

Segmentation, Targeting, & Positioning Opportunities in the Coffee House Industry

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Competitor Brand Analysis

When launching a new product or business, there are a number of steps one should take to evaluate the market and position your business. The first step is a competitor brand

analysis. Below, we have outlined our competitors for a new coffee shop in the Lock Haven area. We looked at their product features, distribution channels, price, promotion, and niche. With this information, we can better position our new business into an untapped market and boost our chances at success.

Starbucks

Starbucks is a very popular coffeehouse that is now also being known as a bistro. They have added a variety of lunchtime items such as; sandwiches, salads, and Panini's. Their distribution channel is quite small. Most of their items are made in the coffee shop, giving the ability to personalize each and every order. They have a number of pre-made pastries, and other goodies. Starbucks also sells their coffee in the popular K-cups. These are easy to find, almost every department store has them on their shelves.

They are having a promotion on February 13th for Valentine's Day. Starting at 2 p.m. they will have a special pairings menu. They will also have fun surprises and "sparks of love" for their customers. They have come up with a clever name for this promotion, "World's largest #Starbucksdate."

Sheetz

Sheetz is an up and coming competitor to those that are in the coffee business. Not only do they have a wide variety already, but they are still expanding the menu today. Sheetz has two types of coffee. Regular brewed coffee and specialty coffee. In most of the Sheetz stores there are only five kinds of fresh brewed coffee for customers to choose from. Those five kinds are: Original, Decaf, Breakfast Blend, Colombian and Serious Dark Roast. Then the customer can add as much sugar, creamer, milk, flavored creamer, and cappuccino to their coffee as desired. The price will always be constant. For the specialty coffee, customers use the order point system, where they order whatever kind of specialty drink they would like. For this project, we are focusing on iced coffee. Customers can choose one flavor, espresso (regular or decaf), and milk at no additional cost. However, if they want extra espresso, flavor, or soy milk, that is an additional cost.

All of the coffee, regular or specialty is made fresh and sold directly to the consumer. The consumer can walk into the store and have the regular coffee right at their fingertips. They just walk up to the coffee pot and pour as much coffee they desire into their cup and then add the sugar, creamers, and cappuccino as well, this is also readily available at their fingertips. For the specialty coffee, the customer just goes to the order point and orders their flavor, espresso, and milk that they desire. They also have the option to choose if they want whipped cream or not. The prices for the regular coffee are \$1.25 for a small, \$1.29 for medium, \$1.39 for a large, and they even have an extra-large coffee offered at \$1.49. Specialty coffees come in small medium and large. For an iced coffee, a small and medium are the same price at \$2.43. Then they have a large priced at \$2.96.

Sheetz promotes pretty heavily. They promote using signage in and outside of the store; they use employees, and then even have advertisements in radio and television. Sheetz also uses social media for advertising as well. The messages that are often used for promotion are messages about a new item that is offered on the menu that they want people to try. Unlike most competitors, Sheetz has a specific niche. They believe in convenience and being on-the-go. Sheetz isn't just a convenience store either. While you're getting your cup of coffee, you can

get something to eat, too. They even have a twenty four hour breakfast menu. You can even stop and get gas for your car. Most stores are also gas stations. But, the convenience is the key for Sheetz. They have order points in their store for customers to order whatever they want for their specialty drinks, and the regular coffee is always available and the customer gets to pour the coffee, not the staff. Both coffees are also fresh, there will never be stale coffee or expired espresso or milk used in the making of the coffee.

Dunkin' Donuts

In 1950, Bill Rosenberg was the first to open a Dunkin' Donuts shop. Since then, the company has grown substantially into 10,083 Dunkin' Donuts stores worldwide. Dunkin' Donuts offers a variety of food that is mostly breakfast-based. Dunkin' Donut's menu consists of hot beverages, iced beverages, frozen beverages, at home brewing, a bakery and sandwiches.

Dunkin' Donuts utilizes the rapidly changing world of technology to connect with their customers. Customers can sign up for a Dunkin' Perks for great deals on all of their products. Customers can also connect with Dunkin' Donuts through Facebook, Twitter, and YouTube and even follow their blog to find out the latest products that they offer. Aside from social media, customers with smartphones can download the Dunkin Donuts app for coupons and deals on the go!

Avenue 209

Avenue 209 is a locally owned coffee shop and café in downtown Lock Haven. They have become a primary coffee competitor in the area since they opened back in 2009. They differ from their competitors on many levels. They know the value of sitting down and having an experience, not just a coffee. You will not find a drive through and your order may not be made in five minutes or less but what they lack in speed they make up for in quality. Avenue 209 has a vast selection of coffee beans that they import from all over the world. Some of the beans they even roast themselves. They aren't just limited to coffee either. Their menu also includes: lattes, cappuccinos, an Americano, a steamer, hot chocolate, tea, espressos, frappes, as well as food items such as bagels, breakfast sandwiches, cookies, muffins, biscotti, ice cream, and more.

Each week Avenue 209 has a variety of events going on. They always have an open mic night, they often have local performers, and on Sundays they always hold a church service. You are likely to hear about them from their social media pages, radio ads, their sign out front, or word of mouth. They are constantly advertising for events that are going on or just emphasizing why people should support local businesses.

