

# **Coffee, Tea, & Biscotti: Examining the Marketing Strategy of a Small Business Retailer**

by

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Date

Abstract

of

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The purpose of this study is to understand how marketing strategies are applied within small retail businesses. By looking at the coffee industry on a macroeconomic level, it may be possible to view those issues that also cause influence and impact on the value chain from the grower to the final consumer. Furthermore, a specific business in the specialty coffee shop industry was chosen to investigate their current marketing practices and to recommend appropriate changes that could benefit their business. In addition, a survey was conducted of their existing customers to better gauge their reasons for shopping at this business establishment and to seek the reasons that would also motivate them to recommend the coffee shop to others.

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# Coffee, Tea, & Biscotti: Examining the Marketing Strategy of a Small Business Retailer

## 1. Introduction

There have been several studies conducted on marketing strategies and their impact on performance within retail businesses. Many of these studies focused on the larger and more established companies analyzing the firms and covering a variety of industries. There have also been some studies conducted on Small to Medium size Enterprises (SMEs) and their use of marketing strategies. The focus of this paper is not only to understand how a real business implements these strategies, but to possibly shed light on whether there is a difference in ‘what’ and ‘how’ marketing strategies are applied based on the size of the firm as well as what types of marketing strategies influence customers.

A survey was conducted at Kele’s Coffee Roasting Company, a small coffee shop located in Honolulu, targeting its customers and seeking to measure the reasons for purchasing at this particular store as well as measuring their propensity to recommend, a key success factor in measuring the loyalty of a customer. This survey will hopefully reveal the needed changes in the coffee shop’s marketing strategies by examining the customer’s responses. In addition to this survey, a secondary survey that was conducted in July of 2007 will be used to illustrate what consumers of specialty food and beverage items are currently purchasing (Tanner, 2007).

Prior to reporting the findings to the surveys, a background of the coffee industry is needed to understand this unique and growing industry. Coffee is the number two traded commodity in the world and one of the top selling retail products as well. Since coffee will be illustrated as a sometime volatile industry, the impacts will be revealed to eventually show the affects not only to the major suppliers and producers of coffee, but to the small retailer as well.

Several previous studies will also be closely looked at to reveal whether there may be some correlation or connection that can be made to the current situation occurring within this small retail coffee establishment. From these particular readings, perhaps some ideas may be extrapolated to assist a small business to implement new or improved marketing strategies that eventually may lead to a good return on investment.

## **2. Background**

As mentioned earlier, coffee is the number two traded commodity in the world just behind oil. Then it should be no surprise that there are large impacts on world economies especially as the supply and demand force dictates. Unlike oil, the majority of coffee production is located in developing countries. The impact of coffee can have more than economic impacts. These developing countries are also vulnerable to social, cultural, and political implications.

Throughout recent history, the coffee industry has seen many changes and challenges. These incidences include the termination of coffee quotas, the Coffee Crisis during the years 1997-2003, the International Coffee Agreement of 2001, the emergence of Vietnam as a major coffee grower, the movement towards specialty coffees such as

organic, fair trade, and shade-tree, and finally the changing face of coffee in the retail industry.

There are approximately twenty varieties of coffee beans with Arabica and Robusta dominating the coffee market. Although these differ in grade and quality depending on the growing region and the methods of growth, coffee connoisseurs can certainly tell the difference in aroma and flavor of each of the coffees.

Robusta is the largest traded and harvested coffee bean in the world producing about 60% of the commercial coffee on the market. Robusta is found in most pre-ground and freeze dried coffees that consumers encounter in their grocery store. Robusta tends to be of a lower quality bean which is grown more for quantity purposes as opposed to quality. A majority of this coffee bean can be found in Brazil and Vietnam. It is also used in many of the blends that are sold in retail stores as well. The price of Robusta is generally lower while having higher caffeine content than other beans. Because of its bland and sometimes bitter taste, it is used in many Arabica blends to add volume while hiding some of its flavor.

The Arabica bean on the other hand is the most flavorful and tends to garner higher prices than Robusta. The retail price is higher and is usually found in specialty coffee and grocery retail establishments. The Arabica bean is found in such varieties as Costa Rican, Sumatran, Guatemalan, and Kona. Arabica costs are higher to produce than Robusta as well as having half the caffeine content. Because of this higher cost, many of the larger roasters prefer to use the Robusta. On the other hand, the growers themselves would prefer to grow the Arabica because of its higher asking price; unfortunately there is also a higher cost of farming it as opposed to the Robusta.

### **3. Value Chain**

From the time coffee is planted to the moment a consumer purchases it in a retail store, the coffee bean has gone through many hands and these hands constitute what is known as the 'value chain.' This chain consists of the farmer, exporter, trader, roaster, retailer, and finally the consumer.

The farmer can either be a small grower with a few hundred acres to a larger farm with thousands of acres. Also, many coffee farms are forming cooperatives to be able to negotiate better prices with the exporters. These exporters can sometimes consist of several farms, a separate company that strictly does exporting, or a government agency that oversees the shipment of the coffee. This coffee in turn is sold on the commodities market and purchased and sold by traders representing numerous clients such as roasters or wholesalers. Once the coffee is delivered into their hands, it is then sold to retailers who then stock it on their shelves or blend the coffee into beverages and sell it at their counters to the final consumer.

As the coffee travels between each of the members of the value chain, a markup on the price is added. If a consumer will pay approximately anywhere from \$3 to \$6 a pound and higher for coffee, how much does the grower actually make? This is where the oxymoron of the coffee industry lies. Despite the growing supply and demand of coffee as well as the increase for the higher priced varieties, why are reports being issued on the plight of the coffee farmer (Chambers, 2003)? The reason for this, is the price that a coffee grower receives is far from what the retailer receives. For example, as of late 2007, coffee prices per pound for Robusta and Arabica on the commodities market were 92 cents to \$1.24 per pound respectively (Coffee Market Report, 2007). Compare this

with the retail prices of \$3 to \$6 per pound and there is a markup range of between 225% and 380%. Keep in mind this is the price of coffee traded as a commodity, not necessarily the price the farmers themselves receive. Understanding this, one can see that the markups are actually considerably higher.

#### **4. Exporters & Importers**

As mentioned earlier, the top producing coffee growers in the world rank according to the number of 60 kg bags produced in one month. These include the following countries: Brazil, Vietnam, Columbia, Indonesia, Peru, Guatemala and Ethiopia. By viewing these countries, it is clear that all of them are classified as developing countries.

Brazil is the leading producer of coffee beans at over 2 million bags exported while Vietnam exports about 1 million. Columbia ships approximately 1 million as well with the rest of the exporters near ½ a million (Coffee Market Report, 2007).

These coffee growers as well as the rest of the value chain, rely very much on external conditions such as weather related issues, soil erosion and depletion, civil unrest, as well as market forces of supply and demand. Not only do the crop harvests have an effect on supply and pricing, these exporters also keep what is called reserves in case of unforeseen shortages, which are then injected into the supply to meet demand. These reserves can also have an effect on commodity pricing just by their declaration. For instance, if reserves are low and there is a bad harvest, traders will immediately forecast shortages for the near future driving prices up. In turn if reserves are large and they coincide with bumper crops, supply will increase and prices will fall.

The view of the importers again is as striking as that of the exporters. In fact, all of the top importers of coffee are developed countries. Although some may see this as a disparity, it makes economic sense. Developing countries need to be able to sell a commodity to help their economies, and developed countries have the income to purchase in quantity as well as for quality. The following countries are in order based on their coffee consumption per month in 60 kg bags. They include the United States at approximately 2 million bags, Germany at 1.2 million, Italy, Japan and France at approximately 600,000 bags, and Spain and Belgium at about 450,000 bags (Coffee Market Report, 2007). As economies begin to grow along with populations, the demand and supply forces may begin to change as well.

## **5. Coffee Crisis**

The coffee crisis of 1997-2003 was devastating to several of the smaller coffee producing exporters as well as the larger producers. This moment in the history of coffee was brought upon by several factors that included over supply of coffee beans on the market due to high existing reserves, bumper crops in several of the coffee producing countries such as Brazil, Vietnam and Columbia. In addition to these reasons, Vietnam emerged quickly as one of the largest producers of Robusta in an extremely short time. Also, previously agreed upon quotas that controlled supply from each country as well as the amount of coffee each country could sell to the U. S. ended.

