

Market Feasibility for New Brand Coffee House: The Case Study of Thailand

Pongsiri K.

Abstract—This research aimed to study the market feasibility for new brand coffee house, the case study of Thailand. This study is a mixed methods research combining quantitative research and the qualitative research. Primary data 350 sets of questionnaires were distributed, and the high quality completed questionnaires of 320 sets returned. Research samples are identified as customers' of Hi-end department stores in Thailand. The sources of secondary data were critical selected from highly reliable sources, both from public and private sectors. The results were used to classify the customer group into two main groups, the younger than 25 and the older than 25 years old. Results of the younger group are give priority to the dimension of coffee house and its services dimension more than others, then branding dimension and the product dimension respectively. On the other hand, the older group gives the difference result as they rate the important of the branding, coffee house and its services, then the product respectively. Coffee consuming is not just the trend but it has become part of people lifestyle. And the new cultures also created by the wise businessman. Coffee was long produced and consumed in Thailand. But it is surprisingly the hi-end brand coffee houses in Thai market are mostly imported brands. The café business possibility for Thai brand coffee house in Thai market were discussed in the paper.

Keywords—Coffee House, Café, Coffee Consuming and new entry branding, market feasibility

I. INTRODUCTION

COFFEE is the most valuable and extensively traded tropical agricultural product. It is a significant cash crop for both producing- and consuming-countries. Thailand is the third largest producer in Asia (after Vietnam and Indonesia) [1]. Major production is of Robusta coffee, of which 80,000-85,500 tons (t) are produced annually in the South. Sixty percent of the Robusta coffee is exported and the rest is mostly used in domestic production of instant coffee. While, The Arabica coffee production is only 800-850 t per year. It is produced in the cooler highland areas of the Northern Thailand. All of the Arabica produced were totally used in roasted and ground coffee for domestic market. Consumption demand for both instant and roasted/ground coffee is growing in Thailand recently. Imports of instant coffee have increased from 412 t in 1997 to 2,270 t in 2000. There are many coffee products of Thai and international origin on the shelves of the convenience stores and supermarkets. Many international brand cafés or coffeehouses have been established in the big cities since the last decade. This research study the market feasibility of the premium fresh brew coffee house as an

opportunity for Thai business operator in creating a new brand-named coffee shop.

The surprisingly growth and expansion of American premium coffee is outlined, both on a global scale and within individual countries. The café experts claim the American café failure in Australia is the consequences of failure in brand communication; and their business model was unsustainable. Key lessons that may go beyond the specifics of the American brands are the importance of: undertaking market research and taking note of it; thinking globally but acting locally; establishing a differential advantage and then striving to sustain it; not losing sight of what makes a brand successful in the first place; and the necessity of having a sustainable business model [9].

II. LITERATURES REVIEW

A. Coffee Consumption in the World

Most of the coffee consumed throughout the world is Arabica. In many countries, Arabica represents 70%–100% (100% in Finland and Sweden) of the whole coffee consumed. The only exceptions are France, Italy, Portugal and the UK, where Robusta represents 42%–70% of the whole coffee consumption [3], [7]. The content of caffeine per cup of coffee also varies largely according to the size of the serving, the mode of preparation of the coffee (boiled, filter, percolated, espresso or instant), and the type of coffee used (Arabica or Robusta) [6], [7]. The average content of caffeine is about twice as high in Robusta as in Arabica coffee. Indeed, the content of caffeine, expressed as percent of dry weight, ranges from 0.9%–1.2% in green Arabica beans and averages 1.3% in roasted Arabica beans. In Robusta coffee, the content of caffeine is 1.6%–2.4% and 2.0% of the dry weight for green and roasted beans, respectively. As a consequence, in a standard 150ml cup, the content of caffeine ranges from 71–120mg/cup for Arabica coffee and from 131–220mg/cup for Robusta [3], [8], [9]. World coffee consumption is increasing. According to recent surveys, consumption of coffee varies greatly among the different countries. The highest consumption (more than 10kg/person/year) is encountered in all Scandinavian countries plus Austria and the Netherlands. In most western European countries, as well as in Brazil and Costa Rica, coffee consumption ranges from 6–9 kg/person/year. The lowest consumption (less than 5 kg/person/year) occurs in the United States, Italy, Algeria, Nicaragua and Paraguay [3], [4].

