Marketing Strategy Proposal for Saxbys Coffee

Luisa Klemm

THM 3396 Marketing in Tourism & Hospitality

April 25, 2016

Executive Summary

Saxbys Coffee Company was founded in 2005 and currently operates at a small local level of 30 cafes nationwide. Our mission is to "Make Life Better" and we do this through our selective hiring and training process of staff as well as our unique company values. Our community values are one of our strengths which separates us from our competitors. Saxbys offers a wide range of healthy and dietary friendly food and beverage products from local companies, one of which is Trade Stones Confections. We are very active on social media with a large following presence. We provide our customers with a rewards program through our mobile app as well as an option to use the app as a payment method. We are concerned with sustainability and use 100 percent recyclable products in our cafes in order to appeal to our customers' needs. Some concerns we have about our organization are our low brand awareness, inconsistency in cafe offerings, and negative online reviews.

The everyday Saxbys customer is a millennial or on-the-go professional. Our cafes attract this market through our local coffee house feel, our convenient locations, and our healthy menu offerings. Trends among these consumers include increased environmental concern and awareness which has led to an increase in the "brew at home" lifestyle. Customers are also concerned with health and ethics regarding their food and beverage options which has led to a sharp increase in gluten free and dairy free lifestyles among consumers. Social media has become a growing trend and has a large impact on consumers' choices. Consumers refer to social media to influence their decisions about companies. They expect company interaction via technology and social media. There is a high level of rivalry among established firms. Our main competitors are Starbucks and Dunkin Donuts, two highly visible international coffee brands. Starbucks and Dunkin both provide similar menu options and offer brew at home lines that are

accessible in grocery stores across the nation for customers to access. Based on our situational analysis we have come to the conclusion that Saxbys has a positioning problem. This means that we do not have a clear or distinctive product in relation to our competitors (Kotler et al., 2014). This positioning problem can be solved through product development, use of distribution channels, as well as promotion and communication efforts. Saxbys can implement these marketing strategies by developing our own at-home brewing line, selling our products through local distributors, and communicating our brand values and products through local promotional activities such as local festivals and college campus events. Through these strategies Saxbys will become a stronger competitor in the market by better meeting our consumers' needs as well as generating a greater awareness of our brand.

Table of Contents

1.0 Introduction

Saxbys Coffee Company is a small chain restaurant in the food and beverage industry. Saxbys cafes are primarily located in Philadelphia, Pennsylvania and have been in operation since 2005. We are a relatively small corporation, with 30 cafes in ten states. Our mission is to "Make Life Better" for our customers by hiring "Outgoing, Detail oriented, and Disciplined" employees. We support local businesses, local artists, and sustainability initiatives and regularly utilize popular social media trends to market our new products, services, and features.

This market analysis includes an internal analysis of our company, including an overview of Saxbys' strengths, weaknesses, opportunities, and threats, as well as the customer profile, an external analysis including political, economic, socio-cultural, technological, and environmental factors that may be affecting the coffee industry, and an industry analysis. This market analysis also evaluates Saxbys' competitors, focusing on Starbucks Coffee Company and Dunkin Donuts, as well as Saxbys' target market customers (Saxbys Coffee, 2015). After a full analysis of Saxbys and the coffee industry is given, an explanation of Saxbys' marketing problem will be addressed along with three solutions for how to combat the issue.

2.0 Situational Analysis

The internal situational analysis provides a breakdown of the factors influencing the company which they have control over. This section provides an overview of the Saxbys Coffee business, identifies its strengths, weaknesses, opportunities, and threats, and its current customer profile. The purpose of an internal situational analysis is to identify the internal forces that may influence the organization's performance and choice of strategies and assess the organization's current and future strengths, weaknesses, opportunities, and threats (Business Dictionary, 2016).

2.1 Internal

2.1.1 Overview

Saxbys Coffee was created in 2005 by Founder and CEO, Nick Bayer. Since then the organization has expanded to 30 cafes in ten states. We are located mostly in the North Eastern region of the United States in Pennsylvania, New York, and New Jersey. We also have a few shops in Washington D.C., Delaware, Ohio, Kentucky, and Texas. Our headquarters is based in Center City Philadelphia where we have 7 locations, 3 of which are on Philadelphia university campuses including the University of Pennsylvania, Drexel University, and Temple University (Saxbys Coffee, 2015).

Saxbys mission is to "Make Life Better". We consider ourselves to be a hospitality business first and a coffee company second. We focus on friendly customer service and creating a community-based local coffee shop feel with high quality products. We are a chain restaurant, but focus on operating our shops as individual restaurants. Each coffee shop features artwork created by local artists and features decals relative to its location (Saxbys Coffee, 2015).

We sell coffee that individuals can roast in the comfort of their own homes as well as merchandise to accompany our products including mugs, reusable cups, and gift cards. Another convenience we offer is a mobile app to customers; customers can connect a credit card to the app and earn loyalty points each time they purchase products from a Saxbys location (Saxbys Coffee, 2015).

We also focus on being "O.D.D." or Outgoing, Detail oriented, and Disciplined. Our core values are: "We are a community serving our community", "We do more with less", "We support a healthy work and life balance", "We work with pride, passion, and purpose", "We know loyalty plus profitability equals growth", "We embrace being O.D.D." (Silverman, 2015). These values

are what make Saxbys a unique corporation and what help to associate our brand with high quality products and customer service.

2.1.2 SWOT Analysis

The purpose of this aspect of the internal analysis is to identify the organization's strengths, weaknesses, opportunities, and threats. Strengths and weaknesses need to be evaluated periodically and can be done so via the organization's management team or outside consultants (Kotler, Bowen, and Makens, 2014). Strengths include internal resources, and abilities. Weaknesses include internal problem, limitations that can interfere with a company's performance. Opportunities external favorable trends that the company may be able to take advantage of. Threats are external unfavorable factors that can present challenges to performance of the company (Kotler et al., 2014).

For a breakdown of our SWOT analysis please refer to Appendix A.

<u>Strengths</u>

<u>Social Media</u> - Saxbys utilizes social media marketing through sites such as Facebook, Twitter, Instagram, Pinterest, and Tumblr. We currently have approximately 3,770 followers on Twitter, approximately 3,000 followers on Instagram, and 16,000 likes on Facebook. The average Facebook rating for Saxbys is 4.6 out of 5 stars. Customers' low ratings and negative reviews are quickly and genuinely responded to conveying the hospitality experience. Our locations are also featured on Yelp with each individual shop having an independent review with the average rating being around a 3.5 out of 5 stars (Saxbys Coffee Yelp, 2016). Our website features links to our social media sites, menu items, company history, and updates about new location openings, merchandise, and job opportunities (Saxbys Coffee, 2015). Our company has also developed an app which features a QR scanner which can be used as a payment method at cafes by connecting

a credit cards and gift cards to the app. The app features a list of all our cafe locations and menu items, as well as a recording system of rewards points earned each time a customer uses the app as payment. Our app reward points promotion is every time you spend $20 you earn $2.