Supply of coffee during this time began to outpace demand and in 1999 the oversupply was more than 10 million 60 kg bags not including the 95 million bags in reserve. In 2002 similar results presented themselves with even higher reserves at almost

100 million bags. This was only further exacerbated because of the previous years over supplies. At the same time this was occurring, prices began to fall on the commodities market from a high of \$1.80 per pound in 1997, to as low as 40 cents per pound by 2003 (Osorio, 2004). Although the coffee industry has since recovered, it would be wise to study the reasons for this crisis so that it might be possible to limit the impact that a similar crisis could have in the future.

As we look closer at the coffee crisis and its resulting effects on supply and demand, it becomes clear that coffee as a commodity is a normal good; although later we will explain the push for higher quality coffees and their coffee by-products and that some of the coffees are behaving more like a luxury item. But as a whole and certainly on the commodities market, coffee behaves like a normal good. Because of this behavior, coffee has positive income elasticity. In other words, any changes in income, demand will move in the same direction. Since coffee does not have a high elasticity measurement, coffee is also classified as a necessity. This means demand, although moving in the same direction as income, moves at a lesser rate than income.

As far as price elasticity of demand during the coffee crisis, it was somewhat inelastic. The drop in price did not create that much more demand therefore it also exacerbated the situation. Also, because of the few substitutes that coffee has, it has led to this inelasticity. As a result consumers don't necessarily change their demand because of fluctuation in price. Now tea is certainly a substitute for coffee as stated above and has a positive cross-price elasticity of demand but again this will not be a high elasticity because it is not a perfect substitute.

Incidentally, during this coffee crisis, Hawaii's price of its prized Kona coffee was also dropping. In 1997, Kona was trading at more than \$18 per pound and by 2002 it had dropped to as low as \$4 per pound. This was a dramatic price decrease. The drop in price though was mostly due to market reactions to the crisis and not necessarily an over supply of Kona. Kona though behaves more like a luxury item and since the U. S. economy as a whole was also in decline between 2000 and 2002; this most certainly had an effect as well on the demand of Kona.

The fallout of the coffee crisis also brought upon these exporting countries more than just reduced revenues, it also brought upon them social, environmental as well as additional economic consequences (Osorio, 2004). The social impacts included an increase in migration from farms to urban cities thus reducing the amount of growers. Emigration as well rose from these countries depleting the local workforce. Other areas affected due mostly to the reduction in revenues, included less funding for education and healthcare forcing additional families into poverty, increase in malnutrition as well as an increase in debts to those farmers who continued their trade. Another dire effect was the increase of illicit crops that helped fuel the drug trade (Chambers, 2003).

The Environmental impacts included the reliance on sun grown coffees as opposed to the shade-tree coffees. Shade-tree coffees are of higher quality and cost more to operate therefore farmers began to switch to the sun grown variety causing another effect, the lowering of the quality of coffees on the market. In addition to this consequence, by growing sun grown, many of these coffee plantations began to cut down the forests affecting the wildlife that thrived in these trees.

There were additional economic consequences that occurred. In many cases, farms were either abandoned or sold off at a loss creating losses in jobs as well. Also, because of the reduction in revenues, there was a multiplier effect that hurt other economic sectors by reducing the money supply.

## **6. Fair Trade & Certified Coffee**

Perhaps as a response to the coffee crisis and the economic, social, and environmental impacts, the fair trade movement began. Coffee was the first agricultural product placed on this watch list. There are several fair trade organizations that will certify that the product the consumer is buying has been fairly priced to remunerate the appropriate profits to the growers themselves. The fair trade coffee motto promotes trading partnerships that seek equitable transactions through sustainable development and an increase in the living standards for the producers as well as the workers (Weber, 2007).

The fair trade movement for the most part actually consists of co-operatives in which several growers unite to promote and negotiate their coffee prices equitably. A goal of this movement includes the desire to guarantee poor farmers that are organized in co-ops a living wage. Also, the industry is looking to set a minimum trading price of \$1.24 per pound. In addition, fair trade is seeking to promote safe and healthy working conditions for those in the industry while at the same time improving the environment through sustainable farming.

There are though some limitations to the implementation of these goals (Weber, 2007). For instance, the setting of the minimum price goes against economic principals

of allowing markets to dictate price, notwithstanding that the minimum prices are to the co-ops and not to the individual farmers. This minimum price could lead to excess supply which was the original reason for the coffee crisis. Also, the farmers tend to use seasonal workers therefore the living wages that are being sought never reach those who do most of the manual labor. There is also the high costs associated with being certified, a price most of these economically strapped farmers can't afford. As far as the retail demand for fair trade coffee, it is still in its infancy and only garners a small percentage of the market.

There are other certification and trade organizations that are looking to capitalize on the social and environmental impacts that sustainability touches. These other programs include Organic certification, Rainforest Alliance, and Utz Kapeh (Grieg-Gran, 2006). To be organically certified, a grower must not use chemical fertilizers and pesticides including sustainable farming that doesn't strip the soil of its nutrients. The Rainforest Alliance has a mission to sustain the environment and the welfare of the workers. It does promote the use of shade-tree agriculture. Utz Kapeh's goal is to promote responsible production as well as enhancing the healthcare and education of the field workers.

## **7. Retail Industry**

The retail industry has certainly changed over the years. Who would have thought that coffee would be the number three purchased beverage behind water and soft drinks (Tanner, 2007). In fact, the number of specialty coffeehouses in the U.S. has

increased from 500 in 1996 to over 23,000, with Starbucks, the leading coffeehouse, looking to eventually open 40,000 stores themselves (Hochman, 2007).

Not only are there more coffeehouses, but there is also a strong demand for coffee related products such as cappuccino and espresso machines. These can range anywhere between a few hundred dollars to several thousand. Today's retail consumer appears to be ever searching for that perfect cup of coffee.

The other area of retail is what is found on the grocery store shelves. These have also gone under a metamorphosis very much like the specialty coffeehouses have. Traditionally, the grocery products have consisted of the use of Robusta as well as blends that included this variety and Arabica. The reason for this lower quality is that the consumer at the time was not that discerning. Today's grocery store looks completely different with coffees advertising only Arabica or a special variety including organic and fair trade. In fact, today Starbucks has their own brand in many grocery stores. This consumer demand for specialty coffees is having the effect of driving demand for the more expensive varieties. This preference could lead to better economic and environmental effects among the exporters and their producers.

The other side of this is the growth of new emerging economies in which demand for coffee is rising but not necessarily for quality. It does appear that the trend for specialty coffees will continue to grow, whether the demand can keep up with supply will lie much with the producers themselves by maintaining control over their own supply. These growers must also continue to maintain a watch on consumer preferences for specialty coffees.

## **8. Marketing Strategies**

There are several marketing strategies that can be utilized by the SME as well as the larger enterprises. These can include pricing, promotional, and product focused strategies. For an organization to choose its particular strategies, the key to choosing the correct ones lies within its customers. Customers, by their perceptions, needs, and desires, can make known what appeals to them. It is the responsibility of the retail business to obtain these preferences. The best scenario in obtaining this information is through a direct survey of the customers thoughts. This survey should incorporate all of the three key components to designing a strategy; pricing, promotion and product. In the survey conducted, the location is included on the survey thus covering the four major pieces of marketing; product, price, place, and promotion.

When it comes to the 'product' aspect of marketing, the design, packaging, placement and the variety of choices becomes the focal point. This appears to be the same for whether the example is a large or small business. The ability to choose the right product to carry and display may have as much to do with trial and error as it has to do with trend analysis. Though one particular product may be selling well in one part of the country, it does not automatically conclude that it will sell well in another locale. This is especially true for cities and regions that have distinct cultures.

As for the 'price', this can depend on a variety of issues such as commodity or distributor pricing, whether it is for the purpose of drawing in customers such as with a 'loss-leader', or a price special to entice the consumer to purchase. Pricing can also be related to what the competitor is charging to show distinction through savings.

The 'place', whether describing the establishment's décor or location, can have a major impact on whether a consumer decides to purchase at this establishment. This seems true for almost every type of retail business, big or small. Although 'place' is usually associated with location, today the look of an establishment appears to go a long way to presenting a picture of what the establishment is about. This could create the perception of quality, haute, inexpensive, or ethnic as well as a number of other perceptions in the consumer's eye.