Pongsiri K. is with the Faculty of Management, Suan Sunandha Rajabhat University, Bangkok, 10300 Thailand (phone: +6684 0988817; e-mail: Kingkan.Amy.Pongsiri@gmail.com).

The average consumption of coffee in 1990 ranged from 1.41 cups/day in Japan, to 1.73 cups/day in the United States and 3.87 cups/day in Germany [3]. In the United States, coffee consumption (numbers of cups/person/day) decreased in 1986 and has not changed since then. In Japan, coffee consumption has been constantly increasing over the last 10 years, while in Germany the consumption has been stable over the same period [3].

In Thailand, coffee consumption demand for both instant and roasted/ground coffee is growing. Imports of instant coffee have increased from 412 t in 1997 to 2,270 t in 2000 [1].

B. Coffee in Thailand

Coffee is one of agriculture product which generates great income for Thailand. There are two main areas growing coffee in the kingdom, southern and northern. Robusta coffee is grown mainly the south where 80,000 t are produced annually. Only 500 t of Arabica coffee (*C. arabica*) are produced in the north. Current Coffee cultivation techniques are focused on producing high yields. Chemical fertilizers and pesticides are commonly applied to the coffee plantations. Thailand exports 60,000 t of Robusta coffee, while 20,000 t are used for soluble, roasted, ground, and canned coffee in the domestic market. Arabica coffee is mainly used for roasted and ground coffee in Thailand. Arabica coffee is mainly grown in the highlands at approx. 800m. It is wet processed to give high quality green bean. Growing Arabica coffee provides cash income for hill-tribe farmers and reduces the problem of traditional swidden agriculture. According to the Thai policy of natural resource conservation and the limitation of land area, the hill-tribe farmers have to grow coffee to sustain natural resources on the highlands in the long term [2]. Growing coffee within the country is therefore not only good for the economy but obviously good to the natural resources of the country.

C. Global Coffee House

Café, coffee house, coffee shop, are related terms for an establishment which primarily serves prepared coffee or other hot beverages. As the name suggests, coffeehouses focus on providing coffee and tea as well as light snacks. The original of coffeehouse had a first established in Italy in 1645. Then in 1652, the coffee shop trend spread into England and mores. Coffeehouse generally serves as centre of social and cultural interaction. Coffeehouse became a symbol of informal club where provides social members with a place to congregate, talk, write, read, and entertain one another.

Many countries in Asia and Oceania, such as China, India, Philippines, Malaysia, Singapore and Thailand, an abundance of recently started domestic coffeehouse chains may be seen accommodating business people for conspicuous consumption, with coffee prices are sometimes even higher than in the West. In India, many coffee cultures has gained a lot of ground in last twenty years, Indian coffeehouse chains like Indian Coffee House, Café Coffee Day, Barista Lavazza have become very popular in recent years. Cafes are considered good venues to conduct office meetings and

friends hang about [5]. In Malaysia and Singapore, a traditional breakfast and coffee shops are called as “kopi tiam”. It is a compound word between Malaysian language means coffee (as borrowed and altered from English) and the Hokkien dialect word for coffee shop (咖啡店; POJ: tiàm). Menus typically feature simple offerings: a variety of foods based on egg, toast, and coconut jam, accompany with variety of drinks such as coffee, tea, and Milo, a malt chocolate drink which is extremely popular in Southeast Asia and Australasia, particularly Singapore and Malaysia. In the Philippines, Hong Kong, Thailand and Singapore, foreign brand coffee shops like Starbucks became prevalent in upper and middle class professionals especially in tourist destination and big cities.

In Australia, coffee shops are generally called cafés. Since the post-World War II influx of Italian immigrants introduced espresso coffee machines to Australia in the 1950s, there has been a steady rise in café culture. The past decade has seen a rapid rise in demand for locally fresh roasted specialty coffee, particularly in Melbourne due in part to the hipster, student, or artist population, with the ‘flat white’, a popular coffee drink.