Sustainability - Saxbys responds to customer's sustainability expectations by using 100 percent recyclable cups, lids, and napkins. We have a partnership with GIVE biodegradable water bottles - the proceeds from the water bottles benefit Big Brothers Big Sisters (Brown and White Staff, 2013). Saxbys merchandise offers include logo-printed reusable mugs, cups, and 'Klean Kanteens'. Saxbys will refill these reusable mugs, or any other reusable mugs, for the price of a small coffee - in 2015, Saxbys refilled 20,000 mugs (Saxbys Coffee, 2015). Aside from Saxbys internal initiatives, we choose to work with companies that support sustainability. Klean Kanteens, for example, pledges to donate at least 1% of their sales to nonprofit organizations focused on protecting the Earth's natural environment (Klean Kanteen, 2016). In 2015, we switched from paper goods to "recycled content and unbleached kraft paper" and recycled 555 pounds of electronic waste and plastic gift cards. We also incorporate recycling initiatives in our cafes by using LED light bulbs, reclaimed furniture, and chairs made out of recycled materials, like *Coke* bottles (Saxbys Coffee, 2015).

Customer/Community Engagement - "We are a community serving our community", we do this by striving to design each cafe with individual appeal by featuring different types of art made by local artists. We promote this through our social media pages as well as our website by featuring new artists in blogs and posts. Many of the artists are Philadelphia college students and graduates (Saxbys Coffee, 2015). We also show our commitment to the local community through our CEO's continued support of Big Brothers, Big Sisters through his position on their Board in South Philly (Saxbys Coffee, 2015). We create a community feel by training our employees to

deliver high quality customer service. Although customer service is generally a subjective attribute, it can become tangible through proper hiring and training. We do this by encouraging and training employees to always smile, remember regular customer's orders, and by hiring people who are naturally outgoing, detail-oriented, and disciplined.

Partnerships - We partner with Philadelphia's Official Visitor and Travel Information organization, Visit Philly, to build brand recognition and maintain our roots to Philadelphia. During the summer seasons, Saxbys offers free 12 ounce cups of cold brew iced coffee every Friday in August. The promotional campaign is heavily advertised through Visit Philly's many social media sites and hashtags such as #saxbys and #visitphilly (Visit Philly, 2016). By partnering, both organizations have the opportunity to promote brand awareness and gain social media attention. The campaign is beneficial to Saxbys because it allows us to target new customers by sampling our product and is beneficial to Visit Philly because it brands Saxbys as something unique to the city and another reason to experience Philadelphia culture. We also partner with a local business to source some of our chocolate goods. Tradestone Confections, a chocolatier company based in Conshohocken, Philadelphia, makes a signature chocolate bar called the *Saxbys Coffee Caramel Crunch* which is made with Tradestone Confections chocolate and caramel and Saxbys ground coffee beans (Saxbys Coffee, 2015). In addition, we have extended a partnership with Drexel University's Close School of Entrepreneurship's co-op program. The program allows Drexel students to act as the full-time manager for the Saxbys cafe location on Drexel's campus. The students are treated the same as any other Saxbys manager and are able to gain entrepreneurial experience as a fulfillment for their major (Klein, 2015).

Healthy Options - We are exceptional at providing gluten free and lactose free options to our customers. Non-dairy options are becoming a growing trend with customers. To provide for

these requests, we offer both soy and almond milk, two dairy free options which were rated by consumers as the top add-ons to drinks such as coffee and tea in September 2015 (Sisel, 2015).

Weaknesses

Lack of brand recognition - Due to the majority of Saxbys cafes being located in the Eastern region of the United States, our brand name is not recognized nationally. We also have a very small number of cafes located within each of the states we operate in, approximately one to two cafes per state, not including Pennsylvania (Saxbys Coffee, 2015). Saxbys' lack of name recognition has the potential to affect their future success because brand awareness and recognition has proven to be an important factor of a buyer's decision-making process (Macdonald, 2003).

Inconsistency - Our food menus differ from cafe to cafe - not all cafes offer a wide variety of menu items and some cafes do not have any meal options. Most of our cafes offer baked goods, however, the inconsistency of food options has the potential to lower customer's perceptions of our company due to unmet expectations. In addition, our baked good options change daily, which may be a deterrent for some customers. If they have a particular favorite menu item and it is not offered a majority of the time, they will likely associate their disappointment with the brand and think of Saxbys as unable to meet their needs.

Reviews - Our ratings on popular restaurant review sites like Yelp show customer's overall lack of satisfaction with our cafes. Our average Yelp rating for our cafes is 3.5/5 stars, ranging from 2.5 - 4 stars in each individual cafe. This indicates customers, new or repeat, have some concerns with the business (Saxbys Coffee Yelp, 2016). However, a majority of yelp reviewers use the site to voice their dissatisfaction with restaurants, as opposed to praising quality service or products. This trend may contribute to overall negatively biased reviews on the site.

Opportunities

Expansion - Based on our cafes success on college campuses, we can capitalize on the vast options of universities and colleges throughout the Northeast and throughout the U.S. as a whole. Expanding on more college campuses and utilizing hospitality programs within these colleges will not only allow us to grow our brand, but will help us find young professionals in the hospitality and food and beverage industries who are interested in working for our company. Our co-op program at Drexel University has proven to be successful and has provided us with the opportunity to influence young students, staff the cafes, and expand positions (Saxbys Coffee, 2015). Using this process of expansion, Saxbys can become a staple of college campuses throughout the nation. Saxbys has also become successful in strategically placing cafes near areas with heavy traffic. We can continue to open cafes in cities and market to young professionals. Ultimately, we have the opportunity to expand both nationally and globally.

Co-Branding - We have established ourselves as a company that is willing to partner and support local businesses and companies whose mission they believe in. Aside from Visit Philly, Klean Kanteen, GIVE water bottles, and Tradestone Confections, we can continue to search for companies from which to buy products as well as organizations we can partner with to expand the Saxbys brand (Saxbys Coffee, 2015). By working with organizations who support sustainability and partnering with local businesses we have the opportunity to gain more media attention for our good-natured company values and for our support of small businesses. In this way, we can maintain our name as a whole-hearted company with a good cause. With increased customer awareness of social issues, global climate changes, and the importance of small businesses, this strategy will likely draw more consumers to support Saxbys Coffee.

Threats

Competitive market - Our competitors include other established coffee companies which consumers may already be loyal to, such as Starbucks and Dunkin Donuts. Due to our relatively young age for a coffee company, 11 years since our founding in 2005, Saxbys does not have as strong of a loyalty base as companies such as Starbucks, which has been serving coffee since 1971, and Dunkin Donuts which has been serving coffee since the 1950s. It will take us a long time to establish credibility with customers and to become their first choice cafe visit.

Single-cup coffee - Restaurants, supermarkets, and increasingly efficient at-home coffee making options also pose threats to us. More and more companies are selling their coffee products in supermarkets in the form of coffee grounds as well as in the popular "K-cup" form. Ground coffee was the top consumed drink "on the go, and at home" by all ages (Sisel, 2015). This data suggests that we should consider embracing the brew at home lifestyle and more specifically ground coffee. Whole bean coffee was almost tied with single cup coffee pods amongst younger Millennials, while single cup coffee pods were tied with whole bean coffee use among older millennials (Sisel, 2015). At home brewing poses a threat to us because it provides consumers with a cheaper and simpler way to make brand-name coffee in their own homes. In addition, we do not currently sell our coffee grounds in any supermarkets and we do not produce K-cups. This takes us completely out of the market in terms of competing with other coffee brands outside of our cafes.