Finally, promotion can and does play a key part in attracting consumers. This aspect can morph itself into a variety of promotional strategies. These strategies can include loyalty cards, contests, coupons and sponsorships. All of these have the potential to create a perception in the mind of the consumer. Again, this will depend on what type of consumer the retail establishment is trying to secure. This will also depend on how the business is positioned within the marketplace such as a low-cost leader, gourmet upscale, or family friendly establishment.

Depending on what the business is looking to achieve such as greater market share, repeat purchases, or increase in revenues, will depend on which forms of marketing are implemented. Most businesses will decide to use more than one of these aspects to create what is called the 'marketing mix.'

## **9. Literature Review**

The case for understanding the economic impact of using coupons on a small business is put forth in the following piece of literature: *The Sales Promotion Planning Process in Small Retail Businesses: An Exploratory Investigation*. This analysis reveals

the differences in how a small business implements and uses its promotional marketing strategy as opposed to a large business.

There are short-term benefits to using coupons such as an increase in sales and market share. Small businesses may not see the full benefits that a larger business would see from its use of coupons. In the larger picture, small businesses may not do a comprehensive analysis measuring accurate return on their investment of using coupons. This is usually due to the limited time and labor that small businesses have to offer let alone smaller budgets.

In this exploratory investigation conducted by P. Rajan Varadarajan, the study of small business behavior concerning planning and evaluation of their promotional marketing campaigns is analyzed. In this article, the author recognizes that no matter the size of the business, the use of coupons play a major part of a business's promotional marketing strategy. This study largely ignores the influence that customers can have in the decision making process as when to implement a coupon promotion. The study though does conduct surveys with several small businesses to better understand their financial motivation and to understand as to why and when to apply coupon promotions to their products.

To illustrate this study's emphasis on financial impacts of coupons, the author reports on the four primary characteristics of a coupon campaign that a small business will undertake to use to make a decision. These include: the ability to afford, the percentage of anticipated sales, the comparison to competitors, and the goal oriented approach (Varadarajan, 1985). Another aspect of the decision to implement a coupon strategy is very much tied directly to how much can the business afford. For instance,

there are costs associated with printing and distribution, as well as the initial loss on profit margins from the redemption of the coupons. This in turn can affect inventory valuations since most likely the inventory held during the promotions was based on the expected return prior to the promotion and the eventual reduction in price.

Varadarajan also illustrates the other characteristics considered when implementing the coupon strategy. This includes the history of previous coupon campaigns, a direct approach using percent of sales for their expected return, and that “gut” feeling and timing as to when their customer base would respond favorably to a promotion.

Unlike large businesses that will certainly have written marketing plans as well as clear objectives, small businesses for several reasons depicted earlier, tend to not write down or document their marketing strategies. In addition, small businesses do not document or keep good records of previous coupon campaigns. In other words, they will look at their results from their current campaigns but don’t seem to use much of this data for future campaigns.

When it comes to evaluating the success or failure of a coupon strategy two interesting findings can be cited. In the survey conducted of small business retailers, 43% of them believed that looking at the effect of coupons on profits was vital and that only 10% considered the effect on market share as a key indicator of coupon evaluation (Varadarajan, 1985). These two findings seem to contradict a research report conducted a few years later in which market share is the number one goal behind coupon strategies and profit is not as great (Jones, 1990). Suffice it to say the reason for this is the difference in mentality and marketing approach between large and small business

retailers. Large businesses are looking for that increase in market share whereas small retailers are more concerned with profit.

The following study was conducted to better understand the influence marketing can have on consumer purchases specifically on coffee in a grocery store. The authors examined the relationship of in-store marketing environments along with specific characteristics of consumer behavior (Bawa, Landwehr & Krishna, 1989). This study is titled *Consumer Response to Retailers' Marketing Environments: an Analysis of Coffee Purchase Data*.

In this study, the focus was on consumer behavior based on a variety of marketing environments that varied from size and location of the retail establishment as well as specific strategies that included brand loyalty, promotion sensitivity, price importance, and new product trial.

Some of the findings included the result that brand loyalty varied inversely with the amount of variety and the scale of promotional activity being conducted within the stores. This could have significance if a retailer is looking to stock items in which consumers are loyal to. If a retailer's goal is to bring in these customers, then it makes sense to stock their preferences, unfortunately, because of their loyalty, they may not have a propensity to try new products.

As promotional sensitivity is concerned, this aspect varied directly with the scale of promotional activity. In other words, consumers exposed often to promotional campaigns have the propensity to purchase for those very reasons and not necessarily because they prefer the product itself.

When price was analyzed, it appeared to reveal that price became more of an issue if the retail establishment conducted and implemented many price changes. For instance, customers tended to purchase products whenever their prices dropped. This behavior increased as the retailer increased its usage of this strategy. Though it increased the amount of sales of this particular product, it also created an expectation that prices will eventually drop or reduce on most products. This would only create greater sales but at a potential lower profit margin.

Finally, the results on new product trials revealed that this strategy occurred more often in retail stores in which there were a greater variety of products. The study though did reveal that display and promotional campaigns did not seem to affect an increase in purchases. It appears based on these results that consumers are willing to try something new especially when there seems to be more choices. As far as displays, this could change if product sampling were introduced along with the promotion of the new product. This aspect though was not studied.

As we continue to look at the differences between large and smaller enterprises, previous studies have shown that certain retail competencies are not transferable from these differing businesses. In the paper titled *The Internationalization of Small to Medium-Sized Retail Companies: Towards a Conceptual Framework*, explores these differences (Hutchinson, Quinn, & Alexander, 2005).

This research specifically looks at the reasons and motivations for firms seeking to expand their business on an international scale. It also looks at how these reasons differ depending on the size of the organization. Some of those reasons include the fact

that SMEs, because of their limited cash flow and financing, are looking at expansion with the emphasis on short-term return on investment. Larger enterprises tend to view the long-term approach when it comes to expansion and investment.

The study though does report that SMEs do have the ability to expand internationally based on product positioning in a niche market. This allows the SME to compete against larger firms who must carry a larger breadth of inventory to satisfy their need for revenue streams. By focusing their marketing on a niche product, SMEs are beginning to compete on an international level. The study also goes on to mention, that niche markets present advantages to the SME. These include the ability to adapt or change the product to cater to local preferences, and the opportunity to market specialty product lines that larger retailers cannot due to small market shares.

Another key difference in the choice to internationalize is the decision factor that owner-managers have among SMEs. Because of their small nature, these owner-managers tend to have much control and therefore may choose to expand due to their own personal reasons. This is starkly different from large organizations and their reasons for expanding, usually due to environmental factors such as competitor behavior, new market opportunities, or mergers and acquisitions.

Finally, SMEs appear to decide to expand internationally due to factors that are generated internally. These reasons are also contingent on proactive decision making as opposed to reactive. The research revealed that SMEs primary reasons to internationalize is to purposely garner new markets. Large retailers tend to react to markets and competitors before venturing into a new marketplace.

This study clearly reveals that the reasons for entering markets abroad differ greatly between large and small retailers. SMEs can position themselves to capture unique markets that otherwise would go untouched due to the inability for larger firms to apply their advantage of economies of scale.

## **10. Specialty Food Magazine Survey**

Since the purpose of this paper was to recommend marketing strategies for a small specialty coffee retailer, it makes sense to view, analyze and use a survey that was conducted across the United States in 2007 by the firm of Mintel and Greenfield (Tanner, 2007). This survey sought the opinions of consumers who classified themselves as specialty food buyers. Specialty foods are considered premium quality, usually made by small or local manufacturers, and also include beverages such as coffee, tea, water, and soft drinks.

(Insert Table 1 here)

The first question asked was, “who buys specialty foods.” Of those who replied, 72% of men answered yes, while 74 % of women said likewise. As for the age category, 86% of respondents between the age groups 18-24 and 25-34 classified themselves as specialty food consumers. These numbers eventually fell accordingly to an increase in age. This may be due to the fact that new specialty foods seem to be introduced more often than name brand products leading to the assumption that younger age groups are more willing to try something new.