McDonalds

Another coffee competitor in Lock Haven is McDonalds with their McCafe line. The McCafe product features include a varied selection, cheap price, and convenient drive through to pick up your order. Their variety of coffee includes roasted coffee, iced coffee, and lattes with flavorings of mocha and caramel. In addition to Coffee they serve hot chocolate, fruit smoothies, and shakes. McDonalds sells their coffee products direct to the consumer throughout the country. For regular coffee, prices are \$1.00 for a small, \$1.49 for a medium, and \$1.69 for a large. A frappe costs \$2.49 for a small, \$2.99 for a medium, and \$3.29 for a large. McDonalds






markets their business using social media, radio and television commercials, billboards, and coupons mailed to your house and in newspapers. Their marketing message pushes their cheap price and that you will love their products. An example is their famous jingle and slogan “I’m lovin’ it”.

McDonalds differentiating niche is their wide selection of other food that you can buy while getting coffee. They carry a full line of breakfast items, burgers, chicken sandwiches, salads, and desserts. Along with the food McDonalds also has a drive through service which allows you to pick up your coffee without exiting your car. These two things aren’t seen by many other competitors, especially in Lock Haven. As mentioned above, McDonalds really pushes their cheap price as well. This leads us to believe that they are targeting the cheaper quality niche in coffee.

Conclusion

After performing our competitor brand analysis, we have found that the coffee market is very competitive. Starting a new coffee shop is going to take some creative thinking and good product positioning. Our next step for launching a new coffee shop is to do a segmentation analysis so we can identify segments not being targeted.

Comparison Chart of Competitors

Competitors	Regular Coffee (S,M,L)	Specialty Coffee (S,M,L)	Features	Distribution Channel	Promotion	Differentiating Niche
	\$1.75 \$1.95 \$2.25	\$2.95 \$3.75 \$4.25	Starbucks offers a huge variety of beverages, from coffee, to smoothies and teas. They also have a large menu filled with yummy pastries and delicious breakfast and lunch options.	Direct to Consumer and through Retail Stores	Current promotion “ World’s Largest #Starbucksdate” set to be offered February 13 th from 2pm-close for any couples or friends. There will be “fun surprises,” special pairings menu, and “sparks of love.” Starbucks also uses social media and billboards.	They offer a menu of items that can be personalized to one customers taste. They are not only a coffeehouse, but have now added the title of bistro.
	\$1.25 \$1.29 \$1.39	\$2.43 \$2.43 \$2.96	For a regular coffee you have the option to choose Regular, Decaf, Colombian, and Serious Dark Roast and can put as much sugar, creamer, flavored creamer, milk and cappuccino that is desired. For a specialty coffee, you have to option to add one flavoring that’s included in the price. However, you can add extra flavor for an additional fee. Customers also have different milk options.	Direct to Consumer	Social media, radio and television advertising, billboards, employees, signage in and out of the stores, including the gas pumps.	Convenience (order points for specialty coffee and regular coffee is right at the customer’s finger tips with the coffee pots) You can also fuel your car up at the same time. A loyalty program helps consumers get free products.
	\$1.49 \$1.79 \$1.99	\$1.99 \$2.39 \$2.69	Dunkin’ Donuts offers customers a variety of products such as hot beverages, cold beverages, sandwiches, donuts and even combos to get a little bit of everything. Aside from freshly made products, Dunkin Donuts offers k-cups for Keurig and ground coffee for purchase. Dunkin’ Donuts also provides these products at a lower cost.	Direct to Consumer and through Retail Stores	Dunkin’ Donuts utilizes social media, television, radio stations (especially Pandora), billboards and employee’s word of mouth to promote their company.	Dunkin’ Donuts differentiates their company from competitors by using team affiliations (Penn State winning = free medium coffee) and a larger variety of coffee and coffee flavors.
	\$1.41 \$1.65 \$1.98	\$4.01 \$4.53 \$4.95	Roast their own beans, variety of menu items (drinks and food), inviting atmosphere.	Direct to Consumer	Social media and radio. They emphasize the local business atmosphere.	They are a small local business, they have open mic nights, performers, and church on Sundays.
	\$1.00 \$1.49 \$1.69	\$2.49 \$2.99 \$3.29	McDonald’s offers coffee at a very cheap price and has a wide variety of drinks including iced coffee and non-coffee products. They also offer fast service as well as the convenience of a drive-thru.	Direct to Consumer	McDonald’s uses social media, radio and TV ads, billboards, and mailed coupons. They have a famous slogan “I’m lovin’ it” and are currently promoting free small coffees on Mondays.	McDonald’s allows you to buy a variety of breakfast and lunch foods with your coffee through the convenience of a drive thru.

Segmentation Analysis

Most coffee shops are standstill locations. How great would it be to have your coffee delivered by using an App? Nowadays there is an App for everything and anything. The convenience of a coffee delivery service would accommodate any consumer who does not have the time to travel to the location. Along with the app, we want to explore the possibilities of a traveling Coffee Truck. This way those who do not have a coffee shop near them can still have their coffee fix. We also would like to target the life stage segment by having a coffee shop with a child-play area. This way the parents' can enjoy their Zen of that fresh cup of coffee and know their children are safe and having a good time too. Looking into the segment of product knowledge we came up with the idea of having a library in a coffee shop, which then gave us the idea of a Coffee Bar for the involvement segment. Our competitors are not currently targeting these segments, which makes them great opportunities for us to gain a competitive advantage. This analysis will explore when segments our competitors are currently marketing to and how our new ideas could be built into a new successful business.