Consumer health trends - In a study done by Mintel, *Coffee Houses and Tea Shops*, 44% of consumers aged 18 and up, said they are concerned with levels of caffeine in coffee and tea-based drinks (Bryant, 2015). In regards to coffee companies using natural ingredients in their beverages, 66% of respondents agreed companies should be using all-natural ingredients, and of those numbers, 79% in agreement were aged 25-34 years old. These trends in health awareness

pose a threat to our company because some of our beverage options, such as our lattes and frozen drinks, are sugar-based drinks and those health-minded consumers are in the age range of Saxbys target market (Bryant, 2015).

2.1.2 Customer Profile

This portion of the internal situation analysis highlights which types of people are currently consumers of the company's product. This analysis will help the company understand who its current consumers are so it can then compare this information with the consumers they plan on targeting. Companies must understand that they cannot serve all consumers, so they must analyze the market and serve different consumers in different ways (Kotler et al., 2014).

Our customers are millennials, as well as working professionals. We reach college and university students by having a majority of our locations on college campuses. We also reach working and "on the go" professionals who are interested in a cozy local coffee house feel in prime locations in city centers as well. These locations offer not only coffee and drinks but also healthy lunch and snack options for the lifestyles of professionals and college students. Our cafes provide students and business people with places to study, meet with classmates, have a business meeting, or take a break from classes and work.

2.2 External Analysis

The situational analysis also analyzes the external factors affecting the industry. This includes a PESTE analysis, an industry analysis, a competitor, analysis, and a target market analysis. An external situational analysis is the systematic collection and evaluation of past and present economic, political, social, and technological data, aimed at identifying external forces that may influence the organization's performance and choice of strategies (Business Dictionary, 2016).

2.2.1 PESTE Analysis

This section analyzes five macro environmental factors affecting the coffee industry. It is important to understand that the company operate in a larger environment that includes forces that shape opportunities as well as pose threats to the company (Kotler, 2014). This includes political, economic, sociocultural, technological, and environmental factors which are all analyzed in this section. The political environment, including laws, government agencies, and influential pressure groups, all affect consumers marketing decisions. Economic factors include those which affect consumer purchasing power and spending patterns. Sociocultural factors are those which affect consumers' basic values, perceptions, preferences, and behaviors which in turn affect their buyer decision making processes. Technological factors include any technology related tools that affect the marketing mix and the consumers buying processes. Environmental factors include any natural resources needed by marketers or that affect the marketing process (Kotler et al., 2014).

For a breakdown of our PESTE analysis please refer to Appendix B.

Political

Fair Trade - Coffee consumers are more willingly to purchase coffee that is certified as Fair Trade which is governed by Fair Trade USA (Coffee and Conservation, 2016). Due to the lack of suitable conditions for growing coffee crops in America, coffee companies operating within the U.S. must take into consideration international labor laws and union regulations in the countries from which their coffee is being grown and imported. The Fair Trade organization's initiative is to "alleviate poverty through greater equity in international trade". The overall purpose of the Fair Trade certification is to ensure that farmers growing coffee beans are paid a fair price, hence the term "fair trade" (Coffee and Conservation, 2016).

FDA Regulations - Coffee companies selling food items in their cafes need to keep up with U.S. Food and Drug Administration (FDA) guidelines and regulations. This includes government regulated nutrition labels, approved ingredients, and cleanliness/food safety inspections. For example, because caffeine is a natural chemical in certain foods it is not required to be listed on nutrition labels, it is however required to be listed in ingredients if any additional caffeine is added to food or beverage items (FDA Basics, 2015). In accordance with these existing laws, the FDA has also created new regulations regarding menu labeling. As of January 2015, the menu labeling standards were implemented as an add-on to the 2010 Patient Protection and Affordable Care Act. All restaurants and food distributors are now required to list calorie information on all menus, menu boards, drive-thru menu boards, and vending machines. Restaurants are also required to state on menus that more nutritional information is available upon customer's requests (Bryant 2015). While some restaurants have already put these rules into effective, the FDA's deadline is December 1, 2016 (U.S. Food and Drug, 2015).

GMO Labeling - With genetically modified organism (GMO) crops becoming increasingly part of America's everyday lives, increased regulations are being enforced by the FDA. The FDA in 2015 has increased labeling regulations on genetically engineered foods from plants and plans to review the labeling of genetically engineered foods in the future. The FDA's current regulations require all food companies to label all genetically modified foods that have "compositionally" or "material" differences (U.S. Food and Drug, 2015). These regulations are expected to continue to tighten.

Economic

Minimum Wage - A key political factor that has the potential to directly affect the coffee industry is the amount of discretionary income their consumers have and the state of the

economy under which they are operating their business. Currently, in the United States the federally regulated minimum wage is $7.25/hour, however, there are 29 states and Washington D.C., who have higher state minimum wages than the federal minimum wage and 14 states that have the same (Department of Labor Minimum Wage, 2016). This directly affects pricing and profit margins of coffee companies by increasing the cost of labor depending on the place of operation. As such, dependent upon newly regulated policies, companies may have to further increase their budgets for labor costs (Bryant, 2015).

Unemployment rates - In addition to minimum wage rates, coffee companies also need to consider the effect that unemployment rates may have on their business in terms of consumer demand. It is important for businesses to stay updated on their current city-wide, statewide, and nation-wide unemployment rates because they all have the potential to affect a coffee company's revenue. According to the U.S. Bureau of Labor Statistics via the Department of Labor, the unemployment rate as of February 2016 is 4.9%. This is relatively low compared to 6.8% during the same time in 2014 (Bureau of Labor Statistics, 2016). Despite the projected decrease in unemployment rate, the underemployment rate still remains approximately double the unemployment rate (Bryant, 2015). This poses a risk to coffee companies because those who are either unemployed, looking for a full-time position, or have given up looking for work, all fall under the percentage of the population who have little to no discretionary income and are therefore unlikely to purchase coffee from coffee shops.

Food Inflation - Food inflation is an increasing problem in the United States. The Food at home CPI (cost price index) was up 1% during the second quarter of 2015 since the second quarter in 2014. Food prices have risen over 10% in the past 5 years; this inflation is among the highest categories in the economy, only healthcare and transportation showed a higher inflation increase

(Morrison, 2015). Food inflation is caused by increased gas prices, higher cost of pesticides which influences grain cost, as well as the government's cuts to food that they previously subsidized, such as corn and other crops (Amadeo, 2016).

Sociocultural

Dietary trends - Current trends in diet including healthy eating, gluten free, vegetarian, and vegan diets are all factors coffee companies should account for when developing menu items. These trends are also attributed to an increase in food allergies and intolerances, approximately 30-50 million Americans are lactose intolerant, and an estimated 3 million have celiac disease, and an estimated 40 million Americans have gluten intolerance (Maier, 2010). Populations who identify as either vegan or vegetarian are relatively low, they are most common among millennials and Generation Xers, with 9% of millennials identifying as vegetarian and 4% as vegan, and 5% of Generation Xers identifying as vegetarian (Roberts, 2015). Other consideration is also given to health factors of beverages, such as caffeine and sugar levels as well as natural versus chemically produced ingredients. The majority of the population concerned with healthy eating are millennials and coincidentally they are also the generation that consumes the most coffee (Roberts, 2015). According to a 2015 Mintel research study, 69% of younger millennials and 81% of older millennials agree that coffee and tea beverages should be made with all natural ingredients, like sugar in the raw and real-fruit/real-chocolate flavored syrups and sweeteners (Roberts, 2015).