(Insert Table 2 here)

When the questions began to focus on what specific products are purchased and which demographic groups were purchasing the product, overwhelmingly ‘cold beverages’ were chosen as the unanimous choice with ‘coffee/tea’ second on every question. With these survey findings, it is clear that coffee is a major specialty food item as well as a commodity being purchased in today’s markets.

(Insert Table 3 here)

An even more enlightening finding is the question that was asked, “Where consumers buy specialty foods”, 28% of those surveyed said they make their purchases at coffeehouses. This sends a clear message that not only are consumers purchasing these types of products in coffeehouses, the consumers themselves may be looking for more and expecting specialty foods to be sold in the coffeehouses as well.

(Insert Table 4 here)

Finally, the survey was able to reveal what the most influential reasons for buying a specialty food item are. In almost every category and demographic, ‘recommended from a friend or colleague’, was the main influence to driving consumers to purchase. This finding will reinforce the main objective of this paper and the survey conducted of

the specific coffee retailer used in this study, and that is to discover if there are certain attributes or aspects that cause a consumer to recommend a product or business establishment. In addition to these findings, age was considered a factor when understanding 'influence to purchase.' The findings show that the younger a consumer is the greater the chance that they can be influenced by others.

(Insert Tables 5 & 6 here)

## **11. Current Coffee Retailer Environment**

Before introducing the survey results for the coffee retailer, a synopsis of its current market environment as well as its present marketing strategies will be analyzed. Along with the survey conducted of the retailer's customers, the synopsis will give clues as to which new strategies may be implemented. By comparing perceived changes with that of customer expectations, perhaps a custom designed marketing strategy can be presented.

Currently, the major groups of customers that shop at Kele's are nearby workers. This coffee retailer is located within a part of the Honolulu business district which includes several banks and office buildings. The majority of these consumers as mentioned earlier come from the surrounding workforce. This is supported by the fact that Kele's is closed on weekends since the local employees are as well. The owner of Kele's coffee shop estimates that 90% of his customers are from nearby employers as well as from nearby educational institutions. The specific location faces a courtyard in which there can be seen much foot traffic between the hours of 6:00am to 6:00pm

throughout the weekday. On occasion, tourists from nearby cruise lines that dock across near the piers do shop at Kele's. Although this only occurs a few days out of each month. The owner also believes that because of this high percentage of office workers as consumers, he has become very familiar with them, even by name, and is certain there is a high repeat customer ratio. Kele's averages approximately 100 customers each day.

As far as product mix is concerned, the beverages offered include regular coffee, decaf, and specialty beverages such as cappuccinos, espressos, and tea such as the popular chai teas. Most of Kele's coffee consists of Kona, Costa Rican, El Salvadoran and Nicaraguan. In addition to offering this as a prepared beverage, Kele's sells its coffee in pre-packaged bags of 8oz. each either ground or whole bean as well as roasted to different strengths. The ability to roast coffee on-site is believed to enhance the appeal of the store, as well as give the perception of quality and freshness. The roaster is nicely displayed inside the store for customers to view.

Kele's does offer more than just coffee. Kele's offers cold beverages such as its frozen granitas as well as selling Italian sodas. A variety of teas can also be purchased and brewed on site or at the customer's convenience off-site. Several pastry items can also be purchased throughout the day. These are displayed in a glass case all hand-baked the day of sale. These pastry items include croissants, muffins, and mini-cakes. Biscotti are also available and usually displayed on top of the counter to induce impulse purchases. In addition to these items, Kele's sells its flavored syrups which are used in many of their beverages whether they are pre-made to specifications, or made-to-order. Finally, Kele's sells small gift mugs which are usually filled with smaller versions of its

coffee and pastries, although not much space is given to this type of merchandising due to the large amounts of coffee and syrups already displayed.

When describing the interior of Kele's as well as the signage, tasteful and simple seems to come to mind. Kele's has a unique logo in which a Hawaiian petroglyph is used holding a coffee cup. Sometimes, Kele's will display a sign outside its store front to attract customers as well as inform them of the day's specials. As for the interior, it is well lighted and modern looking. Although there is no interior seating, there are available tables and chairs just outside of the store. The signage in the store is displayed on large boards just behind the serving area that can be seen clearly from the counter. The signage also follows the design and colors of the rest of the store. The pastry items are displayed in glass cases while the retail products such as the bagged coffee and the syrups, are displayed on shelving. There appears to be plenty of standing room to place and await orders.

As for pricing, Kele's has deliberately under-priced its products and beverages slightly below that of its chief competitors, the Honolulu Coffee company and Starbucks. Both of these coffee shops are nearby but not adjacent to each other. Although Kele's pricing seems to be competitive, its profit margins are most likely less than its top competitors since both of them have several outlets throughout the city. This gives Kele's a disadvantage when it comes to bulk purchasing.

When examining the coffee industry, it appears to operate as a normal good, but when applied as a specialty beverage in a coffeehouse, coffee behaves more like a luxury item. In other words as retail coffee prices rise, less is purchased or as consumer incomes rise so does the purchase of coffee. This seems to be true based on financial information

given by Kele's. For example, Kele's has noticed a rise and drop of coffee purchases at the store in correlation with the performance of the local economy. When unemployment is low, sales are higher. This may be true since recent national economic indicators are signaling a recession while at the same time Kele's sales are going down.

When it comes to promotional marketing, Kele's budget, like that of many small retailers, is limited. The main form of promotion is through loyalty cards, coupons, gift cards and the occasional press release. Kele's is hoping that word-of-mouth will be able to make up the difference in its limited promotional budget. Unfortunately, Kele's does not maintain adequate records of what percentage of consumers redeem either their loyalty cards or any coupons that Kele's occasionally distributes. Based on rudimentary information, it does appear that coupon redemption is similar to retail industry averages.

Coupons are part of a larger marketing strategy that includes sweepstakes, rebates, reduced "on sale" prices, and loyalty reward programs. Although many coupons are generated by the manufacturer, sharing of cost and promotion is often divided up between the retailer and the manufacturer. Although in Kele's case, their coupons are solely driven by themselves.

The following objectives are used in a variety of ways to lure customers to purchase from a retailer. The reasons for offering coupons can encompass the launch of a new product or line; reinvigorate sales in an item or business that may be suffering declining sales, and as part of a comprehensive goal to enhance brand knowledge and acceptance. Also, the effects that using coupons can have on a smaller establishment may not be the same as it is on a larger firm. As a small retailer, the time needed to do an

extensive feasibility study on which products to discount using coupons may not be within their budget.

As Kele's decides to generate coupons, the question that is ultimately asked is do they increase sales both short-term and long-term? In addition, industry data has shown that retailer sales are going up at the same time as the overall expansion of coupon offers. With this data, Kele's may be led to believe that the increase in coupons is directly related to the increase in sales. Even though sales may be increasing, an additional question to ask is: What kind of sales are occurring, new sales or repeat sales and how does this make a difference in profitability?

Competitive forces are not only felt from Kele's competitors such as the Honolulu Coffee company and from Starbucks, Kele's is also surrounded by numerous other eateries in which some of the retail establishments sell coffee as well as other substitutes such as tea and other beverages. In addition to these products, pastries are also sold in the other establishments.

Kele's does feel that their primary competitors Starbucks and the Honolulu Coffee company pose more of a risk on those who may be passing by as opposed to its regular customers. Kele's believes that their location and convenience give them the edge over their competitors because of the perception that its customers choose Kele's not only for their quality and good customer service, but because of their location to where they work. As for the surrounding eateries, there is an agreement in which direct competitors are not allowed within the same compound and that product competition is restrained by their lease agreements.

## **12. Survey Data**

Recently, a survey was conducted on Kele's consumers as they entered its establishment. The surveys were displayed on the front counter and in clear view for the customer. The survey consisted of a few demographic questions, several rating questions, and finally three open-ended questions. Since Kele's already knew that the majority of its customers were from the surrounding workplaces, the demographic questions were limited to age and gender.

The rated questions were limited to 15. The reasons for this is that most of Kele's customers are on their way to work therefore have limited time. This is one reason there is no internal seating at Kele's. These questions were based on a five point scale with the highest score being 'agree strongly' down to the lowest score of one symbolized by 'disagree strongly.' These questions focused on the reasons why a consumer would choose to shop at Kele's as well as to try and understand why a consumer would recommend them to others.

The last section consisted of three open ended questions to obtain customer responses to additional items that they would like to see sold in the store. These included questions that addressed breakfast and lunch items as well as addressing the need to carry products that surrounding competitors and retailers were not carrying.

