Premium Coffee Market Segmentation

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Rationale Behind Study

1. The first goal of the study is to define segments/communities to whom a premium brand of coffee can be cost effectively promoted.
2. The second goal of this study is to identify if the defined segments/communities present a sufficient size to make coffee promotion viable.

Some background about coffee

Premium Grade Coffee:

Premium Grade Coffee is a general term that describes high quality coffee. Premium grade or premium coffee is also referred to as specialty or gourmet coffee. These terms underscore quality, which is easily perceived on our palate. High quality coffee beans generally produce a richer and more flavorful cup of coffee than most generic or store bought coffees. The Specialty Coffee Association of America reports that less than 8% of the world's production of coffee qualifies as specialty or premium. Typically these beans come from higher altitudes where ripening is slow and uniform. High grown beans are dense and take the rigors of roasting very well. When roasted to a medium dark level these beans produce a smooth and flavorful drink with intense aroma and rich flavor. Coffee drinkers who experience a superb cup of coffee seldom go back to drinking generic coffee. Savoring a cup of freshly roasted specialty coffee is an experience of its own and an affordable luxury.

Source

Different types of Coffee Beans:

The most prevalent and used type of coffee beans are

S.No.	Name	Characteristics
1	Arabica	It is considered to be far superior in flavor - the champagne of coffee
2	Robusta	Robusta, is higher in caffeine and tastes far bitterer and more acidic, which makes it less than preferable for most domestic use.

Robusta is cheap and this makes it substitute for Arabica, which sees several coffee companies add small amounts of Robusta to their product lines as ?filler?.

The various types or varieties of coffee are listed in the table below:

S.No.	Types or Varieties of Coffee	Definition
1	**American (regular) roast**	Beans are medium-roasted, resulting in a moderate brew, not too light or too heavy in flavor.
2	**French roast and dark French roast**	Heavily-roasted beans, a deep chocolate brown which produce a stronger coffee.
3	**Italian roast**	Glossy, brown-black, strongly flavored, used for espresso
4	**European roast**	Two-thirds heavy-roast beans blended with one-third regular-roast.
5	**Viennese roast**	One-third heavy-roast beans blended with two-thirds regular-roast.
6	**Instant coffee**	A powder made of heat-dried freshly brewed coffee.
7	**Freeze-dried coffee**	Brewed coffee that has been frozen into a slush before the water is evaporated, normally more expensive that instants but with a superior flavor.
8	**Decaffeinated coffee**	

		Caffeine is removed from the beans before roasting via the use of a chemical solvent (which disappears completely when the beans are roasted) or the Swiss water process which steams the beans and then scrapes off the caffeine-laden outer layers.