Food Away From Home - Food away from home spending by everyday Americans rose to over 49.6% in 2013, which is double what it was in 1960 (26.3%). This can be attributed to the increase in two earner households and the busier lifestyle Americans have become used to. This increase in food away from home is almost even with the amount spent on at home food. In a

2013 study American's spent 5.6% of their disposable income on food at home and 4.3% on food away from home (Morrison, 2015). This ratio of away from home to in home food spending is dependent on income. As income rises the amount spent on away from home food decreases (Morrison, 2015).

Environmental Awareness - Customers are becoming more concerned with their individual impact on the environment as well as who they are buying from and those company's commitment to the environment. This concern has shifted customers to brewing at home instead of getting "to go" coffee on a regular basis. Ground coffee for at home brewing won highest consumption among young millennials and older millennials compared to other age groups (O'Donnell, 2015). The green consumer is growing. In 2015 consumers were concerned with ethics attached to their drinks, this concern rose from 0% concern in 2006 to over 40% of consumers concern with the ethics of their drinks in 2015 (Bonetto, 2015). These ethics include concerns of where their drinks come from, how the animals are treated, as well as what pesticides and antibiotics are used in the productions of these products. Since 2006, concern about recyclability of packaging for drinks increased to 61% in 2011 among consumers (Bonetto, 2015).

Technological

Single-cup Machines - Coffee has become an American household staple and due to technological advances, consumers are constantly looking for the quickest and easiest ways to do things. The coffee making process was significantly changed when the "Keurig" became popular in America around 2013 (Sisel, 2014). The simple-to-use, virtually instant, coffee machine provides consumers with an ability to make single-cups of brand-name coffee or tea at home. In 2012, ownership of these machines increased by 24% in adults aged 18 and up. More brands in

the coffee industry are taking advantage of this opportunity and producing their own brand of K-cups. In 2013, it was determined that sales of roasted coffee were close to double of that of single-cup coffee. However, it is estimated that over the next few years the gap between roasted and single-cup will become increasingly smaller as "K-cups" become more and more popular (Sisel, 2014). This impacts the coffee industry's in-house demand because the less expensive and more efficient it becomes to make quality coffee at-home, the less people will be inclined to purchase coffee at cafes.

<u>Tech-savvy consumers</u> - Customers are increasingly using social media to find out restaurant's hours of operation, menu items, and background information. In fact, those who use social media are more likely to visit restaurants because they are able to find information more easily and view the restaurants' menu before visiting (Gallo-Torres, 2015). Those utilizing restaurants' social media applications also feel their opinions are being voiced and are more likely to have their reviews read (Gallo-Torres, 2015).

Cellular device applications are also increasing in popularity - those companies who utilize app technology have a competitive advantage. Most apps serve as a payment method by connecting the user's credit card to the app and having a quick response (QR) scanning method at the cafe. Apps also provide menu and hour information as well as directions to the customer's nearest coffee shops.

Another social trend among consumers is the increase in use of digital images to communicate. 163 million Americans use digital images to communicate with others. Over 58% of Americans use emojis, but companies are finding it difficult to communicate to consumers using these images. Over half of Americans use Facebook, but smaller sites like Tumblr and Snapchat are more likely to be frequented by customers ages 18-34. These smaller platforms are preferred

among millennials, however, these platforms find it harder to retain these young users (Macke, 2015). Both males and females are heavy social media users and use all platforms almost equally. The real opportunity for companies is to be able to convey their messages clearly and easily for customers to read and understand since communication is becoming shortened and consumers are becoming more interested in videos and pictures (Macke, 2015).

Environmental

Sustainability - The two types of coffee production most widely practiced throughout the world are shade-grown farming and intensive farming. Shade-grown is when coffee plants are grown in a natural environment with forestry and wildlife. The maintenance of the natural ecosystem allows for biodiversity and natural water and air filtration systems. Intensive farming is when coffee is produced on a much larger scale and deforestation takes place in order to grow a type of coffee that takes up less space and thrives in direct sunlight (UT News Staff, 2014). There has been a large global shift toward more intensive coffee farming which has many negative environmental effects and is not sustainable on a long term basis (UT News Staff, 2014). The intensive farming process causes deforestation, water pollution, soil pollution, and uses pesticides on crops (Natural Resources Defense Council, 1995). Few countries have crop space for shade-grown coffee and few companies are willing to invest time and money into producing sustainable coffee. In 2010, 41% of coffee farmland worldwide did not contain any shade trees at all, a record high for the coffee industry (UT News Staff, 2010). The way coffee is grown in foreign countries poses a threat to the coffee industry as it will become increasingly more expensive to produce sustainable coffee in the future if crops are not preserved now.

Climate change - The coffee industry is subject to increasingly damaging effects due to climate change. As temperatures increase in coffee-producing countries, crops will be become damaged

and/or unsuitable for coffee plant growth and it will become increasingly expensive for companies to produce coffee (International Trade Centre, 2010). If their bottom line continues to increase, their costs will increase and affect their customer base and future revenue. Climate change will be the most important factor affecting future global coffee production and smaller producers will face the most negative effects (Climate Change and the Coffee Industry, 2010). Due to changing rain patterns in Brazil and other countries, fungi in South and Central America have been increasing. The coffee supply has been majorly affected with over 40% of Central American coffee crops in danger of dying (Stone, 2014). Any weather dependent crops in Central America and Brazil are in danger of being affected by the Roya fungus, coffee being just one of those crops (Stone, 2014).

2.2.2 Industry Analysis

The industry analysis provides an overview of the risk of entry by potential competitors, the threat of substitute products, the bargaining power of suppliers in the industry, the buying power of consumers, and the amount of rivalry among established firms. An industry analysis is a market assessment tool designed to provide a business with the complexity of a particular industry. Major factors can include the power wielded by suppliers and buyers, the condition of competitors, and the likelihood of new market entrants (Business Dictionary, 2016).

Risk of Entry by Potential Competitors

The risk of entry for potential competitors is high in the coffee industry. Growth in the multi-million dollar a year coffee industry is growing roughly 10% yearly which is high compared to the average 2% growth of fast food companies yearly (Holmes, 2012). In 2016 there was 55,246 coffee shops, which was almost double the amount in 2006 (37,006). The coffee and snack shop industry has grown every year since 2006 besides the year of the global recession in 2009

(Silverman, 2016). The revenue generated by the industry has risen along with the growth of coffee and snack shops. The coffee industry revenue is predicted to be 32.46 billion dollars in 2016, double the revenue generated in 2006 (16.65 billion), (Silverman, 2016).

Threat of Substitute Products

As at-home coffee options have become more versatile and technology has expanded, coffee drinkers are consuming more coffee at home. Products like Keurig and brand-name coffee sold in grocery stores are influencing consumers to save their money and their planet by making their cups of coffee at home. Over the next few years, consumption of single-cup coffee is expected to increase and close the purchasing gap between roasted coffee and single-cup coffee (Sisel, 2015). Therefore there is a high threat of substitute products for coffee sold in cafes.