(Insert Survey here)

The survey was conducted over a period of a few days to encompass different times of the day. This was deliberately done to garner information from individuals that

may have different consumer tendencies due to purchases of coffee at different times of the day. In all, 30 individuals chose to fill out the survey. Kele's averages about 100 customers per day. Approximately 10% of Kele's customers were interviewed each day. The only criterion was that the customer had previously purchased from Kele's.

Of the thirty individuals who partook in the survey, 13 identified themselves as males and 17 as females. The groups were also separated by age from 18-24, 25-34, 35-44, and 45 plus. The survey participants were each asked a series of questions, 18 in all with three of them being open ended. The other 15 questions were asked to be rated on the previously mentioned five point scale.

Of the females, the highest rated questions in order of scores were, 'customer service', 'quality', 'appearance', and 'recommendation.' The lowest rated questions referred to 'website', 'merchandise', and 'purchase of ground or whole coffee.' As for the males, 'quality' was rated first, with 'appearance' and 'recommendation' rating high as well. Their lowest rated questions included 'merchandise', 'website', and 'specialty coffees.'

(Insert Tables 7 & 8 here)

When age was the factor, those who were 45 years old and over rated 'customer service', 'quality', and 'recommendation' as the three highest. The lowest ratings included 'merchandise', 'website', and 'purchase of ground or whole coffee.' Those less than 45 years of age rated 'quality', 'appearance', 'recommendation', and 'roasted on-

site' as the highest. The lower ratings went to 'website', 'merchandise', and 'purchase of ground or whole coffee.'

Females 45 or older, rated 'recommendation' the highest while females younger than 45 rated 'customer service' as the highest. They also differed on the lowest rating with those 45 and older stating that 'merchandise' was their lowest rated as opposed to 'website' mentioned by those less than 45. Overall though, females from both of these groups gave Kele's similar ratings.

The males 45 years and older, and those younger than 45, chose 'quality' as their highest rated question as well as both groups choosing 'merchandise' and 'website' as their lowest. Their scores overall though differed more than that of the females.

### **13. Methodology**

Using the survey conducted at Kele's coffee shop and its subsequent data, several statistical methodologies were utilized. These included Correlation, Oneway ANOVA, One-Sample T-Test, Independent-Samples T-Test, Multicollinearity and Linear Regression.

Because of the non-metric variables used in the Kele's survey, the correlations were based on Kendall's tau-b and Spearman's rho. These nonparametric correlations combined several of the variables to see if there may have been some type of relationship among them to further pursue using additional statistical methodologies. For instance, gender and age questions were paired with questions such as 'customer service', 'merchandise', 'quality', and 'recommendation. This was used to see if some of the answers were somehow associated with gender or age.

Oneway ANOVA was used on the variables 'quality' and 'recommendation.' The reason for this is that 'quality' was rated the highest among all variables and it is important to see if this variable is associated with significant differences in 'recommendation.' Oneway ANOVA is a methodology to see if the means of more than two variables are the same as the overall mean (Seiler, 2004).

The next methodology used was the One-Sample T-Test. This was used to determine if the mean of a variable was significantly different from the constant 'five.' 'Five' was used because this was the highest rating an individual could have given to any of the variables. Several variables were used to compare to the constant 'five' to see if there was a significant difference in their means from this constant. These variables included such topics as 'prices', 'quality', and 'wait times.' The purpose for using this methodology is to see whether there is truly a difference between a score of 4.5 and that of the constant and highest score of 5.0.

Applying the Independent-Samples T-Test involved using the means of two independent variables. The variables used were based on gender and then on age. The purpose for this methodology was to see if there was a statistical difference in their overall means of the survey. This could reveal a tendency of one particular group to score higher or lower than another group.

Before a Regression analysis was conducted, Multicollinearity testing was applied. The reason for using this methodology was to be certain that no variables could be represented by a linear combination of some of the other variables (Seiler, 2004).

As a result of the Multicollinearity testing, a Regression analysis was used to determine whether certain independent variables could foretell or explain the dependent

variable 'recommendation.' This would be useful in determining whether certain attributes or reasons may trigger a consumer's desire to recommend a company, product, or service.

## **14. Results & Analysis**

Based on the statistical methodologies that were mentioned above, there were some expected findings as well as some important findings that could have a future impact on the marketing strategies of this specific retail coffee shop. The following results can also be seen clearly in the subsequent tables that will be inserted within this section. All tables will only show results that proved to be either significant beyond the 99% or 95% confidence level or revealed information that could be used in constructing a viable marketing strategy.

The first results were based on Correlation of certain variables. Those variables that were shown to have some form of association included both females and males when paired with 'customer service', males paired with 'merchandise' and 'specialty coffees', females with 'merchandise', and 'quality' with 'recommendation.' All of these variables registered below the .05 sig.

Though both males and females showed a correlation with 'customer service', the males actually rated it much lower at 4.0 versus the females rating at 4.8 keeping in mind that the overall means for males was 3.8 and females at 4.2. As for the correlation between males with 'merchandise', and 'specialty coffees', both of these were rated very low in the survey. This may show reluctance in males to consider purchasing other

products that may be viewed as non-traditional or new. Interestingly, females also rated 'merchandise' low as well.

Finally, there was a significant correlation between 'quality' and 'recommendation' at the .05 sig. Since 'quality' was rated consistently higher than any other variable, a Oneway ANOVA was run concerning this variable and 'recommendation.' The results clearly show that 'quality' is significantly associated with 'recommendation' at .01 sig. This may reveal a tendency among consumers to recommend an establishment based on the perception of the level of quality in their product or service.

(Insert Tables 9 & 10 here)

The One-Sample T-test was conducted six times and involved the variables 'prices', 'customer service', 'waiting time', 'quality', 'roasted', and 'recommendation.' All of these variables registered below the sig. value of .01. This reveals that all of these variable ratings are significantly different from the constant 'five.' If this is so, then their respective ratings seem legitimate in that their scores more than likely reflect the proper rating.

(Insert Table 11 here)

In the next analysis, the Independent-Samples T-Test was conducted between males and females, and the age groups of '45 plus' and '25-44', with that of the variable

‘recommendation.’ In the first test between males and females, it appears that the means are not significantly different. This is not the case for the second test. In this test, the age group’s means appears to be significantly different but only at the .05 sig. These results may reveal that there tends to be a larger difference in consumer behavior when observing generational gaps as opposed to gender gaps. Perhaps the level of loyalty is stronger as a person ages. This finding also mirrors that of the earlier survey conducted by Specialty Food Magazine.

(Insert Table 12 here)

A Multicollinearity test was then conducted applying many of the variables. Though it appeared there were no significant signs of Multicollinearity, other variables were continuously removed until, at the least, ANOVA showed within the Regression a sig. of less than .05. The three variables that eventually were shown to have the most significant relationship with ‘recommendation’ were ‘prices’, ‘customer service’, and ‘quality.’ This may reveal the core competencies and key success factors that Kele’s will need to succeed in its business.

The three open-ended questions in the survey asked the participants for ideas as to what they would like to see for breakfast, lunch and items that are not sold in nearby establishments. Based on the limited responses, the decision to not include them in this analysis was made.

(Insert Tables 13 & 14 here)

## 15. Summary & Conclusions

As mentioned earlier, coffee is a major commodity that is traded throughout the world. Its global economic impact can be felt from the grower to the consumer and within its value chain as well. The coffee industry like many others can rely on national, regional, and economic conditions. These conditions can eventually have an impact on the retail price of coffee as seen in the Coffee Crisis that ran between the years of 1997 and 2003. In addition, the retail markets during this time responded with unique and differentiated coffees such as 'fair-trade' and 'organic.' This was a 'push' strategy of marketing to try and convince consumers to purchase coffee based on social issues as well as the usual economic ones.

To better understand the forms and uses of marketing, not only in the coffee industry, but marketing as a whole, three specific literature reviews were conducted. The reviews covered important topics such as 'price sensitivity', 'brand loyalty', 'coupon strategies', and 'internationalization.' These varied issues exposed the many choices and decisions that businesses must make to market their products and services. Specifically, the literature on internationalization did reveal important facts on the differences between large and small retailers. This was echoed in the actual case study of Kele's since a decision to use coupons, conduct surveys, adjust prices and introduce new coffee varieties rested solely in the owner's hands. This ability to adjust to markets is unique to small retailers as opposed to the larger retailers who must usually go through a hierarchical decision making structure before implementing any changes.