Source

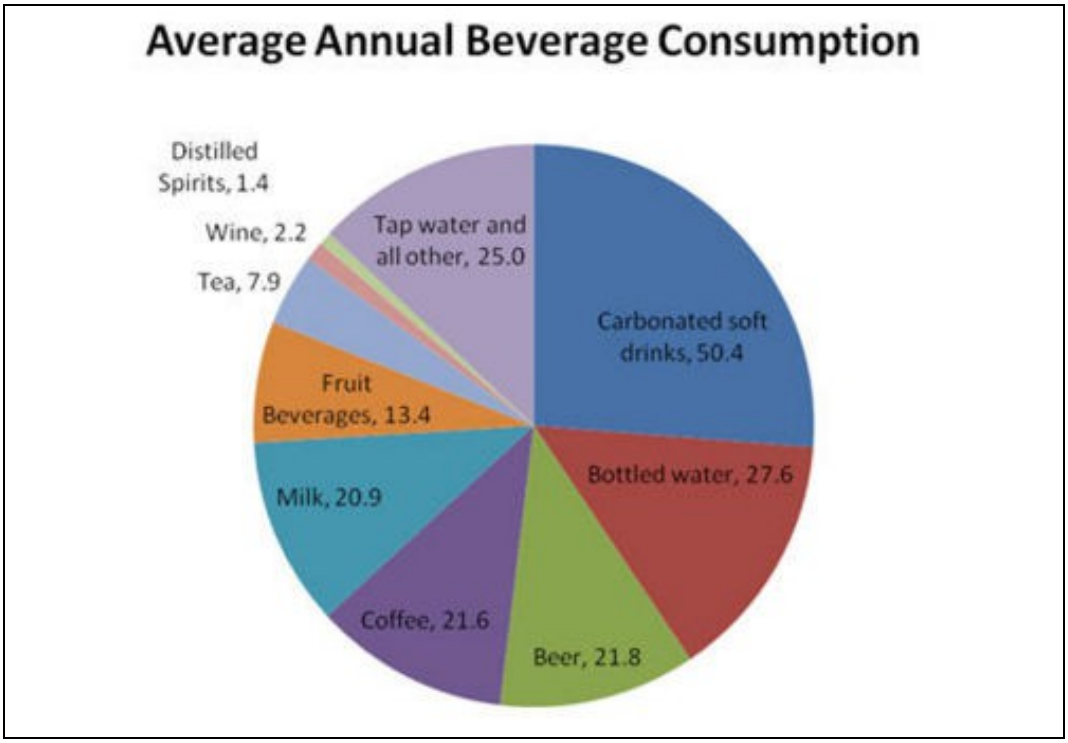
Coffee Market: USA

Highlights

- The total sales of coffee in the USA USD 21.3 billions.
- 8 out of 10 Americans are coffee drinkers.
- 71% of All cups of coffee are consumed at home (notwithstanding increase in Specialty chains).
- Within retail (market of $9.8 billions), Grocery is the dominant channel with over 70% of retail coffee sales, and rest 28% by Alternate channels.

Consumption Pattern of Beverages

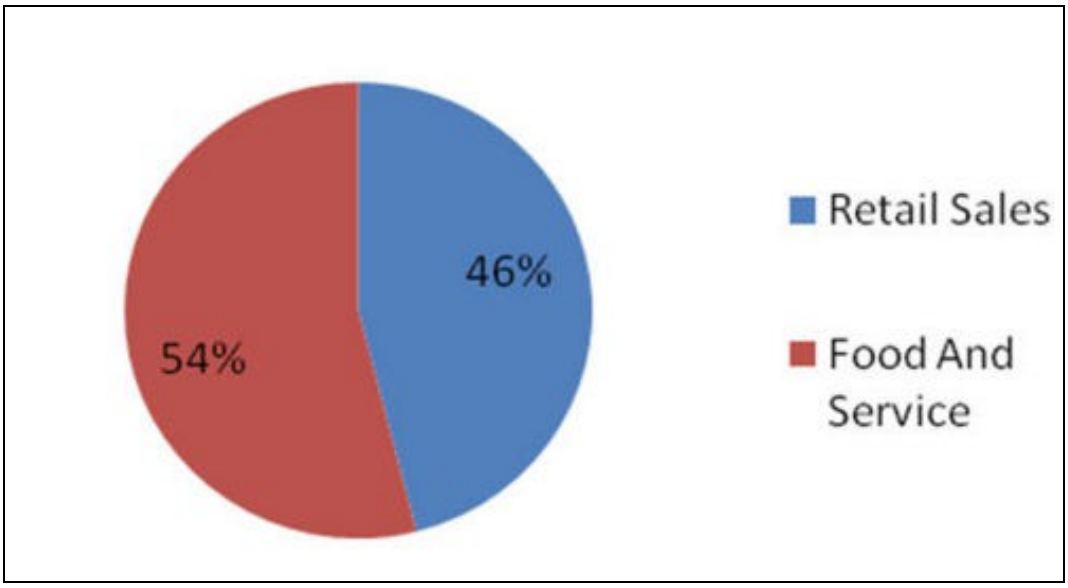
- The average annual beverage consumption of US population as per according to the **2008 Beverages Market Research Handbook**



Average Annual Beverage Consumption

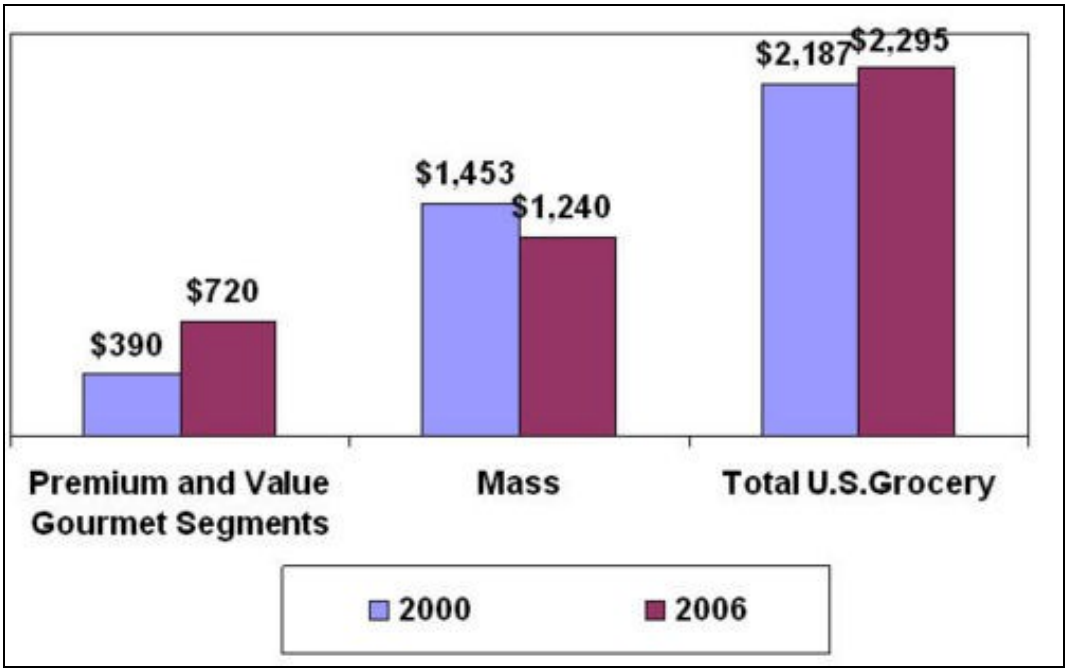
Distribution of coffee by segment

- Coffee is distributed primarily through two channels, retail and food service:



Distribution

- Within retail (market of $9.8 billions), Grocery is the dominant channel with over 70% of retail coffee sales, and rest 28% by Alternate channels.
- Growth in the grocery channel is being driven by premium and value gourmet segments
- Premium and value gourmet segments are capturing market share.
- The below table gives sales figures of coffee through the grocery channel. Figures are in USD million



Source: IRI as of 12/31/06

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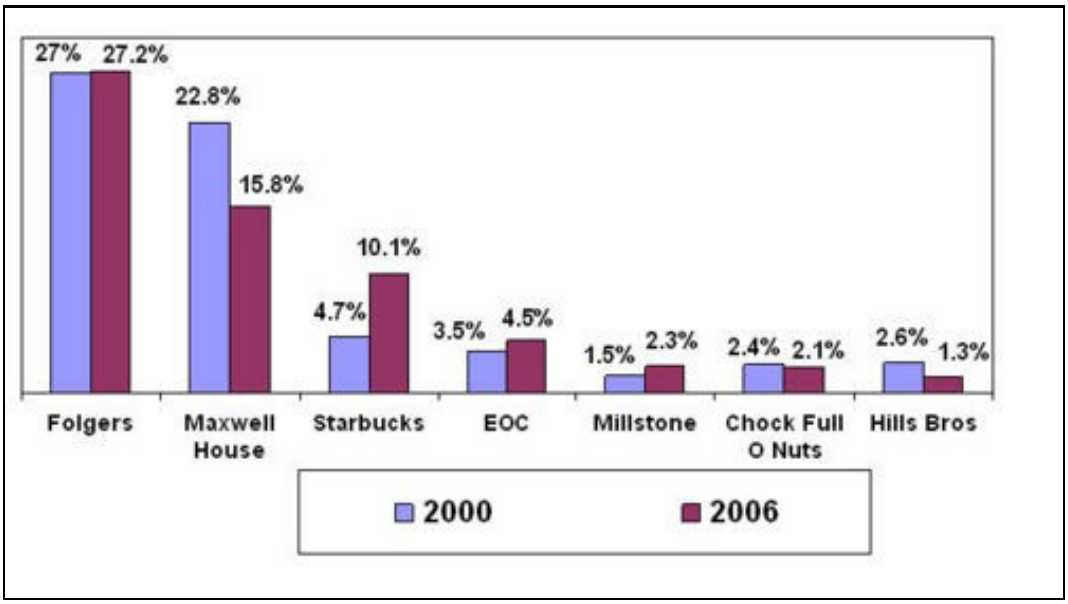
Market Share data of different coffee brands over time

- The table below consists of brands and their market share % from a survey of 205,000 users conducted on AOL money and finance website.

Home Brew

S.No.	Brand Name	Percentage Share
1	Folger?s	30%
2	Maxwell House	19%
3	Eight O? Clock Coffee	11%
4	Gevalia	9%
5	Kona	8%
6	Chock Full O? Nuts	7%
7	Green Mountain	6%
8	Jamaican Blue Mountain	6%
9	Newman?s Own	2%
10	Bustelo	2%

