering a different style of coffee shop. This may be due to loyalty to their specific coffee brand. Although, 80% are welcoming and may display further interest if met with incentives especially during the grand opening.

Would you be interested in a Northwestern style pacific style coffee shop?

25 responses

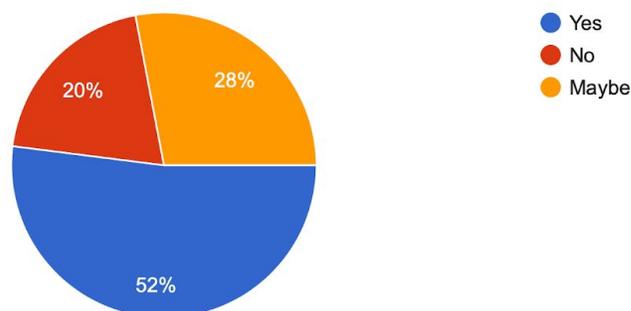


Figure 5: Average came to be three dollars and fifty-five cents when it came to price for premium coffee. This may be a stretch as coffee from Starbucks for a cup is one dollar and eighty-five cents. Although, we could include different free benefits to the cup of coffee, including free additives allowing free customization for the consumers (e.g. syrup flavors or extra shot). The price may also range from three to four dollars depending on the type of coffee which may be handcrafted, such as lattes or cappuccinos. Participants who answered “no” to the coffee drinking were asked to give us an alternative beverage. Results yielded to bubble tea, hot chocolate, and iced tea. This would be a perfect opportunity for Pacific Coffee to start a new product line, attracting a more diverse clientele.

If "Yes" what would you say is a good price for premium coffee?

16 responses

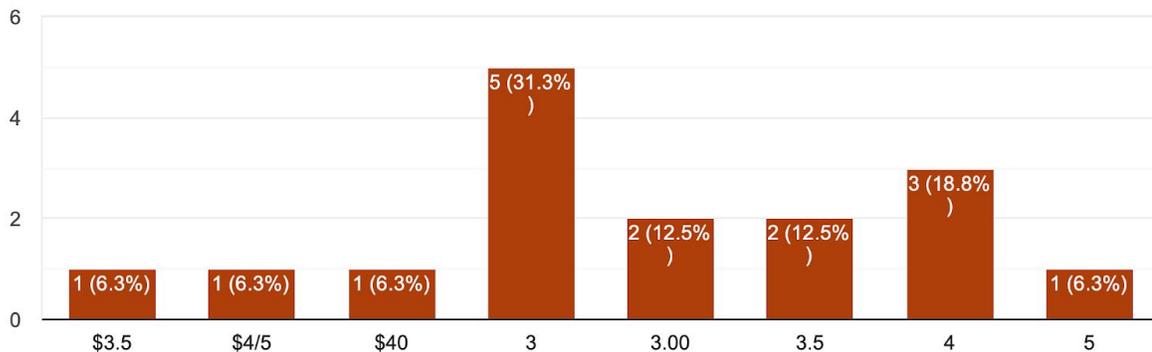


Figure 6: It is shown that consumers prefer a more in-person approach to purchase beverages. Although, 44% do prefer mobile apps. This may be to beat lines or if they are in a hurry such as being late to class, this would allow them to have a more efficient travel time.

What is your preferred method of ordering a beverage?

25 responses

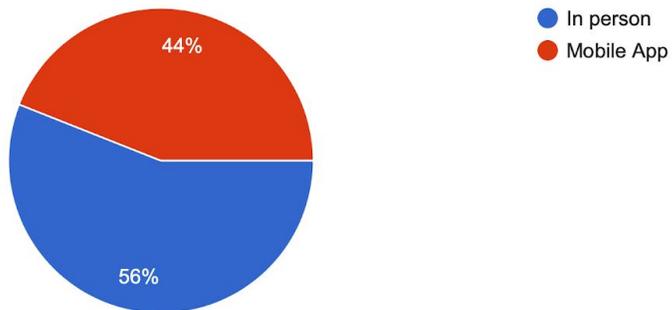


Figure 7: Participants would utilize a rewards program for them to have an advantage or promotion for their next purchase. This incentive returns loyal consumers and is shown to be effective towards the target market.

Do you/would you utilize a reward program?
25 responses

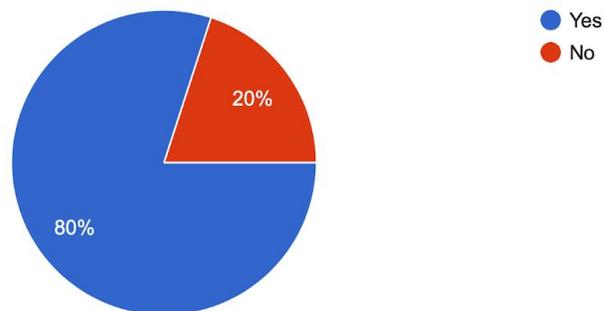


Figure 8: The mode of the choices were that participants preferred Starbucks coffee over most coffee brands. This may be due to the availability in the Union, NJ area or aswell may be due to their marketing strategy. Starbucks would be the main competitor towards Pacific Coffee.

What is your preferred coffee/beverage brand?