Geographic

Region

Starbucks focuses the majority of their segmentation on the west as they were established in Washington and have most of their stores in the Western most states. Dunkin' Donuts is almost exclusively located on the east coast. More specifically, they focus mostly on the northeastern most states of the US as they originated in Massachusetts. McDonald's does not segment by any specific region; they are located equally through the US. Sheetz is only located only in the mid-east coast. Avenue 209 does not segment by region since they are a local coffee shop with only one location.

City Size

Dunkin' Donuts and McDonalds do not segment by city size as they are found in cities of all sizes. Starbucks for the most part are typically found in cities with a population of 30,000 or more. Sheetz segments to city sizes with a population of 50,000 or less. Avenue 209 segments to Clinton County, which contains a population of less than 40,000.

Density

Dunkin' Donuts and McDonalds do not segment by density as they are found in small towns, rural, urban, suburban areas; though there is a significantly less focus on rural areas. Starbucks segments to cities and suburbs while Sheetz is opposite; Sheetz segments to suburbs, small towns, and rural areas. Avenue 209 segments only to Clinton County, which consists of small towns in rural areas.

Demographic

Gender

Sheetz, McDonalds, Dunkin Donuts, Starbucks, and Avenue 209 target both males and females. However, certain drinks are targeted towards specific genders. For example; Frappuccino's are targeted towards women, and the dark roasted coffee is targeted more towards men.

Age

All of these coffee shops mostly target consumers above the age of 18. This is the age group that needs the extra caffeine to get them throughout their work days.

Race

It does not appear that any of these coffee shops/chains target specific races.

Life Stage

Collegiate, adult, and senior life stages are targeted by these coffee shops/chains.

Birth Era

These coffee shops have targeted the baby boomers, Generation X, and Generation Y.

Household Size

Three to four people for Dunkin, McDonalds, Avenue 209 and Sheetz because they offer meals and other food products for family sized households. Starbucks would be suitable for a one to two person household since it is targeted to working men and women.

Residence Tenure

The residence tenure would either be own or rent for each of the competitors. If a consumer has the extra money to spend on coffee, then it would not matter if they own their home or renting their home.

Marital Status

The marital status would be any for all of the competitors. A customer's marital status won't affect their preference of buying coffee.

Socioeconomic

Income

The income status for each competitor would be less than \$15,000. Even though Starbucks is a higher quality and on the higher end of price other the other competitors, all of the coffee shops have a reasonable price that customer's even with an income of less than \$15,000 could afford a cup of coffee.

Education

The education level of customers would be any for each of the competitors. Whether a customer has a high school or college degree, or even less schooling than that, it will not affect their choice in purchasing a cup of coffee.

Occupation

Sheetz, McDonalds, and Dunkin' Donuts target blue-collar laborers as their products are cheap and served fast. We also see Starbucks targeting more upper class jobs such as managers and other administration positions. With their higher price points

and gourmet coffee, they are attracting more from these occupations. Avenue 209 does not segment by occupation as they are limited by only having one location.

Psychographic

Personality

Starbucks and Avenue 209 target a “hipster” crowd with their luxurious interiors and gourmet coffees. These people tend to hang out at the coffee shops to mingle and do work. On the other side, Sheetz, McDonalds, and Dunkin’ are targeting more of a “regular joe” personality. These are just your average working people who need their quick coffee fix in the morning.

Values

Starbucks customers especially seem to be achievers. They also value the experience that they get at Starbucks, such as their relationship with their barista, your name printed on the coffee, and the atmosphere of the store. We also see these same values at Avenue 209, but not quite as extreme. Sheetz, McDonalds, and Dunkin all target people who are more actualizers. They realize that they can get good coffee cheaper elsewhere and do not need the fancy atmosphere or cups.

Lifestyle

It doesn’t appear that any of these coffee chains are targeting specific lifestyle segments. It seems like they are banking on most lifestyles liking coffee enough to stop by their store.

Outlet Type

In-Store

All competitors are targeting people using a stand-alone store. The biggest difference is with Starbucks and Dunkin’ where you can buy their ground coffee in multiple chain stores. McDonalds has also started selling their ground coffee in chains stores, although it is not available anywhere near Lock Haven yet.

Direct

You can buy Starbucks and Dunkin’s coffee and other products directly through their website. Although this is technically a direct way to buy, you still have to wait up to a week for the ground coffee to be delivered to your door. McDonalds and Avenue 209 do not offer this segmentation type.

Benefits Sought

Product Features

When it comes to the product features, the benefits are the same for all competitors. People who want coffee usually want the caffeine to get them through the day and to stay awake. Avenue 209 is different in one way, and that is by being an actual coffee shop. The consumers can sit down enjoy some entertainment, while having their cup of coffee. This is

different from McDonald's, Starbucks, Dunkin Donuts and Sheetz because they are more for a convenience and for those who are on the go and want to grab a coffee quick.

Needs

The needs are different for each competitor. For Starbucks, the need is the quality of their coffee. The store is known for the best quality coffee and for having a great taste. Sheetz, McDonalds, and Dunkin Donuts needs are based on the price. These competitors have some of the lowest prices of coffee in the market. Avenue 209's need is based on the atmosphere. The atmosphere is welcoming, relaxing; consumers can dine in, and relax.

Usage

Usage Rate

The usage rate for all competitors is both medium users and heavy users.