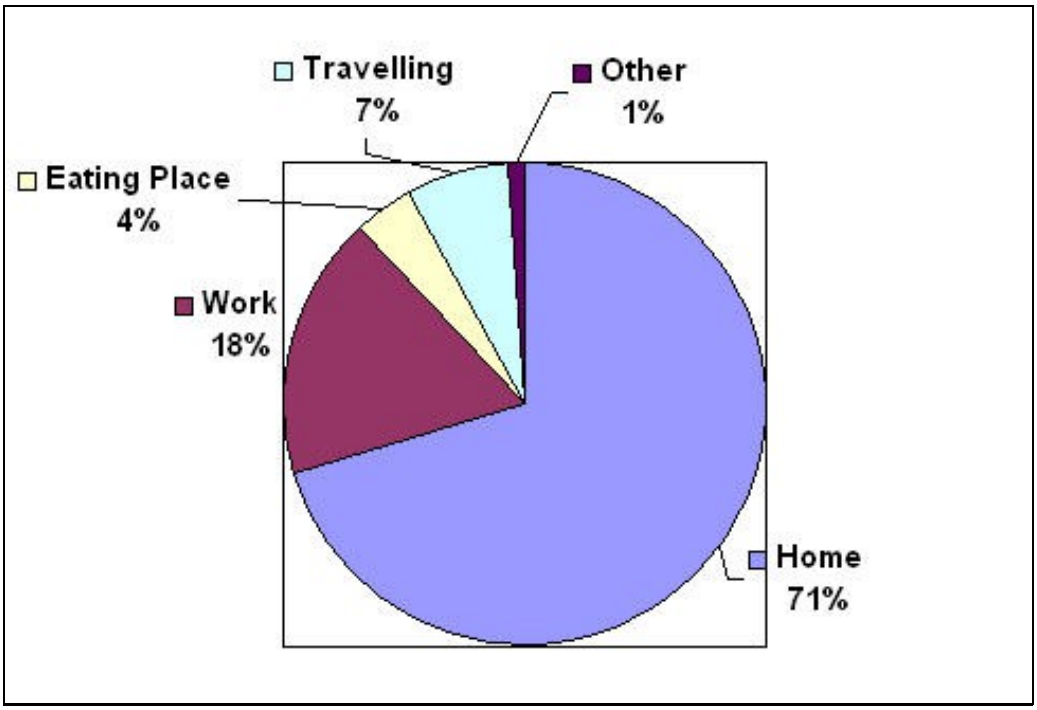
- The below drawn chart shows the comparison of various brands which are consumed at home by consumer.
- The percentage data indicates the market share of each of these brands in the years 2000 and 2006 respectively.



Source: IRI as of 12/31/06

USA - Coffee Consumption by Place

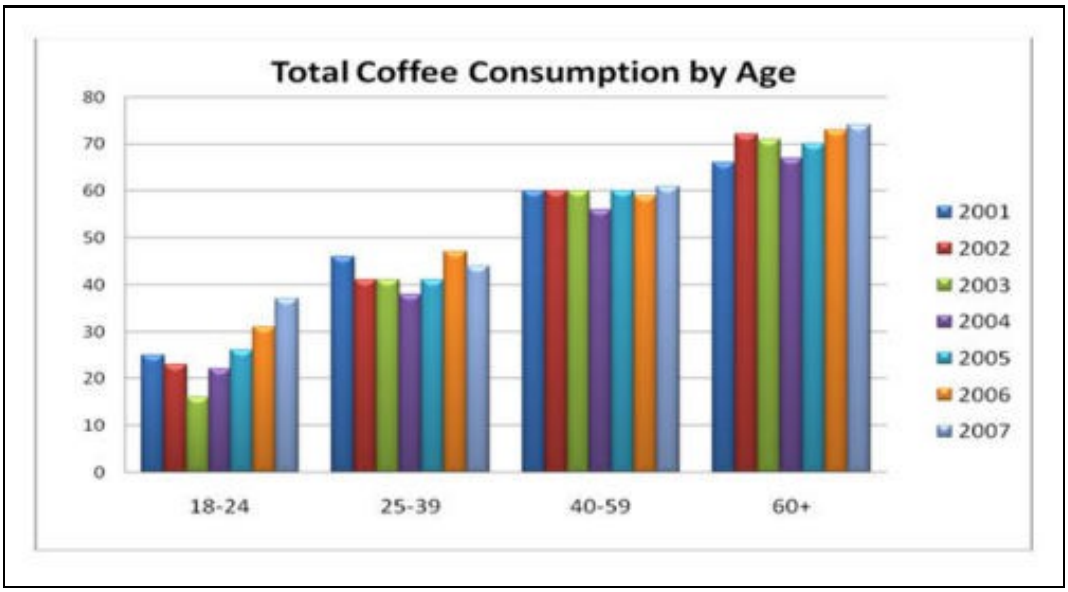
The below mentioned figure gives break up of coffee consumption pattern by place



NCA

USA - Coffee Consumption by Age

- If we see the below chart that?s depicts the data for the total coffee consumption by age , we can see there is continuous growth in the 18-24 yr segment, while last three years also shows an increase in consumption for age group of 60+.
- There is drop in consumption of coffee in age group of 25-39 years.