20 responses

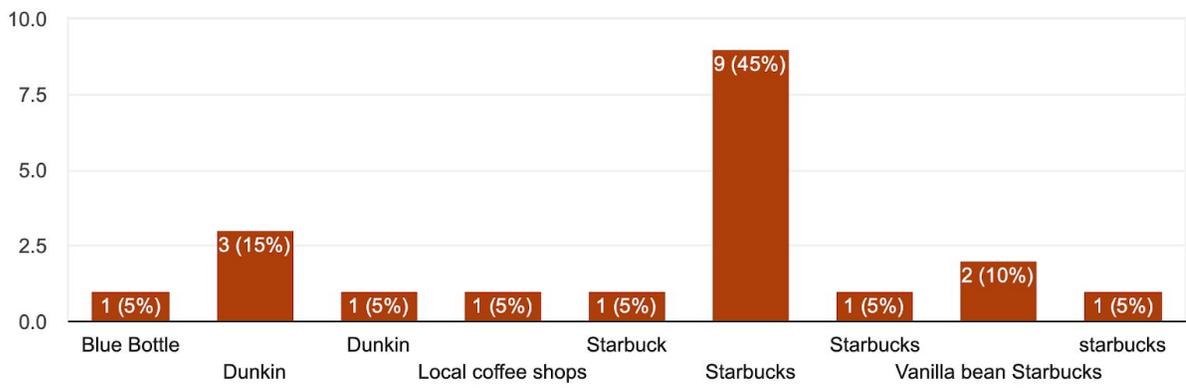
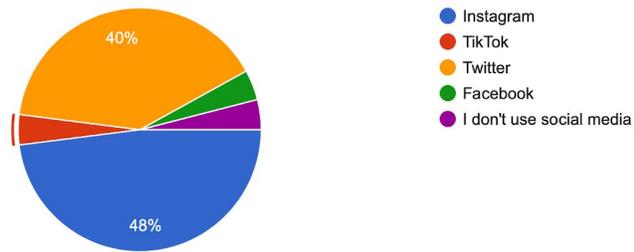


Figure 9: The two main social media outlets are Instagram and Twitter. We may use this to our advantage when it comes to penetrating to the audience and gaining more brand awareness. Ads and featuring on those apps may return significant market share.

What social media app do you use most often?

25 responses



Product:

The product would be coffee with milk alternatives and food with dietary differences

Allowing alternatives to the target market gives more availability for them to order. This more diverse diet allows for a more inviting atmosphere.

Price:

A competitive price for the product would be more than three dollars but less than four dollars. The average price of coffee in America according to Statista is three dollars and fourteen cents but with the quality put into the product, the return on investment should yield more to get higher revenue. Our target consumers would not mind the price change since they are more lenient with coffee expenses and prioritize quality over price.

Place:

Keep the consistency of having coffee shops as coffee drinking is a culture in the USA. Place Pacific Coffee shops in areas where most traffic is seen to allow access to consumers as well as promoting brand image. This can be on Morris avenue within Union, NJ. The location can be near the train station or Kean University as both carry consumers who utilize coffee more than other locations. They especially contain our target market.

Promotion:

Promotion should consist of advertising through an omnichannel market by utilizing every channel with a link to the website, social media, or application to easily keep in touch with their local pacific coffee

Campaign 1:

Increase awareness by creating partnerships with local food drives/pantries and assisting medical staff with free treats. This would be a great public relations initiative as we are supporting the American health system while still being from a foreign country (Hong Kong). This all happens

during the pandemic, once restaurants open and consumers are allowed into the store there will be store events that allow for an experience to consumers. Buying coffee should be efficient but also should be an experience. Since the target market is made up of millennials and gen z, this is an opportunity to emphasize on aesthetics as coffee shops are places where these consumers stay for a while. Either doing homework or hanging out with friends, it then becomes a comfortable atmosphere.

Campaign 2:

A sales-focused campaign consisting of happy hour promotions will allow there to be specific times for a surge of consumers to enter where they can then purchase products for a discounted price. This hour may be dedicated to BOGO or adding extra points to their loyalty rewards. Discounts through social media that may be redeemed in store. This may be through social media marketing or direct marketing such as emailing consumers who are inactive on loyalty for them to come in and purchase something.

Create immediately applicable campaign

Phase 1: Reach out to consumers letting them know that every purchase from the coffee shop gives one to an essential worker. Since there is not a lot of business currently, we can use the rest of the supply to improve our brand awareness.

Phase 2: Start working on partnerships with nonprofits such as FoodBankNJ in order to secure food for those in need. This would serve as both public relations and marketing as its giving back to the community and in hopes Pacific Coffee may gain publicity or write on their own blog about them giving back to the community

Phase 3: Redesign the stores in order to suit new hygienic standards. This may give consumers a better sense of safety if there is more window panes and repeated cleaning of the stores. Allowing more comfort would display how Hong Kong is farther ahead than America when it comes to hygiene practices whilst creating hospitality.

Conclusion

True to its brand motto “the cup, the thought, my way” Pacific Coffee will focus on an omnichannel marketing campaign that caters to the specific population of Union, NJ by following a “brand awareness approach”. By opting for an adapted strategy Pacific Coffee will update its current rewards program to accommodate the student demographic within the area by including more discounts and accepting university meal points. Also, the brand will update its website to include these changes and announce the opening of its new location and create a Pacific Coffee American market specific Instagram and Facebook page. It will also promote the app and these changes in-store and onsite through events and taste-testing. Through the surveys and studies conducted ultimately by updating the loyalty rewards program, Pacific Coffee will be more likely to garner interest as well as establish itself as a competitor within the Union coffee market. With the overall goal of bringing the same high-quality coffee drinking experience, Pacific Coffee is known for to the U.S through these marketing strategies the brand will be able to provide an integrated coffee drinking experience for all its customers, no matter if they are in East Asia or Union, New Jersey.