

## **Marketing Strategy Recommendation: Czpresso**

Sky Huvad March 11, 2005 MRBL-308-002

### **Introduction**

The CyboZone Coffee Shop, or Czpresso is in the conceptual stages of development as a private membership-only coffee club -- an escape from the VCU campus. Located on the 800 block of West Cary Street in Richmond, Virginia, this unique location can serve as a home base for commuters and people living in the fan and surrounding areas while attending class at VCU. Czpresso's goal is to provide a quiet, laid back atmosphere and create a conducive environment for group meetings and lectures. Meeting and lecture space will be modular to support several types of activities including study groups, formal training sessions, and guest lectures. Czpresso will have a limited menu provided in cooperation with local dining establishments. Espresso, coffees, teas, milkshakes, fruit juices, and specialty drinks will be offered. Pastries and lite fare will be available. Membership will include a smartcard required to gain entry and will also record the transaction history. Czpresso is a new product and service that will require product and market development to further advance its potential franchise opportunities.

The purpose of this recommendation is to create a marketing strategy that will help Czpresso achieve its product and market development goals. This recommendation has two parts. Part 1 provides a summary of secondary research and informal polls conducted to identify one or more appropriate target markets, which are also described in detail in actionable marketing terms. Part 2 provides the details of a creative and effective marketing mix and also offers a means by which Czpresso management can monitor the effectiveness of this strategy.

## Background Research

### *Coffee Shop Trends*

- Education - College professors are using coffee shops as an office and holding office hours there. A recent college course titled "The Cafe and Public Life" used a coffee shop as the class room. (Associated Press, 2005)
- Intellectual - Many bookstores have cafes and coffee shops inside. Barnes and Noble is one such national chain, and local coffee shops Cafe Gutenberg and 17.5 Uncommon Cafe also offer books.
- Wireless Internet Access - Allowing people to carry out research, business, and entertainment over their network. Free or pay-for-play models offer ways to increase revenue on small margins. (Cisco, 2003)
- Computer Access - Providing computer stations for customers to get on the Internet.
- Photo and document printing services available for purchase.

### *Benefits Sought By College Coffee Shop Customers (Informal Survey)*

- Comfort - Relaxing atmosphere. Comfortable seating and subdued lighting.
- Workspace - Desks, computer workstations, and special laptop benches.
- Personal space - Storage space, a locker, a place to hang a coat.
- Internet access - Wireless and hard-wire network connections to the Internet.
- Printing - Ability to print documents and photos on location, on demand.
- Entertainment - An informal gathering place for discussion.
- Group meeting space - Provide group meeting space and resources.
- Parking - Safe, convenient parking available for cars and bikes.

## *VCU Area Coffee Shops*

### Fan District

- World Cup - 26 North Morris Street, Richmond, VA 23220
- Harrison Street Coffee Shop - 402 North Harrison Street, Richmond, VA 23220
- Puddn'heads Coffee Shop - 1211 West Main Street, Richmond, VA 23220

### VCU Campus

- Java 901 - 901 Park Avenue, Richmond, VA 23284
- Jammin' Java - 907 Floyd Avenue, Richmond, VA
- Hyperlink Cafe - 814 West Grace Street, Richmond, VA 23220
- TT Lounge - 705 West Cary Street, Richmond, VA 23220

### Shockoe Bottom

- 17.5 Uncommon Cafe - 17.5 North 17th Street, Richmond, VA 23223
- Cafe Gutenberg - 1700 East Main Street, Richmond, VA 23223
- Shockoe Espresso - 104 Shockoe Slip, Richmond, VA 23219

## *Industry Information*

The Czpresso coffee shop with on premise brewing is defined by NAICS code 722213: snack and nonalcoholic beverage bars. Participants within this industry must be engaged in “(1) preparing and/or serving a specialty snack, such as ice cream, frozen yogurt, cookies, or popcorn or (2) serving nonalcoholic beverages, such as coffee, juices, or sodas for consumption on or near the premises. These establishments may carry and sell a combination of snack, nonalcoholic beverage, and

other related products (e.g., coffee beans, mugs, coffee makers) but generally promote and sell a unique snack or nonalcoholic beverage.” (U.S. Bureau of the Census [USCB])

### **Target Market**

According to VCU Facts published for 2003-2004, there were more than 27,000 students enrolled for the Fall 2003 semester. More than 75% of the students attend day classes. The student body is 40% male, 60% female. One third of students attend only part time. Almost 60% of the students are undergraduates. (Virginia Commonwealth University [VCU], 2004)