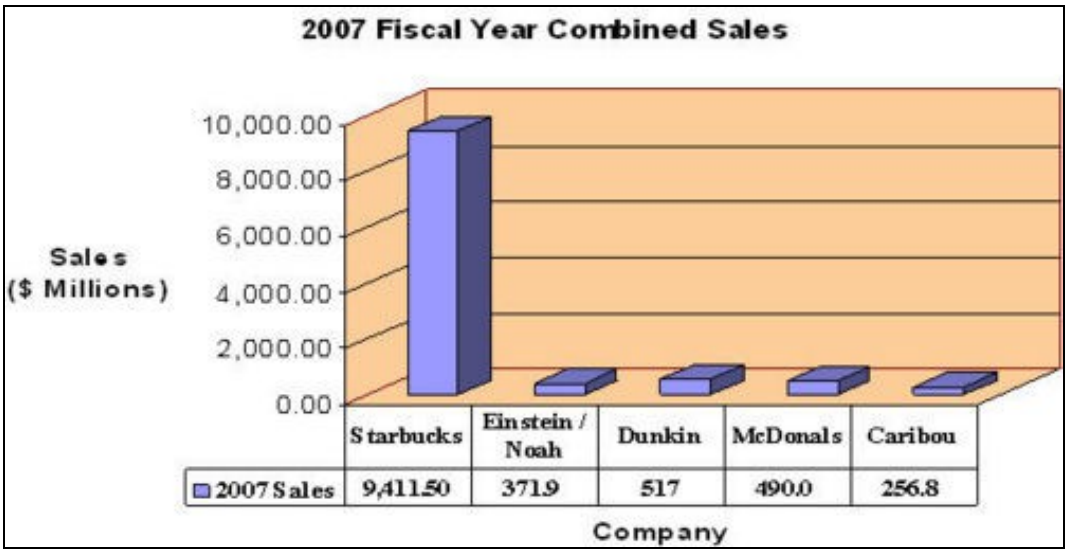


According to the 2008 Beverages Market Research Handbook

USA - Coffee Consumption (Out of Home data)

Out of Home coffee consumption:

Below bar chart shows the coffee consumption at various coffee bars, restaurants or retail locations.



Out of Home

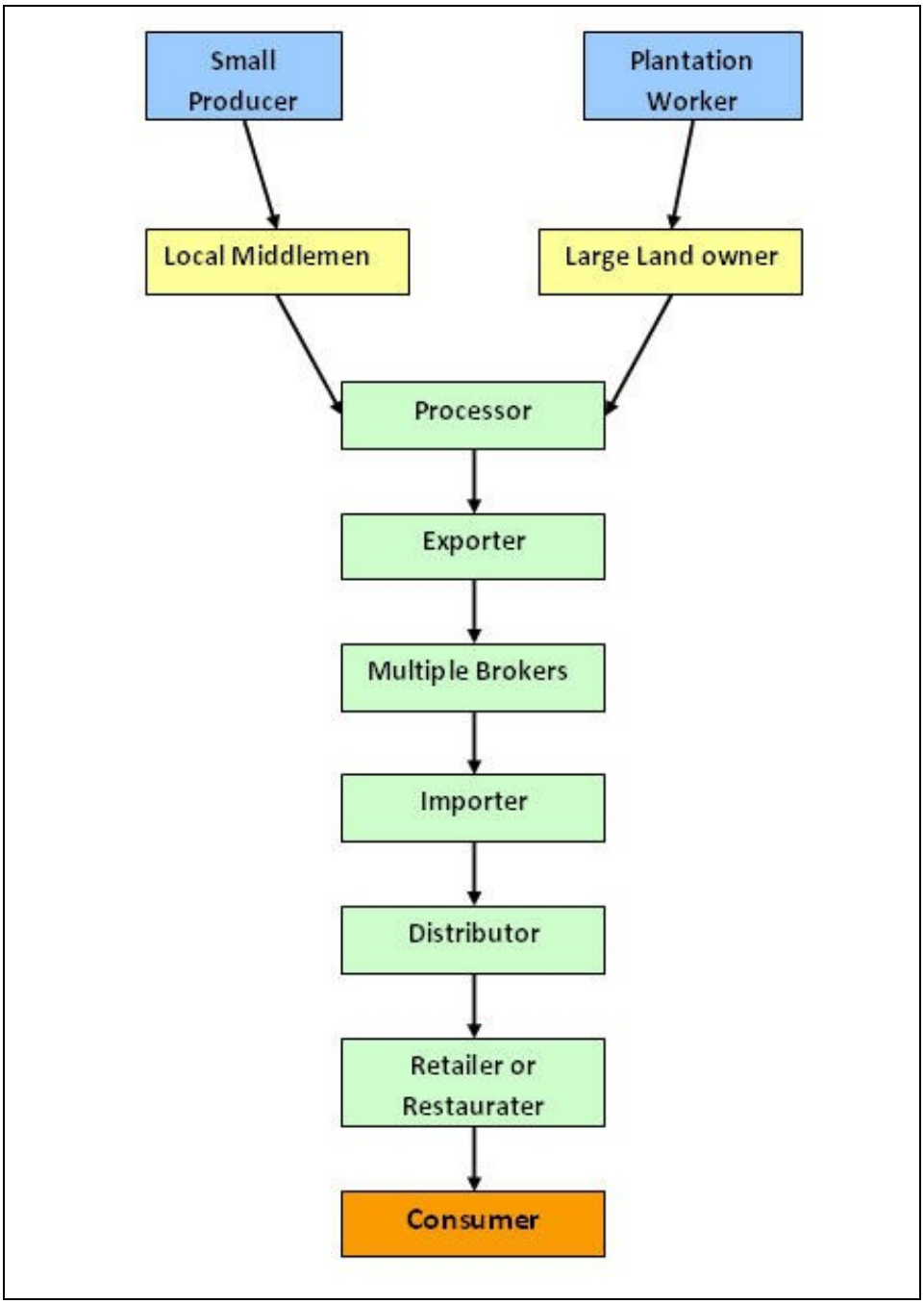
The out of home coffee market is mostly captured by **Starbucks**.