For more information please refer to Appendix C.

Bargaining Power of Suppliers

Coffee suppliers have a high bargaining power. Saxby's receives their products from suppliers that supply products to many industries, the coffee industry being just one of those. For example, Saxby's receives their coffee from Dillan's Coffee Roasters who supply coffee beans to over 1,500 buyers (Dillan's, 2015). Due to their large number of buyers, they have a high bargaining power. There are not many fair trade coffee suppliers due to the costs associated with the production. Due to the low number of fair trade suppliers, those who do supply fair trade coffee have a high bargaining power over those purchasing their coffee (Coffee and Conservation, 2016).

Buying Power of Buyers

There are many coffee drinkers in the U.S. and worldwide, however, there are also many options for coffee. Buyers have a high buying power because they can go anywhere for coffee depending

on their preference whether it be quality, price range, or customer service (Statistica, 2015).

There are coffee shops on practically every corner in metropolitan cities and many economical

options for coffee in restaurants and quick service providers. With 54% of the U.S. population

who are over the age of 18 identifying as daily coffee drinkers, there are a large number of

people who can influence how coffee companies produce and serve their coffee each day

(Statistica, 2015).

<u>Rivalry Among Established Firms</u>

There is a high rivalry among established firms because coffee companies are targeting the same

markets of coffee consumers, and it is such a large industry - in 2016 there were 55,246 coffee

shops in operation (Silverman, 2016). Starbucks and Dunkin Donuts take up approximately half

of the coffee industry, with Starbucks owning approximately 33% of the market and Dunkin

Donuts owning approximately 16% of the market (Truss, 2011). There is a strong rivalry

between these two companies as well as between other coffee companies trying to catch up to

their status and brand loyalty.

2.2.3 Competitor Analysis

The purpose of the competitor analysis is to compare the strengths and weaknesses of the

company to those of its direct competitors. It is important because, every company faces a wide

range of competitors, and that a successful company must satisfy the needs and wants of

consumers better than its competitors to outperform them. Markets need to do more than fulfill

the needs of target customers, they must also adapt to other companies strategies that are

serving the same target markets (Kotler et al., 2014). The competitor analysis is an overview of

the company's two largest competitors including their target markets, pricing and products, and

a SWOT analysis of their companies.

Starbucks

Overview: Starbucks is an American coffee company chain that was established in Seattle, Washington in 1971. It operates more than 23,000 cafes worldwide, with approximately 12,000 of them located in the United States. Their cafe locations include China, the United Kingdom, Canada, and Japan. The company is currently run by Howard Shultz, Chairman and CEO and Kevin Johnson, President and COO. They employ approximately 191,000 employees (Starbucks, 2016). Their largest competitive advantage is the size and span of their corporation.

Target market: Starbuck's target market includes men and women, Millennials and Generation Xers who are likely students or business professionals. Their total market share of coffee consumers in the U.S. is 32.6% (Truss, 2011). *See Appendix D*.

Product and pricing: Starbucks specializes in coffee, tea, baked goods, and sandwiches and are most popular for their frappuccinos. They are well-known for their "Italian style" sizes such as tall, grande, and venti. Tall being small, priced at $1.85 before tax, grande being medium, priced at $2.10 before tax, and venti being large, priced at $4.75 before tax. Their main source of advertisements are through social media and word of mouth. Essentially, their brand and logo speak for themselves and they don't need to resort to typical methods of marketing to drive their company forward (Williams, 2015).

Strengths and Weaknesses: Starbucks strengths include their variety of partnerships, most notably their strategic alliance with Barnes & Noble Booksellers, among others like Ethos water bottles and La Boulange bakery products. The overall size of their organization is also a huge strength as much of their success can be attributed to their number of locations. Starbucks' weakness is its inconsistency of cafes. Although all Starbucks look and feel very similar, their

menu products differ. For example, not all Starbucks offer meal options, only baked goods, and some only offer a select variety of meal options.

Dunkin Donuts

Overview: Dunkin Donuts is an American doughnut and coffee company that was founded in Massachusetts in 1950 by William Rosenburg. Their current CEO is Nigel Travis and their company currently operates out of its birthplace, Massachusetts. They have become one of the largest coffee and baked goods companies in the world and operate in 36 countries with approximately 11,300 locations (Truss, 2014). Their competitive advantage is their loyalty base as they are the oldest coffee brand in the country.

Target market: Dunkin's target market is working class adults ages 25-55, both male and female. Their market share as of 2011 was 16.1% of the total coffee consumption in the U.S. (Truss, 2011) *See Appendix D* for a more detail about market share. Their marketing channels are mostly billboards and television commercials, with some social media mixed in.

Product and pricing: Dunkin Donuts is most famously known for their doughnuts, bagels, and hot and cold coffee. Their coffee prices appeal to a more economically concerned group with a small priced at $1.59, a medium priced at $1.89, and a large priced at $2.09. They offer single doughnuts and bagels for $0.99 and a dozen of doughnuts for $9.99 (Dunkin, 2016).

Strengths and Weaknesses: Dunkin Donuts' strengths include their global brand recognition and their long-standing partnerships with Baskin Robbins, as well as JetBlue and the Liverpool Football Club. They also have relationships with the NFL and the NHL - they have promotional campaigns in different cities to promote their iced coffee - if a local NFL or NHL team wins a game they will offer free iced coffee the next day in that particular area. Their strengths also include their quick service and their mobile app that allows for easy ordering. One of their

weaknesses is their lack of healthy food options and their reliance on high-calorie and high-sugar beverage options (Dunkin, 2016).

Saxbys

Founded: 2005

Span: National (U.S., Northeast)

Size: 30 locations

Starbucks

Founded: 1971

Span: International, Global brand recognition

Size: 23,000 locations

Dunkin Donuts

Founded: 1950

Span: International, Global brand recognition

Size: 11,300 locations

All

Sit-down options

To-go and sit down options

Sell ground coffee in their cafes

Food, coffee, other drinks

App with payment options

Rewards/loyalty programs

Saxbys & Dunkin

Franchised cafes

Offer different food options in different cafes

Have full and stop-and-go cafes

Starbucks & Dunkin

Strong Partnerships

Sell coffee outside of their cafes

Have single-cup options

Have signature drinks

Have brand loyalty

Large span domestic and international

Saxbys & Starbucks

Healthy options

Natural ingredients in coffee

Community values

Environmentally-friendly

This diagram highlights that Dunkin Donuts is an older and more mature brand and has been seen as "America's coffee" for many years. Starbucks is a younger company than Dunkin, but is still more mature than us. Because of this, both brands are more established, have a lot more locations than us, and are confident in their product. They both have strong partnerships, offer at-home brewing options, and are internationally recognized. Starbucks, Dunkin, and Saxbys all offer both food and beverage options, all have sit-down or to-go options, and all have loyalty rewards programs and apps. We are similar to Starbucks in that we both offer healthier options than Dunkin Donuts, and we both have a variety of gluten free and vegan options.