Coffeehouse referring in this research was identified as the premium coffee shop aim to serve as a hi-end or premium coffee and other related products.

D. Café Market in Thailand

Coffee Shops in Thailand by Mintel Global Market claims both multiple and independent coffee shops are rapid spreaded throughout the country within the last decade. Coffee shops are defined as outlets where coffee accounts for a sizeable part of sales with quite a restricted, mainly packaged, food offer and small amounts if any. In some countries it therefore includes outlets such as bakery shops and bars. Thailand’s coffee market are intend to continually and accelerative grow in the nearly future for at least five years period.

It should be noted that the business regarding roasted coffee parlors has its roots in Thailand for a period of time, but it has just become popular in 2010. The growth rate of the business is still continuing to increase by 10%. The growth rate can be seen from various customer groups. From the past, the main group for the business was limited only to the businessmen and travelers. But presently the target group is expanding to office people as well as students. The business regarding coffee parlors in Thailand is very interesting as it lights up many opportunities that are centered on the idea of drinking coffee for entertainment and lifestyle.

Chain coffee house in Thailand tend to attract a wealthier clients: Westerners, Japanese, Chinese, and Korean tourists, white collar workers and students living a “Hiso-looks” lifestyle on the back of daddy’s salary or a student loan. The average Thai tends to grab a road coffee for half the price, twice the size and no doubt with twice the sugar.

E. A New Entry Branded Coffee

There are the evidences shown that the American famous cafe is not only misjudged some coffee culture but also misjudged the extent of the competition, and failed to adapt its offering to the local market. The competitive advantages of

popular and progressive coffeehouse were identified as the advance of high quality barista training, the availability of premium coffee beans and the technology to produce a high quality cup of coffee, and the sole operators who customize their client by name. Starbucks, Coffee World and Black Canyon may have been well recognized within previous premium coffee category, but the emergence of Doi Change, Chao Doi and McCafé, new entry premium coffee shops were turned out to be serious competitors. Then many questions have to be raised about American fundamental café business model in a market where many small niche players can easily replicate the 'Starbucks Experience' [9].

III. METHODOLOGY

This study is a mixed methods research combining quantitative research and the qualitative research. Primary data 350 sets of questionnaires were distributed. Then, high quality completed questionnaires of 320 sets were returned. Research samples are identified as customers' of Hi-end department stores in Thailand. The sources of secondary data were critical selected from highly reliable sources, both from public and private sectors. The secondary research can be divided into two part; pre-data analysis and during the data analysis. Pre-data analysis part is study the contents related to coffee, coffee consumption including market sizes especially in Thailand case studies. And the studies of factors influencing coffee consuming then design the questionnaire to use in this research. The questionnaire was designed and divided all factors into three main groups; product dimension, branding dimension and the coffee house and its services. First, product dimension is including the study of coffee taste, varieties, aroma, additional flavor and smells, coffee arts, side bakery, price and cleanliness. Second, the branding dimension is gathering the questions about brand loyalty, premium brand coffee house, origin and history of existing brand and the brand image. Third, the coffee house and its services are including house atmospheres, interior decorations, wall arts, counter style seat arrangement, space in the house, customer privacy, front-line location, normal location, WIFI service providing, service provider ethics and other facilities. The results of this study were critical analysis, the secondary data of each criteria and its related article were used to give reasons and vision in suggesting market feasibility to the potential coffee traders.

IV. RESULTS

The results of this research shall present into three sections; Section I: The result of demographic data showed that the majority of samples are woman, age less than 25years old, student, earning average less than 300 USD a month. The second large group is in age between 26and 30 years, working in private firm, average income between 301 USD to 700 USD. Third, the group age between 31 and 40, working in private firm, average income from 701 USD to 1000 USD, usually purchase when host a small business talk. Samples' genders data were brought up to analyzed at the first stage and

found that there are no significant between female samples and male sample.