User Status

The user status is different for each competitor. McDonalds, Sheetz, and Dunkin's users are nonuser, first-time user, and prospect. Avenue 209 would be a regular user. Starbucks would have prospects, first-time user, and regular user.

Awareness and Intentions

Product Knowledge






All competitors market to those who are aware, informed, interested, and intending to buy.

Behavior

Involvement

Sheetz, Dunkin Donuts, and Starbucks all have a special effort to get their consumers involved. What they do is they offer a loyalty rewards program. With Dunkin and Starbucks, the users load money onto a gift card, and they get point for every coffee they buy. Then with Sheetz, they have a buy 10 coffees, you get the next one free. McDonald's does very minimum to get their consumers, while Avenue 209 has a program where a consumer may not have enough money at the time of purchase, but they fill out a card where the consumers fills it out and can pay for it next time, just like an IOU.

Top Competitive Segmentation Groups

Competitors	Income	Occupation	Personality	Lifestyle	User Status
	Provides high quality, high price coffee. They target higher income earners.	Large variety and fancy options target white collar workers.	High quality and atmosphere brings in "hipsters", college students, and high class business professionals.	Brings in the successful individuals who are settled in with their lives, and the hipster college students who live near the coffee shop.	Targets the regular coffee user with high quality and rewards program.
	Target lower income earners with cheaper coffees and "grab your own" system.	Being able to get gas while picking up your coffee helps target truckers and other blue collar workers.	The "pour your own coffee" system as well as fast service targets introverted personalities and the "diy" people.	Targets the "up and going" lifestyle with the gas pumps and grab and go food.	Targets the regular and first time user with the grab your own coffee.
	Targets medium income earners with their "middle of the road" pricing and provides a good quality coffee.	Fast service, reasonable price, and good quality helps target blue collar workers with higher income, and white collar workers who are in a hurry.	Dunkin's bright atmosphere helps bring in the motivated, ambitious personality who is in a hurry to start the day.	Targets the settled in, busy family lifestyle with their fast service and reasonable prices.	supports the non-user and prospects with easy ordering and reasonable prices.
	Provides high quality coffee and targets higher income earners.	High quality coffee and relaxed atmosphere targets white collar workers looking to relax.	Relaxed atmosphere brings in introverted, and "hipster" personality.	Targets the easy going, book reading lifestyle with their atmosphere.	Targets the regular user with high quality and atmosphere that invites you to stay a while.
	Targets low income earners with their very cheap coffee options.	Low price and fast service targets blue collar workers who are in a hurry.	Fast drive up service brings in the rushed and cheap individuals.	Supports the rushed, blue collar worker lifestyle with cheap prices and drive through service.	Targets the occasional user who is just looking for a quick cup of coffee every now and then.

New Segments

Life stage: Coffee Shop with Child Play Area

None of our current competitors are segmenting consumers who specifically have children (in the Lock Haven area). Our new coffee shop would target customers who have small children by having an atmosphere inviting and friendly to children. This new coffee shop would have plenty of adult seating just like everyone else but would also have high chairs and booster seats for children. Along with child seating this new shop would have a play area designated to children filled with toys, books, arts and crafts, as well as small play equipment. This allows our customers to sit and enjoy their coffee experience while not having to worry about a screaming, bored child.

This new segmentation method would help the business in many aspects. Because of the emphasis on children and a coffee experience, we could set a prestige pricing strategy helping us gain higher profits. We could also extend our product line to include child size beverages (hot chocolate, apple cider, juices, etc.) to gain even more sales. With this segmentation we could run several different promotions such as, "Buy any large adult beverage, get a child sized beverage half off!" This promotion would attract more and more consumers with children, exposing them to our differentiated family friendly coffee experience.

Outlet Type (In-Store): Coffee Truck

We have decided that we would work with a different outlet type. The way we could reach new segments is by having a coffee truck. Sometimes people don't have the availability or the option to go to the coffee shop or store to get their coffee. So a better way to reach these people is by having a coffee truck. The coffee truck can deliver the coffee to them, and it will still be fresh, just like the consumer would get directly from the store. The coffee truck could also be

set up like an ice cream truck, and can go throughout neighborhoods, or high density areas where people may be walking to and from buildings to get from one place to another and they can stop at the coffee truck to get a cup of coffee. This would mean that the consumers would not have to go to coffee; the coffee would come to them. There would also be a constant route that the truck would follow, and the truck should show up in the same area around the same time every day.

Outlet Type (Direct): Coffee Delivery with an App

One segment that coffee shops are not targeting is the direct outlet. We can target this segment using a coffee delivery service. Customers will order their coffee on an app or through our website from the comfort of their home (or dorm room), and within 15 minutes, their hot cup of coffee is delivered right to their door. Targeting the direct segment will attract people who do not want to drive to the store to get their coffee. This would especially work in Lock Haven with the amount of busy coffee drinking college students on campus with no car. Currently, there is no other coffee shop targeting a direct outlet type like this.

Getting your coffee through a service like this will be a little more expensive than traditional stores because we will have to charge a small delivery fee. A way to make this less expensive would be to offer free delivery if you purchase 3 coffees or more. This will make a larger profit per delivery, and also push our customers to order coffee for everyone in the dorm, or everyone in the office. The best promotion for this service is our delivery car. The car will be wrapped with the business's name and will be seen by Lock Haven residents every single day while making its daily deliveries.