Few other leading companies which fall under these companies are

- The Coffee Bean & Tea Lea
- Peet?s Coffee & Tea
- The Coffee Beanery
- Tully?s Coffee

Supply Chain of Coffee Products:

This below path very well depicts the supply chain of coffee for home consumption.



Supply Chain Management

Business Research

- The goal for this business research report is to:-

1. Identify unique segments, through hypothesis generation, where coffee for in-home consumption can be promoted
2. Define these segments
3. Determine places, online or offline, where these segments congregate
4. Size up the segments to determine marketing potential of each segment
5. Provide calendar view on "offline events" where these segments congregate for effective promotion planning

Segment Identification

- For segment identification we did the following:

1. Identified online media where coffee lovers congregate
2. Ranked and sorted the online media based on traffic (from Alexa ratings)
3. Read up user generated content on such websites to identify unique segments/communities for coffee promotion
4. For each unique segment/community, **we then defined the place where they congregate offline**

Segments Identified : Segments defined

S. No.	Statements	Place of Usage	Communities	Source

1	People enjoy coffee as a cocktail drink.	The places where the coffee is served alongwith cocktail drink	Businessmen, Youngsters who like to hang out at bars	coffeetea.about.com
2	Companies have started pairing premium coffee with individual personality or individual needs depending on mood	Locations providing the customized coffee	Anyone who enjoys a customized coffee drink	ineedcoffee.com, gourmetcoffee.com
3	Messages pertaining to health	Any beverage outlet that is positioned to sell healthy drinks	Athletes, fitness conscious people	www.positivelycoffee.org, www.nescafe.com
4	Caffeine supports physical performance	Any place selling healthy beverage products	Athletes, fitness consicous people	www.positivelycoffee.org, www.nescafe.com
5	Coffee may reduce colon cancer risk among women	Any place or website where people with this disease can congregate	Women suffering from colon cancer	www.positivelycoffee.org, www.nescafe.com
6	Caffeine and exercise may help against sun-induced skin cancer	Any place or website where people with this disease can congregate	population suffering from skin cancer	www.positivelycoffee.org, www.nescafe.com
7	Coffee associated with lower liver cancer risk	Any place or website where people with this disease can congregate	population suffering from liver cancer	www.positivelycoffee.org, www.nescafe.com
8	Coffee may lessen after-exercise muscle soreness	Any place or website where people with this disease can congregate	people visiting ortheopaedist	www.positivelycoffee.org, www.nescafe.com
9	Coffee drinkers are less likely to develop Parkinson?s disease	Any place or website where people with this disease can congregate	Population suffering from parkinson disease	www.positivelycoffee.org, www.nescafe.com
10	Coffee consumption lowers diabetes risk	Any place or website where people with this disease can congregate	Persons treated for diabetes	www.positivelycoffee.org, www.nescafe.com
11	Coffee reduces cognitive decline in elderly men		age group bove 40	www.positivelycoffee.org, www.nescafe.com
12	Coffee can lower the risk of serious illnesses			www.positivelycoffee.org, www.nescafe.com
13	Coffee can ease headaches, prevent diseases		all classes	www.positivelycoffee.org, www.nescafe.com
14	Church Goers drink coffee to keep themselves awake during the sermons.	Café shops located in or around church	church goers	ineedcoffee.com
15	Creation of artistic centers	Various museums,art galleries etc.	Tourists, Adults	auburncoffee.com

	attracts coffee drinkers.			
16	People drink coffee at the various business conferences.	Any business conference where lots of people meet together	Business persons	
17	Coffee is consumed at International Coffee Festivals.	The places where the international festival occurs	Coffee lovers, business people that frequent these festivals	
18	High Street locations are places to which people?s visit.	Places located on high street locations where beverages can be sold	Business people, Shoppers, etc.	classes.bus.oregonstate.edu/Summer-05/ba469/Elton/Sector%20Analysis/Starbuck
19	During Public performances	Amphitheaters,community halls, opera houses etc.	Art lovers/Theatre lovers	classes.bus.oregonstate.edu/Summer-05/ba469/Elton/Sector%20Analysis/Starbuck
20	Charitable places	Charitable organisations and their events	Charitable organizations, Charitable events etc.	classes.bus.oregonstate.edu/Summer-05/ba469/Elton/Sector%20Analysis/Starbuck
21	Rural and off highway locations	Places on rural and off highway location selling beverages	youngsters,tourists	classes.bus.oregonstate.edu/Summer-05/ba469/Elton/Sector%20Analysis/Starbuck
22	At places that have kids playing area.	Any place with a secure kids playing area	Married Couple?Persons in Parenthood	kimboal.ba.ttu.edu
23	At opera theaters.	Opera theatres	Opera goers	

Segment Sizing

Each of the segments identified and defined are sized to determine the market attractiveness/potential of each segment. This is done as follows:

1. For each segment, a potential place where they congregate offline in large groups has been defined.
2. A detailed list of such offline events, up to a predetermined calendar date, has been made.
3. The places where such events happen/will happen have been identified.
4. For each individual event, a potential size has been estimated.
5. The size estimates for each individual event is then aggregated.
6. Based on this aggregation, the viability for promoting to each segment is determined.