Based on a previous survey conducted by Specialty Food Magazine, it does appear that consumers are now more inclined to purchase items that are either

categorized as 'specialty' or tagged as 'artisanal' or 'organic' as examples. This propensity to purchase non-traditional foods gives small manufacturers and retailers an opportunity to sell unique products whereas the larger retailers choose not to sell due to the lower volume of sales. Kele's differentiation is designed around its ability and offering to custom roast its coffee beans to consumer specifications and preferences.

A better measure of customer perception and desires was conducted for Kele's by utilizing a custom made survey. This survey sought the opinions of Kele's customers on a variety of subjects that included 'prices', 'quality', 'location', and the desire to recommend Kele's to others. Based on the responses and the subsequent statistical analysis as well as simple percentage of responses, three specific attributes were identified as the most important. These included 'price', 'quality', and 'customer service.'

As for those variables that rated consistently low on the surveys as well as showing no correlation to 'recommendation'; 'website' and 'merchandise' were the most telling. In this instance, Kele's may decide to research further on whether it should expand its presence on the Internet, or add other types of 'merchandise' such as t-shirts, caps, and travel mugs.

Based on the analysis of the survey, three statements of hypothesis can be further made of the results. First, it appears that consumers are more willing to recommend a product or establishment based on how high the level of perceived 'quality.' Secondly, age appears to be an issue in which older consumers tend to grade a product or establishment higher than their younger counterparts. Finally, the three previous

attributes mentioned, 'price', 'quality', and 'customer service', seem to have the greatest impact on recommending an establishment than any other variables.

With possession of these assumptions, it makes sense for Kele's to continue to use the higher grade coffees as well as touting its usage within its marketing mix and then perhaps using signs within and outside the store to broadcast this advantage. Not surprisingly, the variable concerning 'signs' and 'appearance' scored very high in the survey.

As for the difference in survey and sig. scores on the attribute 'age', this may have more to do with higher loyalty rates by older consumers but further research in this area would be wise. It also may be the case that the majority of Kele's customers are older and purchase from Kele's more frequently.

Ultimately, whether a business is a small or large retailer, the propensity for the consumer to recommend its products and establishment is crucial for continued business success. The fact that 'price', 'quality', and 'customer service' were the most associated variables to recommending should be of no surprise to marketing professionals. The best recommendation that can be made to Kele's is to focus its attention and integrate those three attributes within its current marketing strategies as well as within any decision to expand its products or markets.

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**Table 1** Who Buys Specialty Foods

<b>Specialty Food Consumer</b>	<b>% Who Purchase Specialty Food</b>	<b>SFC Index</b>
<b>All Gender</b>	<b>73</b>	<b>100</b>
Male	72	99
Female	74	101
<b>Age</b>		
18-24	86	118
25-34	86	118
35-44	76	104
45-54	71	97
55-64	67	92
65+	52	71
<b>Household Income</b>		
Under \$25000	64	88
\$25,000 - \$49,999	75	103
\$50,000 - \$74,999	76	104
\$75,000 - \$99,999	76	104
\$100,000+	79	108
<b>Region</b>		
Northeast	73	100
Midwest	71	97
South	74	101
West	72	99

Base: 1500 adults aged 18 and older with Internet access  
Source: Mintel/Greenfield on line

**Note:** SFC Index provides a method to compare a demographic segment against the norm. For instance, consumers with household income in excess of \$100,000 are 8 percent more likely to purchase specialty food, thus their SFC Index is 108.

**Table 2** Types of Specialty Foods Purchased by Age

Types of Specialty Foods Purchased by Age	All	18-24	25-34	35-44	45-54	55-64	65+
	%	%	%	%	%	%	%
Cold beverages (specialty water, tea, soda)	62	69	<b>73</b>	67	60	49	41
Coffee/tea	61	55	63	61	<b>66</b>	62	54
Chocolate	58	<b>65</b>	58	58	62	53	46
Cheese	54	50	<b>61</b>	56	54	45	55
Olive oil/other specialty oils	51	30	46	56	49	60	<b>70</b>
Bread	48	51	<b>52</b>	45	48	45	40
Meat	47	<b>56</b>	55	52	43	38	34
Barbecue sauce	46	<b>56</b>	51	48	47	32	31
Cookies	42	<b>51</b>	49	44	39	34	27
Salad Dressing	40	40	<b>48</b>	45	32	36	36
Frozen food and frozen entrees	39	46	<b>48</b>	39	32	35	28
Pasta (fresh or packaged)	39	<b>45</b>	44	41	37	33	26
Condiments/mustards	38	38	<b>45</b>	39	34	36	27
Pasta sauce	38	38	<b>49</b>	40	36	23	31
Crackers/crispbread/breadsticks	33	32	<b>36</b>	<b>36</b>	32	31	31
Salty snacks	33	<b>40</b>	32	35	31	24	32
Jam/jelly/preserves/honey & other spreads	32	33	<b>36</b>	32	31	26	35
Salsa	32	37	<b>39</b>	35	31	23	24
Spices/spice rubs	30	28	35	<b>36</b>	31	26	21
Olives/pickles/relishes (fresh or packaged)	30	28	31	<b>35</b>	28	26	32
Prepared, ready-to-eat foods	30	<b>35</b>	<b>35</b>	32	30	23	18
Vinegar	23	17	23	<b>27</b>	25	21	26
Non-chocolate candy	21	<b>27</b>	25	22	20	16	14
Other sauces	19	23	<b>26</b>	17	19	15	8

Bold; Highest incidence of purchase.

Base; 1092 adults aged 18 and older with Internet access who purchase specialty foods.

Source; Mintel/Greenfield on line

**Note:** Consumers between the ages of 18 and 34 are significantly more likely than average to have purchased specialty versions of a number of products including beverages, chocolate, and salty snacks. Older consumers are more likely to purchase olive oil/other oils.

**Table 3** Types of Specialty Foods Purchased

<b>Types of Specialty Foods Purchased</b>	<b>% Purchasing</b>
Cold beverages (specialty water, tea, soda)	62
Coffee/tea	61
Chocolate	58
Cheese	54
Olive oil/other specialty oils	51
Bread	48
Meat	47
Barbecue sauce	46
Cookies	42
Salad Dressing	40
Frozen food and frozen entrees	39
Pasta (fresh or packaged)	39
Condiments/mustards	38
Pasta sauce	38
Crackers/crispbread/breadsticks	33
Salty snacks	33
Jam/jelly/preserves/honey & other spreads	32
Salsa	32
Spices/spice rubs	30
Olives/pickles/relishes (fresh or packaged)	30
Prepared, ready-to-eat foods	30
Vinegar	23
Non-chocolate candy	21
Other sauces	19

Base; 1092 adults aged 18 and older with Internet access who purchase specialty foods.  
Source; Mintel/Greenfield on line

**Note:** Purchasers of specialty foods buy a wide assortment of items, ranging from coffee/tea to non-chocolate candy. More than half of specialty food consumers bought specialty versions of cold beverages, coffee/tea, chocolate, cheese and olive oil in the past six months.

**Table 4** Where Specialty Food Consumers Shop

<b>Where Consumers Buy Specialty Foods</b>	<b>% Specialty Food Consumers</b>
Supermarket	87
Specialty food store	46
Deli	30
Coffeehouse (such as Starbucks)	28
Natural food store	26
Bakery	24
Fast casual restaurant (Such as Panera Bread, Corner Bakery or Baja Fresh)	19
Quick service restaurant (such as McDonald's, Subway)	15
Wine or liquor store	11
Convenience store	8
Home store (Bed, Bath & Beyond or Linen & Things)	4
Gift store	4
Other	6

Base; 1092 adults aged 18 and older with Internet access who purchase specialty foods.  
Source; Mintel/Greenfield on line

**Note:** Specialty food shoppers visit a wide array of channels to purchase specialty food. Supermarkets are the top channel shopped, almost twice as frequently as specialty food stores. The wide channel distribution reveals that specialty foods can be found in a variety of places.