2.2.4 Target Market Analysis

The target market analysis identifies the types of consumers that a company wants to attract. Consumers' purchases are influenced by their individual cultural, social, personal, and psychological characteristics (Kotler et al., 2014). Cultural factors include a person's basic wants and behaviors and can be determined by their subcultures or social class. Social factors include a consumer's group, family, social role, and status. Personal factors are an individual's age and life-cycle stage, occupation, economic situation, lifestyle, and personality. Psychological characteristics are defined by motivational influencers, perceptions, ability to learn, beliefs, and attitudes (Kotler et al., 2014).

Saxbys' target market includes "on the go" professionals as well as college and young millennials. Saxby's is taking advantage of the growth of the city lifestyle and the people who are embracing this. "There is a real desire for young people to want to be in the cities right now, Saxbys' CEO, Nick Bayer said (Saxbys Coffee, 2015). Bayer continues, "They're [young people] not looking for sprawling yards, sitting in a car and commuting for 45 minutes in each direction. They want to be able to jump on a trolley or ride their bike … and that happens in cities right now" (Hilario, 2015). This is the target market of Saxby's Coffee Company. Millennials are the most likely consumers to use social media. 28% of millennials agreed that "companies need social media pages" and 29% saw companies without social media pages as "outdated" (O'Donnell, 2014). A large majority of older millennials purchase their coffee at brand-name coffee shops, prefer all natural ingredients, drink most of their coffee/tea products outside of home, and value quality as most important over affordability, convenience, and variety (Bryant, 2015). *For a diagram highlighting this please see Appendix E.* The coffee they purchase is often daily and not for any special occasions. They consume 2-3 cups per day and pay approximately

$3.00 per cup (Ledbetter, 2015). Affluent customers, and professionals (those earning 75k-100k) are the most likely consumers to purchase "to go and carry out" options. Affluent customers are also more likely to check out a restaurant's website for its offerings before committing. 49% of affluent customers check a restaurant website for its menu and nutritional information before deciding on eating there, higher than 38%, the amount of the average consumer. Our website is an important launch space for affluent customers to make a decision about our brand and offerings (Gallo-Torres, 2014).

2.3 Summary of Situational Analysis

Throughout our marketing research and data we determined the main factors affecting the coffee industry and specifically, Saxbys Coffee. We identified Saxbys Coffee's strengths as social media, sustainability, customer/community engagement, partnerships, and healthy options. Our weaknesses are our lack of brand recognition, inconsistency of products across cafes, and negative reviews on consumer generated sites. Our opportunities include the ability to expand our brand as well as co-brand with other organizations. We identified potential threats as the competitive coffee market, increase in single-cup coffee popularity, and consumer health trends. We also identified the coffee industry's political factors as fair trade coffee trends, increases in FDA regulations, and awareness of GMO labeling. Economic issues include rising minimum wages, as well as unemployment rates, and food inflation rates. Sociocultural factors include dietary trends, food away from home trends, and environmental awareness. We identified technological factors as expansion of single-cup coffee machine use and increasingly tech-savvy consumers. Lastly, the environmental factors affecting the coffee industry include sustainability and climate change.

Based on this data we determined where our company stands within the coffee industry. Our coffee company is a relatively new company, with 30 cafes in the United States. We provide consumers with a cozy, community-oriented cafe feel, however, with our small cafe feel comes low brand awareness and recognition. We offer our brew at-home line in our cafes, however, we do not sell our coffee through any other distributors. In addition, we do not offer a single cup coffee option, which is a highly sought after at-home brewing option by individuals of all ages, especially millennials. In 2012, ownership of at-home brewing machines increased to 24% in adults aged 18 and up and is expected to grow in the future. Eventually, single-cup coffee is expected to close the gap between the sale of roasted coffee (which is currently double that of single serve coffee) and single serve coffee product sales (Sisel, 2014). Millennials are also concerned with the environmental and health implications their coffee consumption has. In a 2015 study, 69% of younger millennials and 81% of older millennials agreed that coffee and tea beverages should be made with all natural ingredients (Roberts, 2015). Consumers are choosing to brew at-home coffee over traditional "on the go" coffee because of the environmental impacts that "on the go" coffee and food has on the environment via to-go containers. The concern with ethics attached to customers' drinks rose from 0% concern in 2006, to over 40% concern in 2015, and is expected to increase in the future (Bonetto, 2015). Food packaging waste is also a major concern to customers and is one of the reasons that ground coffee for at home brewing won highest consumption among young millennials and older millennials (O'Donnell, 2015).

3.0 Marketing Problem

Based on the research and information collected through our situational analysis of Saxbys Coffee, the problem we are faced with is positioning. Positioning is the process of making a product to be clear, distinctive, and hold a desirable place relative to other competitive products (Kotler et al., 2014). When positioning products, positioning needs to be done in relation to the product's target market. One of the first steps to positioning a product is to identify your company's competitive advantages and determine the value your product offers consumers. This will allow your company to create distinct position in the marketplace. We understand that effective positioning relies on differentiating a product from its competitors and communicating the value the product will provide consumers. The marketing program we choose needs to communicate our positioning strategy in order to be effective so that our customers will see the value in our product over our competitors. We need to communicate the value of our product and service over our competitors to become a more widely recognized and sought after brand. Among the many strategies businesses can use to position themselves, we believe the most effective strategies for Saxbys are to implement new products through product development, sell our product in different ways by using new distribution channels, and generate greater brand awareness via communications and promotions.

4.0 Positioning Strategies

Marketing strategies combine all of a company's goals into a comprehensive plan and a good marketing strategy should be developed based on market research (Business Dictionary, 2016). This section highlights a few strategies we plan on implementing in order to best combat our problem of positioning Saxbys. It is meant to provide a detailed explanation of each strategy as

well as examples. After reading this section it will be apparent what steps need to be taken in order to resolve our company's problem.

4.1 Strategy 1: Product Development

The first strategy to combat our positioning problem is product development. A product is "anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need" (Kotler et al., 2014, pg.68). Product development is when a company offers a modified or new product to a current market (Kotler et al., 2014). This strategy can be risky, but is essential for a company to continue to move forward. Companies need to ensure they are creating a strong product in order for it to successfully enter the market. This is done through systematic planning, as well as a full understanding of the marketplace (Kotler et al., 2014).

The product development process includes a system of defined steps which includes strategy, organization, concept generation, creation of a marketing plan, and evaluation, as well as commercialization of the new product. The cycle is ongoing and is characterized by innovative ideas being turned into viable goods for customers (Business Dictionary, 2016). Product development is important because it allows companies to grow based on changing external factors as well as their consumers' changing wants and needs. Companies also need to keep in mind not only their core product during product development, but also facilitating products. A facilitating product is a product that must be present for the customer to use the core product. Customers also need access to supporting products. These are products that add value to the core product (Kotler et al., 2014).

Based on this concept of product development, we found that Saxbys has the opportunity to develop its core coffee product by creating facilitating and supporting products such as at-home

brewing options. We believe we can reach more customers by creating an at-home brewing line of coffee. This can include selling our various types of ground coffee as well as developing a single-cup serve option. An example of this would be developing a partnership with a company like Keurig who produce and sell single-cup coffee and tea products. Due to our environmentally-friendly company values we should develop a more sustainable single-cup coffee product which uses a mesh base rather than the traditional plastic base. Based on our research which shows that brewing at home has become an increasingly popular trend among coffee consumers, we found that we need to pursue this opportunity to reach a broader market and remain a strong competitor in the coffee industry. In addition, our research shows us that there is increased environmental awareness among consumers. Based on this, we should also consider developing more GMO-free food and beverage options to satisfy customers' needs.