Segment sizing of communities that follow Operas - Executive Summary

This is supposed to be a flash animation. You'll need the flash plugin and a browser that supports it to view it.

- Opera definition:- We have defined operas as acts that involve dialogs and music. Symphonies, and other solo performances like comedy acts by Robin Williams are considered targeting a different community.
- The Opera season in the USA peaks in October-November, then takes a dip to pick up again in February-April.
- The top 2 states where we can reach the highest potential audience through operas is (a) New York - 444,600 people and (b) California - 384,733 people. Hence, the company can focus on any one of these 2 states for new coffee introduction.
- Each of the top 20 shows caters to a potential audience of a 28,000 people and more thus making it a good promotion vehicle. The top 2 shows, Madam Butterfly and La-Traviata, have a potential to reach 100,000 plus people thus providing a good opportunity for promotion association.
- The top music composers in the USA are Puccini and Verdi with more than 100 shows staged all over the USA. Association with their names can be a good promotion strategy for a brand.
- Romance and Tragedy dominate the Opera scene in the USA. Emotional associations of a brand with Romance may appeal thus to a larger potential audience.

Opera Community Sizing: Methodology

- Opera community sizing method:-

1. We identified a list of opera companies that produce operas in the USA.
2. We made a detailed list of all operas produced by these companies, the number of times each opera is shown and the place where the opera is shown.
3. We then made a ranking of the top opera shows in the USA, the composers whose music is associated with them, and the places where these shows are held.
4. From the size of the opera theater where these shows are held, we estimated a potential audience each can cater to (since the calculation was for potential audience, we assumed 100% attendance).

Opera companies and their schedule of Operas

- This sheet also contains schedule of the events dated from Oct-2008 to July 2009.

- The dark green highlighted cell represents the total number of shows to be held in that opera house or conducted by particular opera company

Name	Events	Show Title	Drama	Nov-08	Dec-08
Opera Colorado	Future	**Giacomo Puccini : Madama Butterfly**	Tragedy	4	
		Georges Bizet : Les pêcheurs de perles	Fiction		
		Wolfgang Amadeus Mozart : Così fan tutte	Comedy		
The Virginia Opera	Future	**Giuseppe Verdi : Il trovatore**	Tragedy		
		Gaetano Donizetti : The Elixir of Love	Romantic	7	2
		Giacomo Puccini : Tosca	Tragedy		
		Gioachino Rossini : The Barber of Seville	Comedy		
Florida Grand Opera,	Future	**Giuseppe Verdi : La traviata**	Romantic	6	3
		Gioachino Rossini : La cenerentola	Fairy Tale		
		Léo Delibes : Lakmé	Romantic		
		Wolfgang Amadeus Mozart : Le nozze di Figaro	Comedy		
		Giacomo Puccini : Madama Butterfly	Tragedy		

Opera companies and Schedule of Events
The below link will guide to the full spread sheet.

Opera Companies and Schedule of Events

Compilation of Operas and their respective number of shows

S.No.	NAME	TOTAL	No. of Locations
1	Giacomo Puccini : Madama Butterfly	51	7
2	Giuseppe Verdi : La traviata	41	6
3	Giuseppe Verdi : Rigoletto	31	5
4	Giacomo Puccini : Tosca	28	4
5	Gaetano Donizetti : The Elixir of Love	32	3
6	George Gershwin : Porgy and Bess	24	3
7	Giacomo Puccini : La bohème	24	4
8	Giuseppe Verdi : Il trovatore	24	2
9	Ruggero Leoncavallo : Pagliacci	23	3
10	Pietro Mascagni : Cavalleria rusticana	21	3
11	Wolfgang Amadeus Mozart : Don Giovanni	21	3
12	Georges Bizet : Carmen	20	3
13	Wolfgang Amadeus Mozart : Le nozze di Figaro	20	4
14	Gioachino Rossini : Il barbiere di Siviglia	17	3
15	Georges Bizet : The Pearl Fishers	16	3
16	Wolfgang Amadeus Mozart : Die Zauberflöte	14	2
17	Richard Wagner : Das Rheingold	12	2
18	Gaetano Donizetti : Lucia di Lammermoor	11	1
19	Benjamin Britten : Peter Grimes	11	2
20	Richard Wagner : Die Walküre	11	2

Comparison of Different Show

- This excel sheets consists of the show name along with there composer, which are places in chronological order of number of times they are performed.