A recent VCU press release describes the 2004-2005 academic year as the sixth straight year of increased freshman enrollment, with more than 4,000 students living on campus in university housing. VCU President Eugene Trani said this was “a good indication that VCU is not only becoming the residential, destination university that we envisioned, but that our plans for expansion and improvement are on the right track.” (VCU, 2004)

Most observers recognize the significant impact that VCU has on the local economy. VCU Impact “highlights the impact of the university and its affiliates on the Richmond area economy.” Annual household spending by VCU students and employees in the Richmond area exceeds \$322 million, with more than \$34 million going to businesses near VCU’s campuses. (VCU, 2004)

Although more specific information about spending by VCU students is not readily available, it is useful to consider national averages. College students spend on

average \$287 per month on discretionary items. (Harris Interactive, 2002) One in eight college students consider themselves early adopters. These college students strongly follow word of mouth, 78% of students rely on their friends opinions of movies before making purchases and 58% rely on friends opinions while shopping for video games. More than 75% of college students work at least part time. (Harris Interactive, 2004)

The U.S. Census Bureau reports that within the immediate zip code, 29,846 people are residents. More than 80% of the area's population has graduated high school, and 24% of the population has graduated from college. The median income of the area is \$26,557 per year. Around 70% of the population is enrolled in college. Nearly 80% of the population within the zip code is single. (USCB)

College enrollments continue to increase. The national average for enrollments in colleges and universities is expected to increase 15% between 1997-2007. In Virginia, women's enrollments are projected to increase 11%, while men's are expected to have a 8% increase. (Dortch, 1997) These projections on track if the recent enrollments at VCU are any indication of national averages.

## **Marketing Mix Recommendations**

### *Product*

The Czpresso product consists of two parts: goods and services. The goods include personalized mugs, espresso, coffees, teas, milkshakes, fruit juices, and other specialty drinks. Customers will be able to select from pastries, 'lite fare,' and a limited menu from local dining establishment during their stay. Czpresso will provide services for group meetings, lecture space, training courses, limited consulting and technical

support for Apple systems. In technical terms, the Czpresso Coffee Shop is a speciality store; as such, its customers should display less price sensitivity than the customers of similar coffee shops who do not position themselves in this way. Nevertheless, because at the time the coffee shop opens, it will largely be unknown to its prospective customer base, it will be important to use promotional tactics that will gain attention in the marketplace and persuade consumers either to switch to a new 'brand' and/or otherwise give the shop a try.

Branding plays a critical role within the Czpresso marketing strategy. Because a good brand and trademark reduces the marketers selling time and effort, it is important to develop a solid brand. Czpresso will operate in a developed economy where conditions are favorable to branding. The objective of brand familiarity for this product is insistence, the customer must be willing to search for the nearest franchised branch. Although plans call for opening only one store initially, if the shop achieves its sales and marketing objectives, future stores are planned.

Packaging the product for the customer sends a message, and its link to promotion and branding must be reinforced. Packaging must first and foremost must meet or surpass the customer's needs and expectations in a way that is perceived by to be superior when compared to competing products. Because the Czpresso target market is college students, in particular those living around the VCU area and commuting to VCU for classes, it is important to understand what they want out of our packaging. Specially designed, personalized mugs will allow the customer rapid access to the 'usual' order, reducing the time and communication necessary to complete the order taking process. The package must serve the important function of reducing the likelihood of spills around delicate electronic equipment. The branding should be included on the mug to reinforce the brand's familiarity and superiority.

Czpresso is a speciality shop focusing on the college community surrounding VCU and other such urban universities, it is critical to offer a best-in-class warranty and service guarantee. In order to reduce the associated costs with this type of guarantee, it is important to use statistical process control and total quality improvement. Warranty and service guarantees must cover the dining experience as well as the group meeting and lecture facilities to ensure every customer has a wonderful time.

Coffee shops are still very much in the growth stage of the product life cycle, and the innovative new Czpresso shop may restart the product life cycle. The challenge facing Czpresso is to convince regular customers of similar retail stores that there is a reason to switch brands. The product must recognize its place in the battle of the brands and emphasize brand familiarity. The place must provide intensive distribution, perhaps with satellite distribution points throughout the campus. Promotion must build selective demand during this stage of product growth, and try to inform and persuade customers of the competition to switch. Pricing must meet the competition and offer limited deals, but there is a bit of leeway in this because of the consumer products specialty class.