**Table 5 Specialty Food Buying Influences**

<b>Specialty Food Buying Influences</b>	<b>% Specialty Food Consumers</b>
Recommended by a friend or colleague	48
On sale	44
Featured in an in-store demonstration or sampling table	30
Recommended by a worker at the store	19

Base; 1092 adults aged 18 and older with Internet access who purchase specialty foods.  
Source; Mintel/Greenfield on line

**Note:** This reveals that word-of-mouth is still highly sought after by retailers. This information is key to creating marketing promotions such as bring in a guest and receive some kind of discount.

**Table 6 Specialty Food Buying Influences by Age**

<b>Specialty Food Buying Influences</b>	<b>All</b>	<b>18-24</b>	<b>25-34</b>	<b>35-44</b>	<b>45-54</b>	<b>55-64</b>	<b>65+</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Recommended by a friend or colleague	48	<b>60</b>	58	50	44	38	31
On sale	44	<b>62</b>	51	46	35	30	32
Featured in an in-store demonstration or sampling table	30	<b>37</b>	32	29	31	27	24
Recommended by a worker at the store	19	<b>29</b>	25	17	18	15	8

Bold; Highest incidence of influence.

Base; 1092 adults aged 18 and older with Internet access who purchase specialty foods.

Source; Mintel/Greenfield on line

**Note:** This reveals that younger shoppers can be more influenced not only by friends or colleagues, but by in-store demos and workers. This is a key to designing strategies to secure this target market.

## Kele's Customer Survey



Please fill-out the following survey and check the appropriate box. Your opinion is very valuable to us. Please let us know how you feel. Mahalo!

Male  Female  Age: 18-24  25-34  35-44  45+

<u>Statements</u>	Agree Strongly	Agree	No Opinion	Disagree	Disagree Strongly
I shop at Kele's Coffee because of their location.					
As compared to other coffee retailers, the prices at Kele's Coffee are reasonable.					
Kele's customer service is equal to or better than other coffee retailers.					
As compared to other coffee retailers, the waiting time for my order at Kele's Coffee is reasonable.					
The quality of Kele's Coffee products is equal to or better than other coffee retailers.					
I prefer to have my beverages made-to-order instead of standardized.					
I sometimes purchase ground or whole bean coffee from Kele's Coffee.					
I would purchase Kele's merchandise such as t-shirts, caps, travel mugs and specialized gift baskets at Kele's Coffee.					
I would purchase specialty coffees such as Thai coffee and Café Au Lait at Kele's Coffee.					
I would consider giving Kele's coffee as a gift.					
I would highly recommend Kele's Coffee to others.					
If I could purchase Kele's Coffee on their website, I would.					
Having coffee roasted on-site is an advantage for Kele's Coffee.					
Kele's store appearance is "pleasing to the eye."					
Because of the signs at Kele's Coffee, placing my order is easy.					

What type of breakfast items would you like to see offered at Kele's?

What type of lunch items would you like to see offered at Kele's?

What other products would you like to see sold at Kele's Coffee that aren't sold at other Pioneer Plaza retailers?

**Table 7 Kele's Customer Survey (Females)**

<b>Question/Survey #</b>	<b>1</b>	<b>2</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>17</b>	<b>20</b>	<b>21</b>	<b>24</b>	<b>25</b>	<b>26</b>	<b>28</b>	<b>29</b>	<b>Totals</b>
Male	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Female	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	56.7%
18-24	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	3.3%
25-34	0	1	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	10.0%
35-44	0	0	1	1	0	0	0	0	0	0	0	0	1	1	0	1	0	16.7%
45+	1	0	0	0	1	1	0	1	1	0	0	1	0	0	1	0	1	26.7%
I shop at Kele's Coffee because of their location.	5	4	4	3	4	5	5	5	4	5	3	3	3	4	5	5	5	4.2
As compared to other coffee retailers, the <i>prices</i> at Kele's Coffee are reasonable.	5	4	4	4	4	4	5	5	4	4	5	5	5	4	5	4	4	4.4
<b>Kele's customer service is equal to or better than other coffee retailers.</b>	5	5	5	4	4	5	5	5	5	5	5	4	5	5	5	5	4	<b>4.8</b>
As compared to other coffee retailers, the <i>waiting time</i> for my order at Kele's Coffee is reasonable.	5	5	4	4	4	4	5	5	5	4	5	4	5	4	5	4	4	4.5
<b>The quality of Kele's Coffee products is equal to or better than other coffee retailers.</b>	3	5	4	4	5	5	5	5	5	5	5	5	5	5	5	4	4	<b>4.6</b>
I prefer to have my beverages made-to-order instead of standardized.	5	5	5	3	5	5	5	4	5	5	5	3	3	5	5	5	4	4.5
<b>I sometimes purchase ground or whole bean coffee from Kele's Coffee.</b>	5	3	2	3	2	3	3	4	3	3	3	4	5	4	4	5	3	<b>3.5</b>
<b>I would purchase Kele's merchandise such as t-shirts, caps, travel mugs, and specialized gift baskets at Kele's Coffee.</b>	5	3	2	4	2	4	3	4	4	5	2	2	3	1	3	4	3	<b>3.2</b>
I would purchase <i>specialty coffees</i> such as Thai coffee and Café Au Lait at Kele's Coffee.	5	4	2	4	4	3	4	4	3	5	5	3	3	4	5	4	3	3.8
I would consider giving Kele's Coffee as a gift.	5	4	4	4	4	4	5	5	5	5	4	5	5	4	4	5	3	4.4
<b>I would highly recommend Kele's Coffee to others.</b>	5	4	3	5	4	5	5	5	5	5	4	5	5	5	5	4	4	<b>4.6</b>
If I could purchase Kele's Coffee on their <i>website</i> , I would.	5	3	2	4	3	3	2	2	4	5	2	5	3	3	4	2	3	<b>3.2</b>
Having coffee <i>roasted on-site</i> is an advantage for Kele's	5	5	4	4	4	4	5	5	4	5	3	3	5	5	5	4	4	4.4
<b>Kele's store appearance is "pleasing to the eye."</b>	5	5	4	5	4	4	5	5	5	5	5	4	5	5	5	4	4	<b>4.6</b>
Because of the signs at Kele's Coffee, placing order is easy.	5	4	4	5	4	4	5	5	5	5	5	4	4	4	5	4	4	4.5
Total Average Score																		<b>4.2</b>

**Table 8 Kele's Customer Survey (Males)**

Question/Survey #	3	4	5	6	7	15	16	18	19	22	23	27	30	Total
Male	1	1	1	1	1	1	1	1	1	1	1	1	1	43.3%
Female	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
18-24	0	0	0	1	0	0	0	0	0	0	0	0	0	3.3%
25-34	1	0	0	0	0	0	1	0	1	1	0	0	0	13.3%
35-44	0	1	0	0	0	0	0	0	0	0	0	0	1	6.7%
45+	0	0	1	0	1	1	0	1	0	0	1	1	0	20.0%
I shop at Kele's Coffee because of their location.	4	3	4	4	3	5	5	4	3	2	5	4	4	3.8
As compared to other coffee retailers, the <i>prices</i> at Kele's Coffee are reasonable.	4	4	4	4	4	5	4	5	5	5	4	4	4	4.3
Kele's <i>customer service</i> is equal to or better than other coffee retailers.	4	4	5	2	5	5	2	4	4	4	5	5	3	4.0
As compared to other coffee retailers, the <i>waiting time</i> for my order at Kele's Coffee is reasonable.	4	4	5	2	4	5	4	4	4	5	4	5	4	4.2
<b>The <i>quality</i> of Kele's Coffee products is equal to or better than other coffee retailers.</b>	5	5	5	5	5	5	4	5	5	5	4	5	5	<b>4.8</b>
I prefer to have my beverages made-to-order instead of standardized.	3	5	5	4	5	5	4	4	3	5	1	5	2	3.9
I sometimes <i>purchase ground or whole bean</i> coffee from Kele's Coffee.	3	3	2	4	3	3	2	4	1	4	4	2	4	3.0
<b>I would purchase Kele's <i>merchandise</i> such as t-shirts, caps, travel mugs, and specialized gift baskets at Kele's Coffee.</b>	2	3	2	2	4	3	1	2	3	2	1	2	3	<b>2.3</b>
<b>I would purchase <i>specialty coffees</i> such as Thai coffee and Café Au Lait at Kele's Coffee.</b>	2	2	2	4	3	4	5	3	1	4	1	4	3	<b>2.9</b>
I would consider giving Kele's Coffee as a gift.	4	3	4	4	4	4	3	4	4	2	4	4	4	3.7
<b>I would highly <i>recommend</i> Kele's Coffee to others.</b>	4	4	5	5	5	5	3	4	5	5	4	5	4	<b>4.5</b>
<b>If I could purchase Kele's Coffee on their <i>website</i>, I would.</b>	2	3	2	4	3	3	2	3	3	1	1	2	3	<b>2.5</b>
Having coffee <i>roasted on-site</i> is an advantage for Kele's Coffee.	4	4	2	4	4	5	3	4	5	4	4	4	5	4.0
<b>Kele's store <i>appearance</i> is "pleasing to the eye."</b>	4	5	5	4	4	5	4	5	5	4	4	4	5	<b>4.5</b>
Because of the signs at Kele's Coffee, placing my order is easy.	3	4	4	2	4	5	4	5	4	4	4	4	4	3.9
Total Average Score														<b>3.8</b>