- It also contains details for number of location where a show is to be performed.
- It represent the number of performances that particular show has from oct-2008 to july-2009
- The red highlighted cells indicate that the show is being performed at "N" number of location, where N=Number in the respective cell
- This information can be utilized to target the community as per the popularity of the show.

The below link will guide to the full spread sheet

Comparison of Different Shows

Compilation of shows by Composer

Name	No. of Shows
Giacomo Puccini	121
Giuseppe Verdi	98
Wolfgang Amadeus Mozart	70
Gaetano Donizetti	54
Richard Wagner	40
Georges Bizet	36
Gioachino Rossini	31
Jules Massenet	25
George Gershwin	24
Ruggero Leoncavallo	23
Pietro Mascagni	21
Benjamin Britten	20
Pyotr Il'yich Tchaikovsky	14
Hector Berlioz	13



Composers

- This Sheet contains the information performing to various composers and the number of the performances of shows composed by them.
- The adjacent sheet contains the bar drawn in each cell for the comparative study of the various shows composed by composer.
- This information can be useful to target communities as per the popularity of composers.

The below link will guide to the full spread sheet

COMPOSERS

Estimating Potential Audience Data for each Opera show

- The below excel sheet shows the potential audience for the top 20 shows.
- This data an be used for targeting the shows with the larger number of potential audience.
- This spread sheet is being prepared using the same methodology as described above.

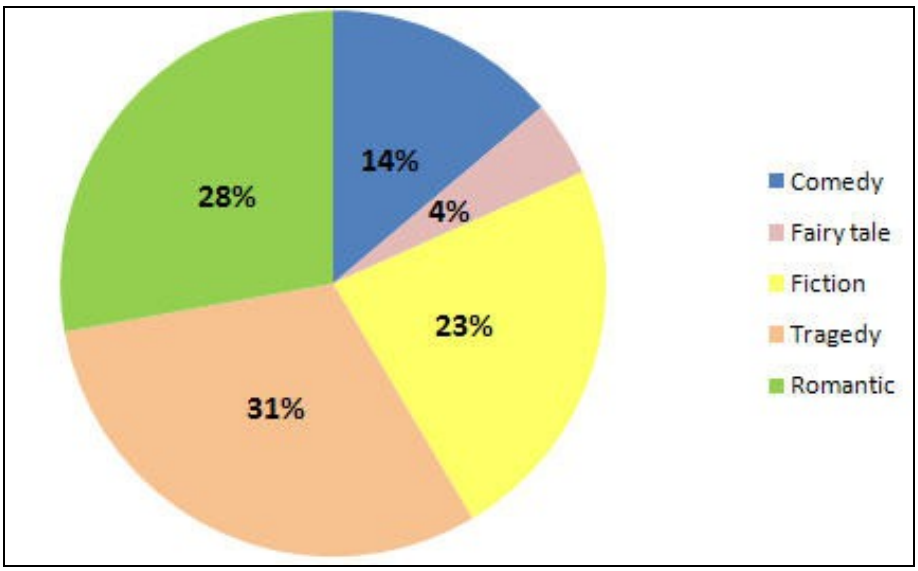
S.No.	NAME	Total Performances	Total potential Audience**
1	Giacomo Puccini : Madama Butterfly	51	160345
2	Giuseppe Verdi : La traviata	41	127726
3	Giuseppe Verdi : Rigoletto	31	90714
4	Giacomo Puccini : Tosca	28	78423
5	Ruggero Leoncavallo : Pagliacci	23	77554
6	Gaetano Donizetti : The Elixir of Love	25	76152
7	Giacomo Puccini : La bohème	24	74223
8	George Gershwin : Porgy and Bess	24	72578
9	Georges Bizet : Carmen	20	70570
10	Wolfgang Amadeus Mozart : Don Giovanni	21	65740
11	Giuseppe Verdi : Il trovatore	24	65452
12	Pietro Mascagni : Cavalleria rusticana	21	59931
13	Georges Bizet : The Pearl Fishers	16	59789
14	Gioachino Rossini : Il barbiere di Siviglia	17	48273
15	Richard Wagner : Das Rheingold	12	42900
16	Wolfgang Amadeus Mozart : Die Zauberflöte	14	41879
17	Wolfgang Amadeus Mozart : Le nozze di Figaro	20	39393
18	Richard Wagner : Die Walküre	11	38510
19	Benjamin Britten : Peter Grimes	11	37979
20	Gaetano Donizetti : Lucia di Lammermoor	11	28962

Potential Audience

Classification of Opera Acts

We had also tried to analyse the types of the acts written by composer i.e. type of acts whether it being comedy,tragedy,romantic act etc.

The following pie chart suggest this percentages of various types.



Trends

Methodology

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Samir Raiyani
Email: info@dolcera.com
Phone: +1-650-269-7952