### *Place*

The market challenge facing Czpresso, it is important to have a direct channel of distribution at this stage. Czpresso must control the whole marketing function, using the web for direct contact for technical service and selling effort. The intensive distribution goal of Czpresso must recognize where its customers want to buy, and offer satellite locations if necessary. This speciality consumer product requires a high customer service level that requires the use of just-in-time delivery systems throughout

the chain of supply using technology such as electronic data interchange.

The Czpresso retail specialty stores must focus on their unique product assortment. The staff must be extremely knowledgeable and be able to offer high quality service and use the consultative selling approach when necessary. The retail services of Czpresso must be available over the web, a feature highly sought by the target market. Online orders can be taken for food, drinks, and membership renewals to reduce the interaction necessary. The web order system can also be used to reorder or implement advanced ordering to further decrease the wait time and to allow the sales people to properly prioritize their service responsibilities. The product assortment and online ordering system must be able to scale rapidly for the franchise operation. It is important to recognize the economic needs of consumers fulfilled by Czpresso's retail offering such as convenience, product selection, special services, fairness in dealings, helpful information, prices, social image, and shopping atmosphere.

### *Promotion*

Czpresso must make full use of all forms of promotion. First, it must engage its customers in personal selling of premium services. Mass selling through advertising and publicity must generate attention towards Czpresso. Sales promotion techniques such as free trials will serve to stimulate the interest of the potential customers. Integrated marketing communications must focus all attention on the product features and entice potential customers to switch from their existing coffee shop while informing customers of the new unsought features the product provides to the target market. Finally, Czpresso must engage its customers in personally selling of premium services.



Targeting the early adopters within the college community through salespeople and mass media will help encourage opinion leaders to try the new Czpresso shop. These opinion leaders will spread word-of-mouth publicity and may contribute in building selective demand for the product. Persuading the customers is another way to use salespeople as a tool to build selective demand. Using a task method budget is the most appropriate way to generate a guideline for promotion activities for this new unsought product with a market that is mature.

Personal selling of the Czpresso product should be through its specially trained salespeople. The sales force must understand its role to help the customer buy. Czpresso needs order getters to generate membership enrollments. Order takers will use the custom web application to process orders, as well as orders placed at the point of purchase. Supporting salespeople for Czpresso must be missionary and technical. Team selling should be used to approach groups of people that may greatly benefit from the product Czpresso provides. While sales people are important, there will be a great emphasis on digital self-service for the ordering process. Training the salespeople will consist of instruction on Czpresso policies and best practices, detailed product information, preparatory information on how to best interact with the customer, and some basic professional selling skills to help generate new membership and retain them. Salespeople on site of the company store should be paid an hourly wage, while missionary salespeople should be given commission based on the membership revenue they generate.

Mass selling of Czpresso coffee shop products through advertising should raise awareness and interest within the target market. Czpresso is an innovative new product offering and as such demands 100% of the market. The use of competitive, indirect advertising will serve to highlight the differentiation of Czpresso and should

create attention, obtain interest, create desire, and inspire the action of purchasing a membership. The use of advertising allowances for context-based direct-response web ads will serve to introduce the product to target customers. Promotion efforts for Czpresso should use free trial opportunity to entice customers to purchase a membership.

### *Price*

The price policy of Czpresso should serve to explain how flexible prices will be, what level they will be set over the stages of the product life cycle, and who gets the discounts and allowances. Czpresso should be profit oriented because the limited capacity of the organization will not be able to take advantages of economies of scale, at first. The flexible price policy should be based on membership level for cumulative quantity discounts. Prices will be higher than those of competitors to cover the additional costs of overhead.

### **Control Recommendations**

The web is Czpresso's greatest resource. Using the web as an opportunity to solicit direct, fast feedback with anonymity will enable quality and performance controls. The use of performance benchmarks measured electronically will create an environment where employees will be held accountable for their performance. These performance measures will be evaluated in the full cost approach.

### **Conclusions and Assumptions**

The product and market development goals of Czpresso should be achieved through the recommendations set forth in this strategy. The expansion of secondary research and polling could serve to enhance the understanding of the target market. By employing a creative, effective marketing mix that is monitored for effectiveness by the Czpresso management, a wonderful franchise opportunity will develop rapidly. At this stage of the Czpresso new product development process, it is important to test the marketing mix.