4.2 Strategy 2: Distribution Channels

A strong strategy to overcome our positioning problem is to sell our products through new and different channels. A distribution channel's function is to move goods from a producer to a consumer. The distribution channel overcomes time, place, and possession gaps which separate goods and services from consumers (Kotler et al., 2014). Distribution channels can be short and direct, like the path our products follow, or involve multiple intermediaries which our new product would. Having the correct distribution channels are key to reaching consumers. Distribution channels are also more cost effective than direct selling because they complete the job of reaching the consumer. When choosing a distribution channel the customers' needs, the channels' reach and cost, as well as the shared values between the channel and the company all need to be considered. Having a functioning distribution channel ensures the right customers are being reached in the most effective way (Business Dictionary, 2016). We can broaden our

current market share by selling our products outside of our cafes in places where customers are likely to purchase coffee products. Currently, we only sell our ground coffee and Saxbys products, like cups and mugs, in our cafes. We believe by expanding our selling base we can generate brand awareness and peak customer's interest. Due to our community-based values the best places for Saxbys to sell our products are in local shops and grocery stores. For example, for our Philadelphia-based cafes, our best options for distribution would be places like the Reading Terminal Market or other local food suppliers. Based on our research which highlighted coffee drinker's preferences, we believe there is a large portion of the market who will be interested in trying our high quality coffee. It would greatly benefit our company to allow this portion of the market to sample our products in an effort to draw in a new customer base.

4.3 Strategy 3: Promotion and Communication

Promoting our product and communicating our brand will help us overcome our marketing problem of positioning. A promotion is the advancement of a product, service, or idea by using advertising and or publicity (Business Dictionary, 2016). Promotion involves communicating the value and merit of one's product to a target market (Kotler et al., 2014). Communication is the two way process of reaching a mutual understanding, this does not just include ideas, information, and feelings, but also values and shared meanings (Business Dictionary, 2016). Communication is key to making smart marketing decisions. Communication allows us to reach our customers and share our values with them regarding our products, services, and overall company mission. This can be done through promotion of our product and services. Promotion and communications have a very important effect on customer behavior and decision making because customers are interested in more than just the cost of a product or service. They want to experience two way communication with organizations which is why customers' value of costs,

convenience, and modes of communication need to be kept in mind when considering the product, price, place, and promotion of products (Kotler et al., 2014). Keeping these concepts of promotion and communications in mind, it is important that our communication efforts inform our buyers, persuade them, remind them of our products, and lastly reward them in order to encourage them to repeat business with us. To better promote our products and services to customers we should implement product sampling via local events, festivals, and college campuses. Providing consumers with free tastings of Saxbys coffee products and distributing coupons and informational brochures will encourage a larger portion of the coffee drinking market to try our product. We can promote Saxbys by stationing food stands and tents at popular festivals and events in the cities and towns which we operate. This is a good solution for our company because it highlights our community-minded values and provides the market with an opportunity to experience our friendly customer service. Some examples of where and when we can utilize this strategy for our Philadelphia cafes are the Spruce Street Harbor Park at Penn's Landing, Old City's First Friday art festivals, and college orientation days. These promotion and communication efforts will bring repeat customers into our cafes as well as advertise our new products and existing cafe favorites. With this strategy we believe we can position Saxbys as a vital part of the communities which we operate within.

5.0 Conclusion

Saxbys Coffee is a small coffee supplier based in Philadelphia, Pennsylvania. We were founded in 2005 and currently operate 30 cafes. We are a community-based and environmentally conscious company who values friendly customer service and quality coffee products. Through our market research we found a variety of trends and useful information which lead us to

determine how we can improve our organization. These trends include an increase in consumer use of at-home coffee brewing, an increase in social media usage, and greater health and environmental concern among consumers. Through these findings we developed a plan to combat our marketing problem which is positioning.

Saxbys currently faces a positioning problem because we do not hold a significantly distinct, clear, or desirable place relative to other competitive products in the marketplace (Kotler et al., 2014). Saxbys can overcome its current positioning problem by implementing product development, utilizing new distribution channels, and promoting and communicating our product in the marketplace. Through these strategies we will successfully position ourselves in the coffee industry and create lasting impressions in the minds of our customers. We believe these strategies will help us toward becoming a stronger competitor in the market.

We can introduce these strategies by developing new products based on our core product such as single-cup coffee options. This product development will allow us to compete with our main competitors Starbucks and Dunkin Donuts who as previously stated, offer many at home brewing products and have a wide range of product lines available to customers. By creating single-cup coffee options we will reach more potential customers and generate brand awareness.

In addition to developing new products, Saxbys can utilize new distribution channels in order to sell our products to consumers in different ways. In order to focus on our community-minded company values Saxbys should use local distribution channels in each of the regions we operate within. This small aspect of our company differentiates us from our competitors and should be highlighted as often as possible. For example, in Philadelphia, a local distributor would be the Reading Terminal Market. This local distributor shares similar values with us making it a prime location to sell our products to Philadelphia customers. Other local shops that hold similar values

should also be a part of our distribution channel. Our consistent core values will set us apart from competition as well as make a lasting impression in the minds of consumers.

In order to merge our new products with our new distribution channels we will need to promote and communicate those initiatives. Our promotional efforts will spread the word to our customers that we have created a new product and will highlight the new places in which they can purchase those products. Our communication and promotion efforts will include local festivals and downtown events as well as reward customers for choosing our brand over our competitors by offering loyalty points through our app. We can also reach out to new customers by distributing coupons and other incentives to encourage customers to try our products.

Through product development, new distribution channels, and communication and promotion efforts, we can effectively solve our marketing problem of positioning, grow our market share, and increase awareness to new and loyal customers. Through these three marketing strategies we can create a stronger and more community-oriented name for Saxbys within the locations we currently operate. By generating more brand awareness we will position ourselves to grow our company in the future and explore opportunities for expansion.
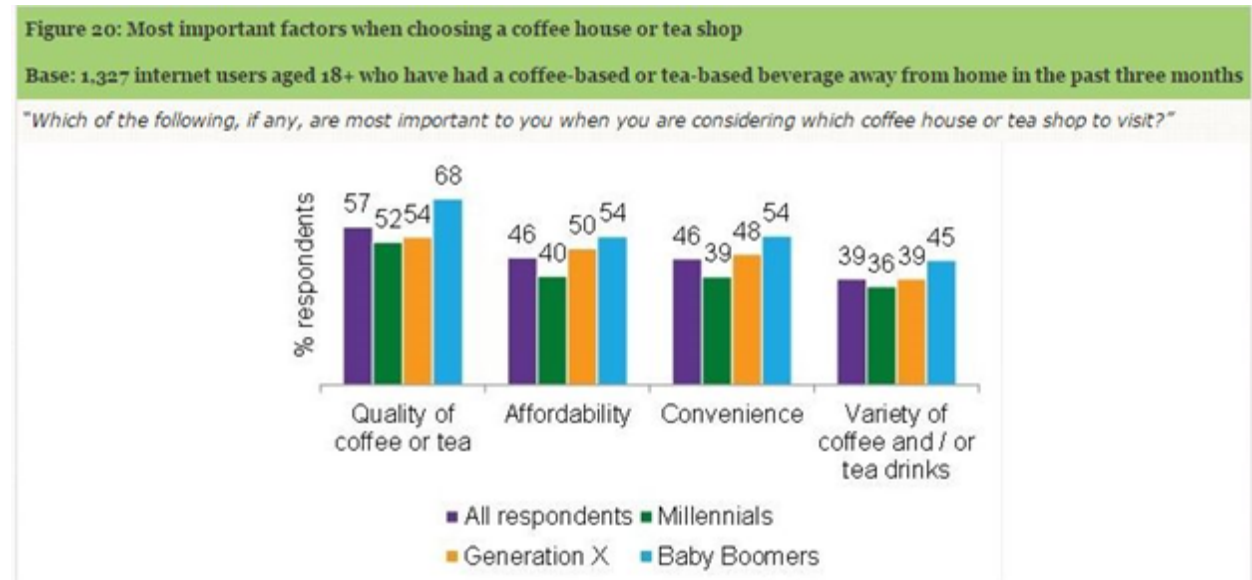
Appendix