Product Knowledge: Coffee Shop with a Library

We have done research and found that there are no libraries in the Clinton County area that cater to their consumers who would enjoy sipping a cup of coffee or tea while enjoying a nice book. As most bookworms believe, coffee and books go together like cake and ice cream. Coffee also accommodates students while studying and doing coursework. The major product feature of coffee is the caffeine that helps its' consumers get through their long days.

We will be opening a coffee shop with a library in it. Consumers will be able to sit at our tables or lounge in our comfy recliners or in our luxurious couches while enjoying a cup of coffee or tea. They will be able to read a good book, do research, type that paper, or study for that exam. They won't have to leave mid-way through a study session to grab coffee. We will remain open 24 hours a day to keep up with our competitors Dunkin Donuts and McDonalds.

Involvement: Coffee Bar

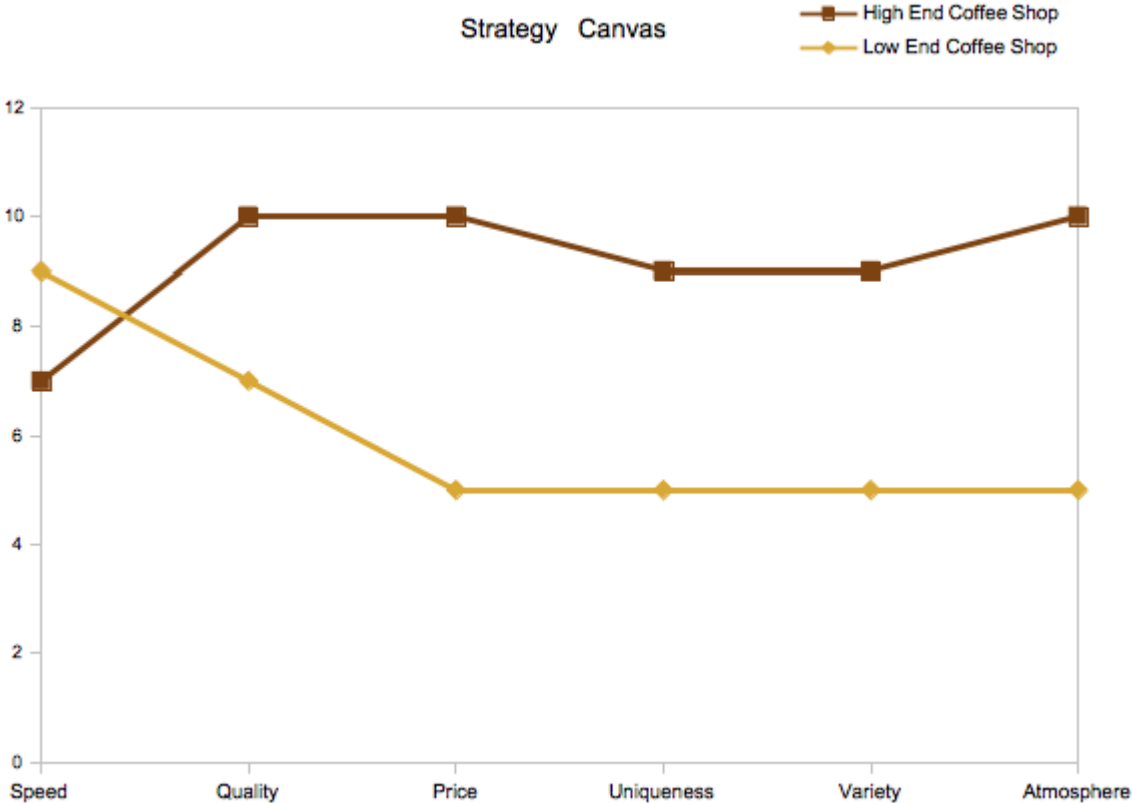
There are different types of coffee shops around the world. Whether it's a small town coffee shop, a national chain or a fast food restaurant, competitors entering the market are always looking for new ways to stand out among the crowd. A coffee bar is business that isn't really popular and most competitors aren't focusing on. The target involvement for a coffee bar would be special effort. Customers would be able to come into the coffee bar, buy a cup and

have access to a variety of different coffees. They could even ground their own coffee, bag it and take it home to enjoy! This will get customers involved in the coffee business and let the customers have a little bit of freedom when buying their coffee.

Finding Blue Oceans

Looking at the coffee industry in Lock Haven, we see a high end coffee shop, and a low end coffee shop. We find that all of these coffee shops are fighting over speed, quality/quality, price, uniqueness, variety, and atmosphere. Our strategy canvas shows where the two types of coffee shops fall in regards to the offered features.

Strategy Canvas



Alternative Industries

According to Blue Ocean Strategy, alternative industries include products or services that have different functions and forms but they have the same purpose. When people go to a movie theater, people will get their usual popcorn, a soda, and maybe even throw in some candy as well. We are going to come up with a coffee house, but not just a typical coffee house, we are going to add a movie theater as well. Customers will be able to come in and watch a movie, but at the same time they will be able to enjoy their favorite coffee. We also let them have choices to go with their coffee. We will offer food items like donuts, bagels, croissants, or a

small sandwich. With this path, we will be able to gain people who may just stop in for the coffee, and we will also get customers who want to come for a good movie. Then we will also get customers who want both options. We would be creating a larger customer base with this option.

