

A REVIEW BASED ON YOUNG ADULT CONSUMERS' PERSPECTIVE: WHAT SHOULD MCCAFFEE INDONESIA DO?

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Abstract— Coffee Café Shop industry continued to show a positive trend. This case evidenced with the increasing number of players in the industry, it is not limited only for multinationals but also small local players. But, seems the coffee café companies still focus to target relatively similar consumers. Can be said that the market leader, Starbucks, has major influence on how competitors act. McCafe Indonesia, which is an initiative coffee cafe from McDonald's, will become an interesting research object considering its mother brand effect. Should McCafe targets similar consumers to Starbucks or other white space potential? Therefore, the authors are interested in doing research to map out how the consumers of coffee cafes in Indonesia today. Through a market mapping, hopefully new segment could be explored by McCafe.

Keywords: Segmentation, Positioning, McCafe, Starbucks, J.Co

1. Introduction

Modern coffee café industry in Indonesia is growing rapidly. With previous era of traditional coffee stall (warung kopi), now it has been changed. In local market, Starbucks is acknowledged to succeed to set a new standard in the consumers' mind: the variety of specialty coffee menu (Arabica coffee), skilled barista, comfy café ambience, premium coffee, and catchy & modern promotion. No wonder Starbucks enjoys 47% share in 2011. Starbucks is not alone in the market. Many coffee shop brands followed the Starbucks to enter the coffee market, from just a modern cafe that sells coffee to specialty coffee shop, to some fast food restaurants which also offers a premium coffee. Unfortunately, apparently many brands follow Starbucks in targeting the same segment. As a specialty coffee brand, obviously Starbucks has big advantage to own current market target. It is a tough challenge also for McCafe Indonesia which is a coffee initiative derived from McDonald's in finding out other route to leverage its business.

The purpose of this study is to do a mapping of the coffee market industry from the consumers' perspective. The map will be used to understand how McCafe could strengthen their position and performance.

2. Business Issue Exploration

Cafés are fast gaining popularity among consumers, with many improving its cafés for a cozy and elegant atmosphere which give comfortable place for business meetings and social gatherings. The growing middle income class in Indonesia should've been helping the increasing of café lifestyle. In 2011, per household annual disposable income stood at Rp60.6 million (US\$6,901), representing an average growth rate of 5.0% per year in real terms during 2006-2011.

In the coffee café market, Starbucks enjoys the market leader position with 47% share value, followed by Excelso with 20% share value. Meanwhile, McCafe only get 4% of the share. While J.Co, which is listed in bakery fast food industry, owns a half of cake share with some of that contributed by its coffee products. However, it is clear that both J.Co and McCafe who compete Starbucks, are still lagged behind.

A. Business Issues

It is observed that many brands; including J.Co and McCafe just have a little difference degree of strategy compare to Starbucks. They seem to pursue same segment which would be a tough competition. By doing the industrial mapping, the other route to leverage the business performance is expected to be found.

B. Conceptual Framework

In order to check the white space of opportunity in an industry, we need STP and 5Ps analysis. At first, examination of current 5Ps of companies will be taken. Secondly, to build understanding of SPT based on actual consumers condition is expected giving clues whether white spaces in coffee shop industry existing or not. Then, after identifying such white space, a reformulation of 5Ps would be proposed.



Figure 1. Finding New White Space through Market Segmentation Approach

C. Method of Data Collection and Analysis

To identify the new segment, the landscape check should include importance, positioning, and segmentation analysis. To answer that, researcher will use a quantitative and qualitative method. The external parties to be interviewed are all those people who ever ordered in a coffee café.



Figure 2. Cycle of the Research

D. Analysis of Business Situation

Despite of industry players see a little bit more complex, normal consumers often see only the bottom line, and they see the coffee shop as the coffee shop meaning most likely consumers don't separate further across sub-categories coffee shop before buying coffee in a café. Based on some discussions and observation, most consumers don't see whether the coffee shop is specialist coffee shop or chained coffee shop or even fast food coffee shop. Once one tries to sell a coffee in a café atmosphere, then it is a coffee shop for consumers. Therefore, if some followers of coffee café determined to follow Starbucks target market without any differentiation, likely they would end up in a losing battle.

E. Root of Problem

Main issue that causes this research is to map out how the consumers of coffee cafes in Indonesia today. Through a market mapping, hopefully new segment could be explored by McCafe.

3. Business Solution

A. Business Solution

Segmentation and positioning analysis will be used to identify any segment potential to McCafe.

B. The Determination of Business Solution

This study would be combined between literature, observation, and primary research. The literature and observation are needed to build all study foundations and, later, the conclusion and summary. For the primary research, the author will go directly asking the costumers both face-to-face and online. Purposive sampling method would be used as the targeted respondents specific as follows:

- Aware of Starbucks, J.Co, and McCafe
- Medium users of urban café / coffee shop goers with frequency once a month at minimum
- Non coffee drinks rejector and mainly drinks coffee (coffee mix) drinking type
- SEC B+

The total sample needed for segmentation is N=200. While, to be able zooming in to specific Starbucks users, author will go boost at least N=30 each for Starbucks and J.Co users. In actual, there are 252 samples gathered of which 179 of them are users of coffee shop and 73 are non-users in Past 1 Month. The data collection used are online sampling through surveymonkey.com premium service distributed over internet (forums, mailing list, and facebook & google paid ads).