Appendix A.
Outline of SWOT Analysis.

|	**Positives**	**Negatives**
Internal Factors	**Strengths:** Social media, Sustainability Initiatives, Community Environment, Partnerships, healthy options	**Weaknesses:** Brand Recognition, Product Inconsistency, Reviews
External Factors	**Opportunities:** Expansion, Co-Branding/Partnerships	**Threats:** Competitive Market, Single cup coffee, Consumer Health Trends

Appendix B.
Outline of PESTE Analysis.

P	**E**	**S**	**T**	**E**
Fair Trade Coffee & FDA Regulations, GMO	Minimum Wage, Unemployment Rates, Food Inflation	Dietary trends, Food away from home, Environmental Awareness	Single-cup Machines & Tech-savvy Consumers	Sustainability & Green House Gas Emissions

Appendix C. Visualizes what coffee consumers value the most in terms of their coffee quality, price, availability, and variety. Millennials value quality the most likely because they have been exposed to higher quality coffee at a younger age.


Figure 20: Most important factors when choosing a coffee house or tea shop

Base: 1,327 internet users aged 18+ who have had a coffee-based or tea-based beverage away from home in the past three months

"Which of the following, if any, are most important to you when you are considering which coffee house or tea shop to visit?"

Appendix D. Shows market share of Starbucks and Dunkin Donuts compared to all other coffee companies in the industry. Starbucks owns the largest percentage of the overall industry.

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37
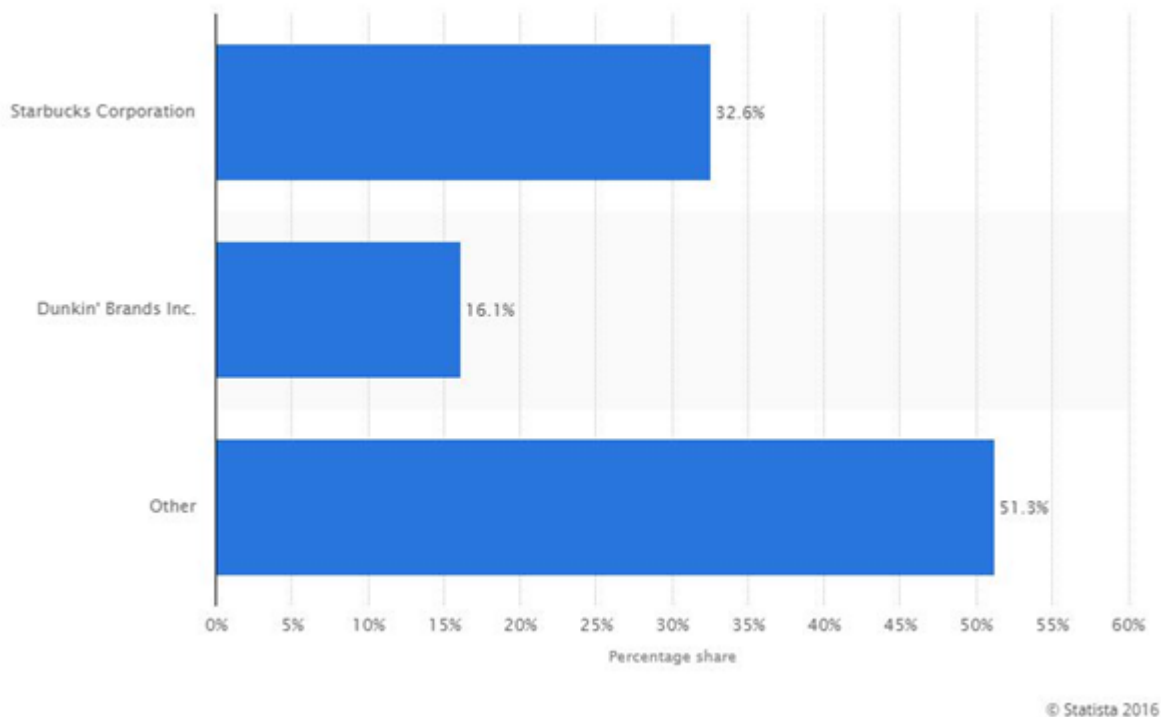
Appendix E. Shows that single-cup coffee purchases will continue to increase and close in on roasted coffee. Roasted coffee and single-cup coffee generate about double the revenue of instant coffee and ready-to-drink coffee options.

FIGURE 1: TOTAL U.S. RETAIL SALES AND FORECAST OF COFFEE, BY SEGMENT, AT CURRENT PRICES, 2008-18
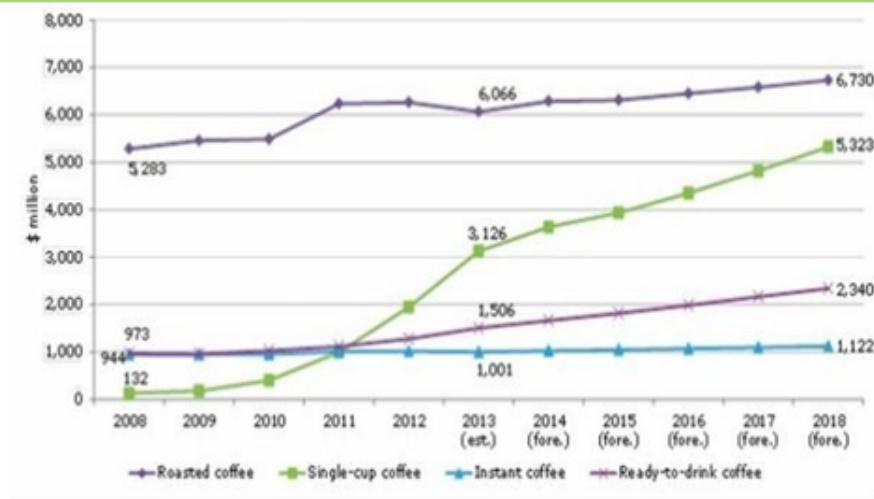
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