Section II: Study of correlations between the factors and the new premium brand coffee consuming, the overall result illustrates that the strongest significant factor affecting hi-end brand coffee consuming is the coffee aroma. Then, additional flavors, coffee taste, coffee house atmosphere and the price, respectively. The product dimension, coffee aroma have the highest correlations ($r = 0.304$) to the new brand coffee consuming which mean that the more aroma blow surrounding the coffee house the more consuming possibility rising by 30.4 percentage. Additional syrups play a second significant correlation ($r = 0.289$) which illustrate that the more variety of syrup choices provided, the more consuming possibility rising by 28.9 percentage. Good tastes of coffee are in the third place ($r = 0.279$), as much as its taste good, the more consuming possibility rising by 27.9 percentage. Branding dimension, surprisingly the most significant data from this part explains that the origin of the coffee give a strong effects to the hi-end coffee consuming, especially the new entry brand coffee, the reputation of coffee sources are highly attractive ($r = 0.213$). Samples claim the interesting origin of coffee beans are attractive and affects the first time consuming possibility by 21.3 percentage. Then, the majority of customers do care about their image of coffee consuming ($r = 0.192$). The luxury coffee gives the "Hiso-looks" to the customers and made them to be accepted in their living society. Third, the data insist the power of brand loyalty that strongly influence ($r = 0.172$). The more brand become popular and well-recognized, the possibility that samples would like to try to consume a new brand premium coffee raise by 17.2 percentage. The coffee house and its services dimension, the shop atmosphere is the factor that most seduce samples to try to consume a new brand premium coffee ($r = 0.249$). The pleasant atmosphere can influence the potential customer to try the new coffeehouse. Space available in the shop is the second significant ($r = 0.202$) result in this part. The customer feel more comfortable to try the new premium coffee or try the new coffeehouse where the café providing enough space to sit, to walk and to have privacy. Privacy are in third place ($r = 0.195$) the more privacy you can offer the more willingness to try to consume a new brand premium coffee were rated by 19.5 percentage.

Section III: The critical analyze the data match with age groups. The youngest group; age less than 25 years old, most of them are student. This group of consumer presents the new lifestyle in Thai teen life. The youngest group tends to give the priority to the coffeehouse and its services dimension more than others, then branding dimension and the product dimension respectively. The preferable coffeehouse from the youngest sample's point of view must have a good atmosphere ($r = 0.427$), with the expansive spaces ($r = 0.404$), high privacy ($r = 0.401$), fully decorate with styles ($r = 0.427$), optional Wi-Fi ($r = 0.396$) and other facilities ($r = 0.457$) provided. The teenager samples are more interest and would like to try the new brand coffee when the brand have a fully details in its origin (0.213). In addition, if any of coffeehouse are giving a rich image as the luxury coffee consumer, the

potential customer will feel more appeal to try the new brand coffee house by 19.9 percentage. The luxury coffee which gives the "Hiso-looks" to the customers and made them to be accepted in their living society can also raise the willingness to try the new brand coffeehouse by 17.7 percentage. The dimension of product, the younger samples tend to consume this new brand coffee when it offered with the additional options such as flavors and bakeries. Younger consumers are looking for more variety in flavor of the drinks, and its' aromas options which something only hi-end coffeehouse could provide. The results illustrate that the youngest group of consumers are most likely to state that they're happy try a new brand fresh brew coffee at a famous brand coffee shop where they are able to choose the additional syrups such as hazel nuts, vanilla and caramel ($r = 0.6643$). The side-bakeries are also significant rated as attractive factor affecting the new brand coffeehouse consuming ($r = 0.7664$)

Whilst older consumers are more motivated to try the new brand premium coffee by factors from first, dimension of branding, second the criteria of coffee house and its services and last from its product related factors respectively. The result data, age between 31 and 40, majorities of samples are private company employees, with the average power of purchasing. It demonstrates that they are choose to try a new brand coffee when they are able to do an informal business talk outside the office ($r = 0.569$) as they give a reputation to the brand ($r = 0.399$) and its image given when they are drinking or handling the café packaging ($r = 0.395$). The preferable café and its service from these groups were stated as the high privacy seating ($r = 0.544$), have a good atmosphere ($r = 0.514$) with widely space expanse, Wi-Fi providing ($r = 0.432$), other facilities offered ($r = 0.411$) and hospitality of the servers ($r = 0.402$). The higher reputation of the brand affects the customers' willingness to buy and consume the coffeehouse products by 39.9 percentages. The results also show that samples concern about their image when consuming the coffeehouse products.