Worth to notice that the survey is not a pure random and might skew to young urban society. Fortunately, the industry we zoom in this study is more to the same group. Following up a deeper understanding of some later question, the author would also ask some respondents qualitatively.

C. Execution of Data Collection

During data collection period Feb 13 – 26, 2013, 252 samples were gathered through online questionnaire.

a. Respondents Profile

A descriptive check shows that, as expected, the online respondents are mainly coming from higher social economic condition and somehow skewed to male domination. These are quite aligned with the fact that nowadays the internet users usually coming from urban with higher income and male larger population. Age-wise, the questionnaire fillers average age is 26 years old.

From the total population, 71% is users of any coffee shop within Past 1 Month (P1M), the rest is considered as non-users group. Among P1M users, author found out that the data is reliable enough as the Starbucks followed by J.Co are the first and second market leader; align with the retail data of Euromonitor.

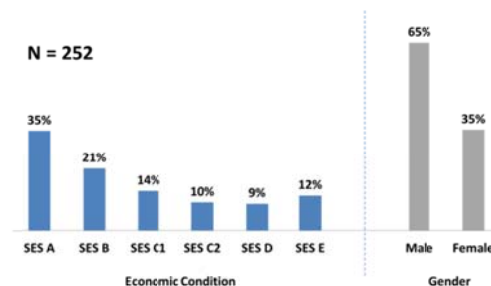


Figure 3. Respondents Profile

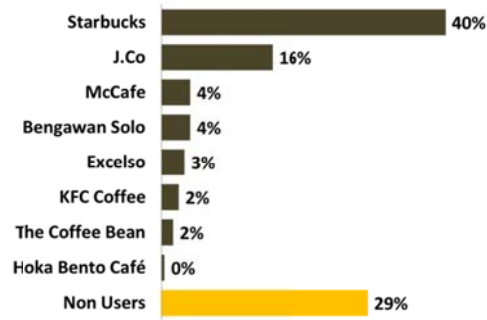


Figure 4. Brand Usage P1M

b. Brand Influence

The category is at somewhat above average brand-mindset compare to other industries. With a normalized data, the coffee shop industry is above some beverages industries (non-alcoholic beverages, lemonade, and mineral water), but still below other industries like beer, personal care, and health products.

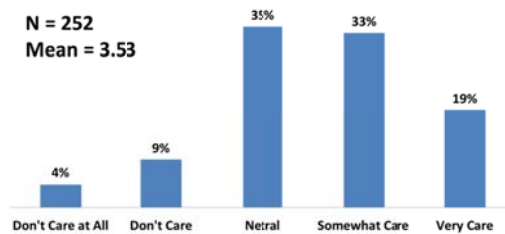


Figure 5. Brand Importance

D. Category Importance

The quadrant analysis is created in order to show importance of the category. The X axis is what the author call as claimed importance, straightforward it is the average what respondents claim for each attributes. Meanwhile, the Y axis is derived importance. Like its name, it tries to reveal what below the surface what subconscious. The Y is a result of correlation between each attributes against the brand influence (considered a proxy of brand loyalty).