Groups within Industries

Groups within the industry is selecting one strategic group and marketing to them. We have decided to create a coffee shop that is just targeted to business professionals. Sometimes these business professionals don't have time out of their day to stop and grab a cup of coffee, or even have time to leave the office. Since these professionals have meetings constantly, we will open a coffee house that will allow them to hold meetings and conferences in them. If they want to hold a conference, they will have to call in advance to reserve the coffee house, since conferences are typically a large amount of people. We also will have food items that they can have as well. We want these targets to have a comfortable and cozy environment but at the same time to continue getting their work done. We will have the coffee shop open during normal business hours, nine to five, since this is the time that business professionals are working in the office. The only time during those hours that the shop would be closed is when a business or someone reserves the entire space for a conference or large gathering.

Within the Chain of Buyers

Within the chain of buyers is a path toward finding a blue ocean which looks at everybody that purchases the product. In some instances, the people who buy it may not be the same people who use it. Our idea is for a complimentary coffee delivery service for local businesses. Every weekday morning, our coffee business will deliver a small coffee table with everything needed to make a great cup of coffee. This service will target local businesses who want to give their employees a quick and easy way to get a cup of coffee before work in the morning. This will give the local business owners the convenience of not having to buy, stock, and clean up coffee equipment in the break room. This will also make employees more productive since they will not have to waste time brewing or seeking out coffee.

Complimentary Offerings

One of the biggest problems in the Lock Haven area is commuting. Everyone commutes, either to work or to school. The only forms of public transportation in the area are local taxi services and the University's Trolley, which is only for students and makes minimal stops. Consumers often say the reason they don't stop for coffee in the morning is that it doesn't fit into their commute. Creating a formal public transportation system would solve the commuters' problems. The busses would make several stops throughout the Lock Haven, Flemington, and Mill Hall areas including a stop at our coffee shop. This also creates an opportunity for our coffee shop to utilize a mobile coffee cart and stop at the bus stops throughout the day so commuters always have access to our coffee.

Functional vs. Emotional Appeals

A company that is functionally oriented focuses on the functional aspect of the business and will become more and more functionally oriented. While a company that is more emotionally oriented will focus on emotions and will continue to be emotionally oriented. Companies who are emotionally oriented will offer extras that add price, but won't enhance the functionality of the

business. While functionally oriented companies focus more on commodities that add life and will create a new demand for their products.

Currently coffee shops are focused more on the functional aspect than the emotional aspect. They operate to serve coffee to their customers. Some shops operate because of convenience and the fact that coffee can be made fast so the customers don't have to wait. While other shops focus on serving coffee, grabbing a bite to eat and as a place to sit in and chat with friends and read a book.

Our blue ocean strategy would become more emotionally oriented. We would offer a coffee shop that would allow customers to bring in their dogs. We would still function as a coffee shop, but those who don't want to leave their dogs at home could bring them into the shop as well. We would offer a play area where the customers can let their dogs run around and play with other dogs. We would also offer several types of treats for them. We would still be targeting those who drink coffee, but our new target market would be coffee drinkers with dogs.

Trends over Time

Trends definitely change over time and affect all kinds of businesses. Getting healthy is the current trend so for our coffee shop we will be serving all natural sweeteners and offering the choices of soy and almond milk. We are also offering energizing smoothies made with all fresh fruit and Greek yogurt. By changing to all organic additives to our coffee we are reducing the toxins entering our consumers' bodies. The atmosphere in our coffee shop is bright and energetic. Our drinks will be served in eco-friendly cups. We sell reusable cups to consumers who will receive a discount for refilling. Our consumers enjoy guilt-free pleasure when drinking our tasty drinks. The prices of our drinks will be a little higher, but the quality will also be higher.