**Table 9** Correlations

**Nonparametric Correlations**

**Correlations**

			Q2	Q9
Kendall's tau_b	Q2	Correlation Coefficient	1.000	.413*
		Sig. (2-tailed)	.	.021
		N	30	30
	Q9	Correlation Coefficient	.413*	1.000
		Sig. (2-tailed)	.021	.
		N	30	30
Spearman's rho	Q2	Correlation Coefficient	1.000	.429*
		Sig. (2-tailed)	.	.018
		N	30	30
	Q9	Correlation Coefficient	.429*	1.000
		Sig. (2-tailed)	.018	.
		N	30	30

\*. Correlation is significant at the .05 level (2-tailed).

**Nonparametric Correlations**

**Correlations**

			Q1	Q9
Kendall's tau_b	Q1	Correlation Coefficient	1.000	-.413*
		Sig. (2-tailed)	.	.021
		N	30	30
	Q9	Correlation Coefficient	-.413*	1.000
		Sig. (2-tailed)	.021	.
		N	30	30
Spearman's rho	Q1	Correlation Coefficient	1.000	-.429*
		Sig. (2-tailed)	.	.018
		N	30	30
	Q9	Correlation Coefficient	-.429*	1.000
		Sig. (2-tailed)	.018	.
		N	30	30

\*. Correlation is significant at the .05 level (2-tailed).

## Nonparametric Correlations

### Correlations

			Q1	Q14
Kendall's tau_b	Q1	Correlation Coefficient	1.000	-.360*
		Sig. (2-tailed)	.	.033
		N	30	30
	Q14	Correlation Coefficient	-.360*	1.000
		Sig. (2-tailed)	.033	.
		N	30	30
Spearman's rho	Q1	Correlation Coefficient	1.000	-.395*
		Sig. (2-tailed)	.	.031
		N	30	30
	Q14	Correlation Coefficient	-.395*	1.000
		Sig. (2-tailed)	.031	.
		N	30	30

\*. Correlation is significant at the .05 level (2-tailed).

## Nonparametric Correlations

### Correlations

			Q1	Q15
Kendall's tau_b	Q1	Correlation Coefficient	1.000	-.334*
		Sig. (2-tailed)	.	.048
		N	30	30
	Q15	Correlation Coefficient	-.334*	1.000
		Sig. (2-tailed)	.048	.
		N	30	30
Spearman's rho	Q1	Correlation Coefficient	1.000	-.368*
		Sig. (2-tailed)	.	.046
		N	30	30
	Q15	Correlation Coefficient	-.368*	1.000
		Sig. (2-tailed)	.046	.
		N	30	30

\*. Correlation is significant at the .05 level (2-tailed).

## Nonparametric Correlations

### Correlations

			Q2	Q14
Kendall's tau_b	Q2	Correlation Coefficient	1.000	.360*
		Sig. (2-tailed)	.	.033
		N	30	30
	Q14	Correlation Coefficient	.360*	1.000
		Sig. (2-tailed)	.033	.
		N	30	30
Spearman's rho	Q2	Correlation Coefficient	1.000	.395*
		Sig. (2-tailed)	.	.031
		N	30	30
	Q14	Correlation Coefficient	.395*	1.000
		Sig. (2-tailed)	.031	.
		N	30	30

\*. Correlation is significant at the .05 level (2-tailed).

## Nonparametric Correlations

### Correlations

			Q11	Q17
Kendall's tau_b	Q11	Correlation Coefficient	1.000	.378*
		Sig. (2-tailed)	.	.034
		N	30	30
	Q17	Correlation Coefficient	.378*	1.000
		Sig. (2-tailed)	.034	.
		N	30	30
Spearman's rho	Q11	Correlation Coefficient	1.000	.391*
		Sig. (2-tailed)	.	.033
		N	30	30
	Q17	Correlation Coefficient	.391*	1.000
		Sig. (2-tailed)	.033	.
		N	30	30

\*. Correlation is significant at the .05 level (2-tailed).

**Table 10** Oneway ANOVA

## Oneway

### ANOVA

Q17

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.764	2	1.882	6.596	.005
Within Groups	7.703	27	.285		
Total	11.467	29			

**Table 11** One Sample T-Test

**T-Test**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Q8	30	4.37	.490	.089

**One-Sample Test**

	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q8	-7.077	29	.000	-.63	-.82	-.45

**T-Test**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Q9	30	4.43	.858	.157

**One-Sample Test**

	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q9	-3.616	29	.001	-.57	-.89	-.25

**T-Test**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Q10	30	4.33	.661	.121

**One-Sample Test**

	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q10	-5.525	29	.000	-.67	-.91	-.42

### T-Test

#### One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Q11	30	4.73	.521	.095

#### One-Sample Test

	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q11	-2.804	29	.009	-.27	-.46	-.07

### T-Test

#### One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Q19	30	4.20	.761	.139

#### One-Sample Test

	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q19	-5.757	29	.000	-.80	-1.08	-.52

### T-Test

#### One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Q17	30	4.53	.629	.115

#### One-Sample Test

	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q17	-4.065	29	.000	-.47	-.70	-.23

**Table 12** Independent-Samples T-Test

**T-Test**

**Group Statistics**

	Q1	N	Mean	Std. Deviation	Std. Error Mean
Q17	0	17	4.59	.618	.150
	1	13	4.46	.660	.183

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper	
Q17	Equal variances assumed	.212	.649	.540	28	.593	.13	.235	-.354	.607
	Equal variances not assumed			.535	25.046	.597	.13	.237	-.361	.614

**T-Test**

**Group Statistics**

	Q6	N	Mean	Std. Deviation	Std. Error Mean
Q17	0	16	4.38	.719	.180
	1	14	4.71	.469	.125

**Independent Samples Test**

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper	
Q17	Equal variances assumed	4.855	.036	-1.506	28	.143	-.34	.225	-.801	.122
	Equal variances not assumed			-1.549	26.031	.134	-.34	.219	-.790	.111

**Table 13** Collinearity Diagnostics

**Collinearity Diagnostics<sup>a</sup>**

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	Q8	Q9	Q11
1	1	3.959	1.000	.00	.00	.00	.00
	2	2.660E-02	12.199	.01	.02	.94	.06
	3	1.014E-02	19.764	.00	.64	.03	.48
	4	4.336E-03	30.215	.99	.33	.03	.46

a. Dependent Variable: Q17

**Table 14** Linear Regression

**Regression**

**Variables Entered/Removed<sup>b</sup>**

Model	Variables Entered	Variables Removed	Method
1	Q11 <sup>a</sup> , Q9, Q8	.	Enter

a. All requested variables entered.

b. Dependent Variable: Q17

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.531 <sup>a</sup>	.282	.199	.563

a. Predictors: (Constant), Q11, Q9, Q8

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.231	3	1.077	3.401	.033 <sup>a</sup>
	Residual	8.235	26	.317		
	Total	11.467	29			

a. Predictors: (Constant), Q11, Q9, Q8

b. Dependent Variable: Q17

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.473	1.309		.362	.721
	Q8	.339	.219	.264	1.551	.133
	Q9	.194	.124	.264	1.564	.130
	Q11	.364	.202	.301	1.797	.084

a. Dependent Variable: Q17