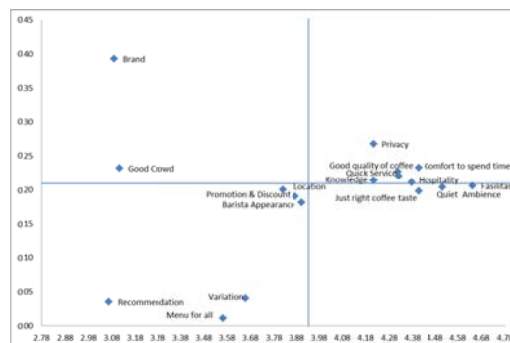


Figure 6. Importance Map of Category Users

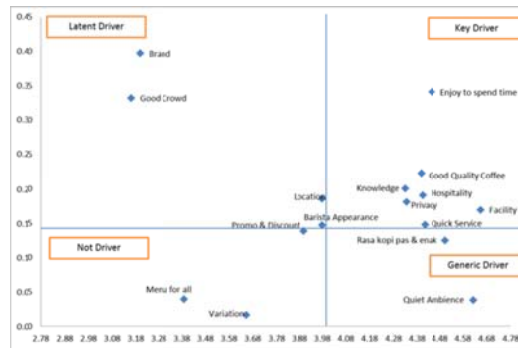


Figure 7. Importance Map of Starbucks Users

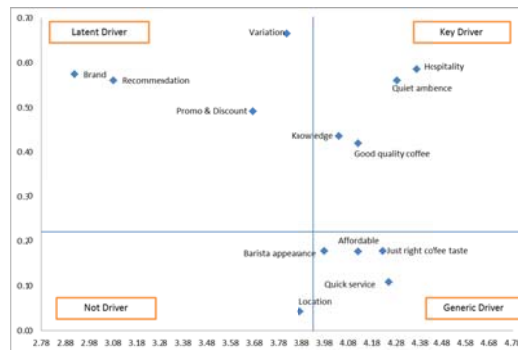


Figure 8. Importance Map of QSR Coffee Café Users

Interesting fact when looking result among fast food coffee shop brand users, apparently ‘affordability’ and ‘menu for all’ aspect are a ‘must have’ factor. The potential are on the top left quadrant (latent driver) where ‘promo & discount’ and ‘variation’ are subconsciously driving the users to go to those brands.

E. Brand Perception

In overall, Starbucks owns strong image on its brand, barista, hospitality, and coffee. While Coffee Bean is more to gives privacy and relaxing ambience images. Yet, those two brands are just the opposite against J.Co, McCafe, and KFC Coffee which quite good in grabbing image of variety and affordability. To be specific, J.Co owns stronger variety and just right food images, while McCafe and KFC Coffee both is stronger on affordability, menu for all, and good crowd.

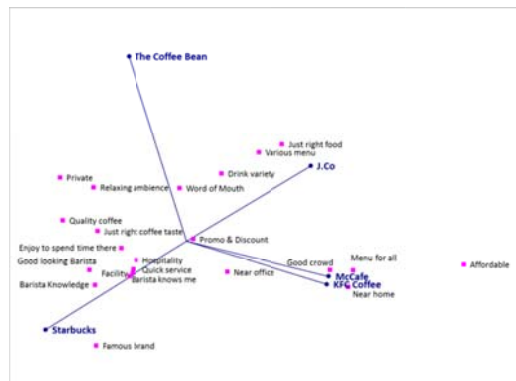


Figure 9. Brand Positioning, All Users

E. Segmentation

Looking the segmentation analysis, the *value family* segment is newly identified. Even though small in terms of percentage (only 9%), value-family segment contains much higher potential than it seems. A study conducted by McKinsey Consumer and Shopper Insights Indonesia (2011) posted similar indication that in arguably same-size (14%) there is a “frugal middle class” group who focus their demands in budget and family oriented.

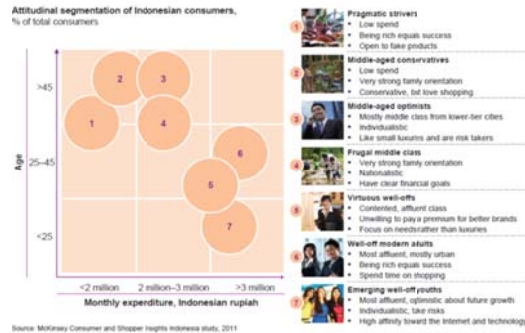


Figure 10. Some Segments in Indonesia
(Source: McKinsey Consumer and Shopper Insights Indonesia study, 2011)

Based on secondary data check, the *value family* segment alone has almost 5x potential than the current business value enjoyed by McCafe.

Table 1. Coffee Shop Consumers Segments

Segments	Total
Café Bomer	19%
Mood Booster	10%
Private Seeker	20%
Express-Me Consumer	11%
Value-Family	9%
Premium Buyer	21%
First Adopter	10%
HighEndr	1%

Based on importance and positioning, obviously McCafe Indonesia has a strong pre-condition to grab the family café concept.

E. Family Segment Qualitative Check

Based on 7 respondents interviewed, the results are basically aligned with the quantitative. First, the characteristics are confirmed. Starbucks is more associated to more private and individualistic ambience, more mature, more business-minded, and more serious. Secondly, it is found that family segment is relatively untouched by coffee shop brands. Third, the family concept is interesting for them.

4. Conclusion and Implementation Plan

A. Conclusion

Coffee Shop industry in Indonesia has been much influenced by strategy and positioning of Starbucks i.e., targeting the similar segment. Not to mention some big brands like Excelso, J.Co, or Bengawan Solo which follow behind what Starbucks done, even small and independent cafés do the same thing. The findings show there is a potential in family market segment and McCafe has advantage and pre-set condition to grab that. McCafe is impacted from its ‘mother’ McDonald’s as a happiness, value,

and friendly brand . Family segment is worth it to target, otherwise if McCafe keeps pursuing the same segments, it will be unlikely catching up with Starbucks.

B. Implementation Plan

The implementation plan will cover from all side of the marketing mix (product, price, promotion, people, place) that supporting the family concept. Firstly, while maintaining the affordability on product, the idea is to add range of products which suit better to family. Second, McCafe could push more campaign and promo to attract the segment. Store wise, ambiance should be tweaked to fit for family to give good experience as well . Last but not least, training and additional man hour should be considered to increase ability in family service café.

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