Best Two Blue Ocean Paths

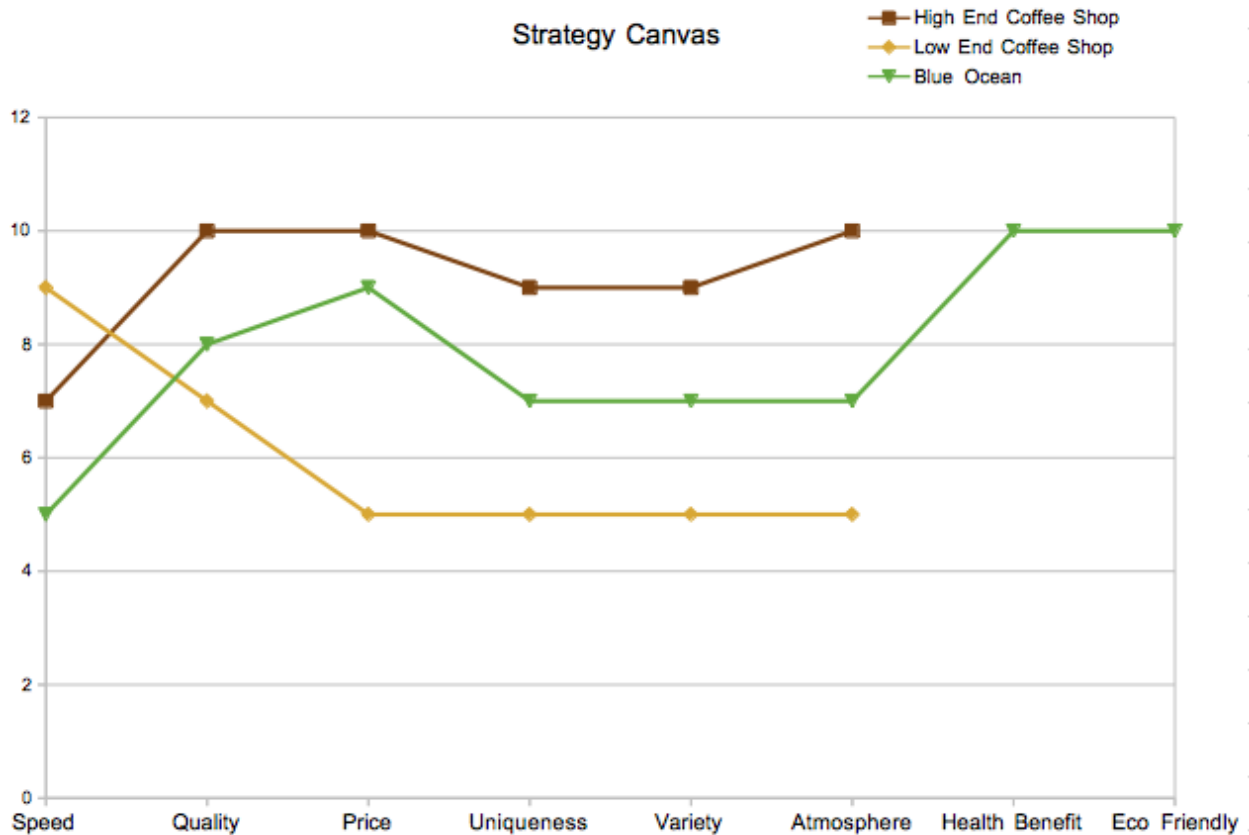
The two paths that make the most sense for the coffee shop industry in Lock Haven are Functional vs. Emotional Appeals and the Trends over Time. Competing within function and emotion rather than price and quality gives us an advantage over competitors. Many people have pets and see them as emotional support and take them almost everywhere with them. No coffee shop in the area allows customers to bring their pets. Creating a coffee shop that allows this would open up a new segment for us to target. Focusing on trends over time would also give us a huge advantage. Coffee consumers are highly trendy people and focusing on the latest trend, getting healthy, would create a new segment to market to. Most consumers are looking to get healthy but don't want to sacrifice their coffee intake. The best way to do that would be to utilize our healthy eco-friendly coffee shop.

Best Blue Ocean Path

After comparing the two paths, we decided to pick the "trends over time" with a healthy, environmentally friendly coffee shop. To differentiate our shop, we will use the four actions outlined in *Blue Ocean Strategy*. First, we will eliminate the use of unhealthy sweeteners, and non-biodegradable cups. Instead, we will use natural sweeteners such as agave nectar, and bio-degradable cups. We will also push the use of re-usable cups that we will sell. Second, we will create a healthy morning for our customers by reducing the use of fatty milks and the unhealthy toxins found in sugary coffees. With our bio-degradable and re-usable cups, we will also reduce trash going to the landfill. Third, we will raise awareness of environmental and

health concerns with our customers by promoting to our customers about the current environmental issues on our biodegradable cups. We will give a fun fact on each cup that brings up an environmental issue. Lastly, our shop will be an open, comforting place where people can be assured they are putting healthy drinks into their body, and helping the environment. By following these actions, we will have a unique healthy coffee shop in the Lock Haven area. Below, you can see our strategy canvas with our added blue ocean. Due to these changes we will have to increase our prices.

New Strategy Canvas



Throughout this research, we have found a variety of blue oceans for the coffee industry. These blue oceans include: focusing on energy drinks, dark roast coffee drinkers, coffee delivery to local businesses, implementing a public transportation in Lock Haven, allowing dogs to enter the coffee shop and focusing on healthy living.

The blue ocean that we focused on is implementing a healthy life style coffee shop. This coffee shop will be healthy for consumers and for the environment. Current competitors offer unhealthy version of coffee. For example, regular sugar, fattening creamers and non-biodegradable cups. Our coffee shop will offer all natural sweeteners, almond and soy milk, and reusable cups. These options will be healthier for the customer's bodies and for the environment.

Final Recommendations & Steps for Implementation

Coffee House with Child Play Area

Positioning

We decided to focus on a coffee shop that is targeting parents who can bring their children to a safe environment. Here the parents can enjoy a stress-free cup of coffee while their children are being entertained at a play area where there is a full-time employee babysitting. This will allow us to set higher prices and offer different products such as apple juice, orange juice and hot chocolate. We will also be able to run different promotions such as "Buy any large coffee, get a child beverage for half off." We will have adult seating along with highchairs and other child-friendly seating. This will attract more consumers that have families. These families will more than likely spend more in their visit than single customers.

Research Plan

The optimal primary research for this segment would be to conduct a discrete choice survey. We would recommend this for this segment because not everybody has kids. So when we want to receive input from everyone, we would want feedback from customers who have children and customers who do not have children. The survey will be given online and will be told about the survey in the store, and will have some promotional advertising to get people to take the survey. The survey will include the most basic question of 'Would you want a coffee house with a play area for children?' The survey will also include questions that are more in depth about where they want the location of the play area, and what equipment to put into the play area. There will also be a spot for customers to put in additional comments or feedback. We will take the results to help us design a safe and great play area for everyone to enjoy.