The older consumer give important to the product as the least important group, the aroma of the coffee is the most powerful factor in this dimension for tempting the customers to try a new brand premium coffee ($r = 0.474$). The mature customers like to choose their options from the variety of choice both drinks ($r = 0.419$) and side bakery ($r = 0.341$).

V. DISCUSSION

In this section, the discussion on two different age group samples, the younger and the older groups. Recommend to all the investors and all stakeholders to consider market the customer by their ages, as the different generation have different affection. The businessman who would like to sustain invest in creating a new hi-end coffee house in Thailand must critical consider the two different needs. As mention before that the trend of coffee drinking is more than just providing beverages and foods, but it has become a lifestyle and cultures especially emerging trend within the teen life. The younger group rates the dimension of coffee house and its services dimension more than others, then branding dimension and the

product dimension respectively. Since the teenage lifestyle have been changed from the past, they would like to sit, sip and study in the brand named café more than spending their time in the university library. Because most of the students enjoy the conveniently studying in the luxury coffee house is simply comfortable and also give them the better image of rich and smart student, contradictory to the living and reading in the old library, feel the smell of the old books. The business targeting the teen group should think of providing the variety of additional flavors and smell cause the result demonstrated that the younger sample have more possibility in consuming a new brand coffee house. The bakeries are work in tempting the younger consumers but not for the older.

Contradictory to the older group, the younger group, they were tempted to try the new brand premium coffee when consider of branding, coffee house and its services, then the product respectively. The mature customer they are loyalty. Many mature customers are more interested in the café facilities which they may need to use and the privacy of their group when the business talks held outside the office.

ACKNOWLEDGMENT

This paper based on the research project funded by Suan Sunadha Rajabhat University, Bangkok Thailand. Permission to publish this article is gratefully acknowledged.

REFERENCES

- [1] Fair trade Foundation. (2012) "Commodity Briefly, May 2012" Retrieved from http://www.fairtrade.org.uk/includes/documents/cm_docs/2012/FT_Coffee_Report_May2012.pdf. Retrieved at December 11th, 2012.
- [2] P. Angkathit. "the First Asian Regional Round-table on Sustainable, Organic and Specialty Coffee Production", Processing and Marketing, 26-28 Feb. 2001, Chiang Mai, Thailand. 2001.
- [3] A. D'Amicis & R. Viani. "The consumption of coffee. In: Garattini S, editor. Caffeine, coffee and health". New York: Raven Press, 1993:1-16.
- [4] R.M. Gilbert. "Caffeine consumption, The methylxanthine beverages and foods: chemistry, consumption, and health effects". New York: Liss, 1984:185-213.
- [5] M. Indian. "Middle-class India embraces coffee culture" Retrieved from <http://asiancorrespondent.com/97958/middle-class-india-embraces-coffee-culture/> Retrieved at February 19th, 2013
- [6] G. Debry. "Coffee and health" Paris: Libbey, 1994. R. Viani "Composition of coffee. Caffeine, coffee and health". In: Garattini S, editor. New York: Raven Press, 1993:17-41.
- [7] R. Viani "Caffeine consumption. Proceedings of the Caffeine" Workshop, Thai FDA and ILSI Bangkok, Thailand, 1996.
- [8] Mintel. (2012) Coffee in Thailand (2012) – Market Sizes.
- [9] P.G. Patterson & J. Scott & M.D. Uncles. "How the local competition defeated a global brand: The case of Starbucks". Australasian Marketing Journal 18, 41-47, 2010

Kingkan Pongsiri was born in 12th September 1985 in Bangkok, Thailand. She accomplished a bachelor in Japanese Literature from Silpakorn University, Thailand in 2007. Then in 2010, she completed her master with extra merit in Hospitality with Tourism Management from University of Birmingham, United Kingdom. Currently, Kingkan is working as a full-time lecturer in Service Industry, Business Management for The Faculty of Management Science, Suan Sunadha Rajabhat University, Bangkok Thailand. Her field of interests includes Hospitality, Tourism and Service Business Management.