Product Launch

This coffee shop would have high startup and maintenance costs due to the attributes needed for this segment. A small fenced in indoor play area (a little larger than the average living room) would need to be built. It would be equipped with a small slide, toys, books, games, etc. A staff member would also to be in the play area at all times. The cost of employees would be higher than average as well because the shop would need to run background checks and other clearances because of working with children. This shop would need a premium pricing strategy because of these high costs. The prices for plain coffee would be \$1.98 for a small, \$2.49 for a medium, and \$2.98 for a large.

Along with the typical social media marketing strategies, the shop would acquire a fun childlike sign to show that it is a child friendly place. The shop would also hand out pamphlets and flyers at local schools and daycares. Finally, the shop would obtain a list of households with children five and younger and mail out coupons for a buy one get one free coffee. The only distribution channel for the coffee shop is in store purchase.

Delivery Coffee Truck

Positioning

A coffee truck, (that is like an ice cream truck) would be an excellent business in the Lock Haven area. Unlike the competitors, you would be able to move to the location customers

are currently at. With a college campus nearby, it won't be hard at all to drum up business. Another advantage a truck would have as opposed to a brick and mortar shop is a lower operating and starting cost. Being able to keep these low will keep us competitive and profitable.

Research Plan

We will utilize two methods of primary research. We will first conduct a focus group. The focus group will consist of a mix of people who are frequent coffee drinkers and those who drink coffee that do not have easy access to get coffee because of conflicting schedules. We will use the focus group to gather up a large amount of data. The questions asked to the focus group will be simple questions. What types of coffee they would want to see on the truck, what flavors, and food items to go along with their coffee.

After we gather the data received from the focus group, we would then compile a discrete choice survey. The survey will ask the same questions we asked the focus group. The only difference is, is that the options users will get to choose from are those that the focus group provided. There will also be an option for them to type out answers that are not on the list. We will then choose the top ten to twenty answers and add that onto our menu.

Also on the survey, we will ask a question about locations. We want to serve as many customers as possible, and we want to know the best locations for the coffee truck to deliver. So we will have a question asking about locations. The coffee truck is going to be set up like an ice cream truck, so we will need a route to follow. Once we get this information, we will come up with a route to follow and give our customers the route to see if the coffee truck is coming near them.

Product Launch

To open a coffee truck there are a few attributes to first acquire. The most important attribute being the acquisition of the truck. It would be a truck just like any other food truck with a window and full mobility. The company would also have to obtain all licenses required to own such truck and to do delivery. The company would need to hire employees with clean driving records and knowledge of the coffee industry. The price of a plain coffee would be \$1.25 for a small, \$1.50 for a medium, and \$1.75 for a large. These prices are slightly below the average of competitors because the costs would be much lower. Putting our prices only slightly below our competitors would bring in more revenue and pay for the gas the truck needs for delivery. If after testing these prices we found that they were too low and did not cover the delivery costs (gas), we could then implement a delivery fee.

The company would create social media pages such as Facebook, Twitter, Instagram, Vine, Snapchat, etc., and market the business through those. The truck itself is also a promotional tool. Essentially the truck would be a mobile billboard; this allows more visibility to consumers. The truck would also park at different locations such as on campus, near Walmart, downtown, and at local parks and offer free samples within the first month. There are only two distribution channels for this new coffee service: delivery, and people coming to the truck (much like an ice-cream truck).

Coffee Shop with Healthy Options

Positioning

Another segment we decided to focus on was healthy coffee. Most competitors don't use all natural sugars and creamers to make coffee a healthier choice for customers. We believe this segment is good for our product for a few different reasons. This is a niche that other competitors aren't hitting, which will make entry into this segment much easier for our company. Another reason is that the new trend in today's society is living a healthier life style. Our coffee house will focus on using all natural sugars and non-fatty creamers in order to accomplish the health factor. This will motivate our customers to live a healthier life style and to buy our products because we are supporting their lifestyle change.

Research Plan

The optimal primary research for this segment would be to conduct a direct mail survey. We will gain a list of addresses from our current customers by having them sign up to receive coupons and freebie by providing their address. We will then distribute a survey to them to get their thoughts and opinions on offering a healthy coffee option. We would give them an intro about what and why we are doing the survey. We would then ask questions about what healthy things they want to see in their coffee, and if they would drink a specific kind of coffee if it had certain healthy ingredients in it. We would also ask how they felt about having a healthy rewards program. While we want our customers to drink healthy coffee, we also want to keep our Earth healthy, we would ask them how they felt about buying a reusable cup, and every time they present the cup and use it, they get a discount on their items. We will then use the results to choose the best healthy options to add to our menu.

Product Launch

This new healthy, all natural coffee shop would have many attributes to appeal to this segment. The shop would have to only sell 100% organic coffees, teas, smoothies, and food products. The shop would also have a "Go Green" initiative, recycling everything possible and using other wastes for composting. We would also have to acquire biodegradable cups and reusable cups to sell at the shop. Because of these high startup costs and the high costs of the all organic products, the pricing strategy would be a premium price. The price for a regular coffee would be \$2.25 for a small, \$2.99 for a medium, and \$3.49 for a large.

The company would create social media pages such as Facebook, Twitter, Instagram, Vine, Snapchat, etc., and market the business through those. They would also use signs and flyers around town and campus as well as having an appealing look to the outside of the shop with a very bold visible sign. The signature promotion upon startup would be free coffee with the purchase of a reusable cup. Also, when customers come in and use a reusable cup they receive a discounted price. The only distribution channel for the coffee shop is in store purchase.

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