RESTAURANT USE OF KONA COFFEE IN METROPOLITAN HONOLULU

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HIGHLIGHTS

This report presents the results of a survey conducted in the fall of 1963 among the owners and managers of 177 restaurants and other eating establishments on the island of Oahu, Hawaii. Sampled units included all types of establishments, from luxury restaurants to snack bars and drive-ins.

Nearly 9 out of every 10 restaurants served ground coffee exclusively. Most of the remainder used both ground and instant coffees.

About 6 respondents in 10 reported that they paid between 60 and 69 cents per pound for ground coffee. Another 1 in 5 paid 70 to 79 cents per pound. Few bought ground coffee for less than 60, or more than 80, cents per pound. Much of the wholesale price variation among restaurants is explained by discounts for volume purchases. Kona coffee roasters who supply Oahu restaurants allow price reductions to large-volume bulk purchasers. Mainland blends are sold to the institutional market in the same manner. The most frequently mentioned reasons for using a particular brand of coffee were: "good quality," "customers like it," "previous experience with the brand," and "salesmen's influence."

The split between restaurants serving mainland blends and Hawaii (Kona) coffee was nearly even--47% served only mainland blends and 44% served Kona exclusively. Both types of coffee were served in the remaining restaurants.

Cost and a dislike for certain characteristics (flavor, color) of Kona coffee were the most frequent reasons given for not serving it. However, one-third of the non-users said that they would be willing to add Kona coffee to their menus. A sizeable additional outlet for the local product is indicated by this finding (see page 16).

Over half the sampled restaurants served 100 or fewer cups of coffee daily. About 1 in 5 served over 300 cups a day. The most common price for coffee was 10 cents per cup. About half the respondents indicated a per-cup price of 10 cents or less. Another one-fourth combined a 10 or 15 cents per cup price with the practice of including coffee as a part of the meal, when a complete meal was purchased.

The practice of giving free refills was not common among the restaurants surveyed. Only one-fourth of the respondents said they provided free refills on coffee and another one-fifth offered the second cup at a reduced price.

Coffee service reached its peak at breakfast in 3 of every 10 restaurants. Lunch was the meal when food service was at a maximum in over half the sampled restaurants.

Small-batch coffee preparation was the rule among Oahu's restaurants. One-half the owners and managers reported that they made up only 6 to 10 cups of coffee at a time. The importance of serving a freshly brewed cup of coffee and the need for preparing small amounts are further implied by the fact that respondents in 3 out of 4 restaurants were of the opinion that coffee was important in bringing customers into their restaurants.

INTRODUCTION

Scope and Purpose of the Study

The ultimate aim of the continuing research program on Hawaii's Kona coffee is to bring greater financial returns to the coffee farmer. In order to accomplish such a goal, however, a complete evaluation of marketing and distribution channels, as well as measures of consumer knowledge of and preference for the commodity must be made. Past work on Kona coffee has been limited to household consumers. This survey, conducted among restaurants on the island of Oahu during the period of August to October 1963, is the first to investigate the restaurant market. In the case of this particular study the "consumer" was the owner or manager of a restaurant, cafeteria, or other eating place.

The study was designed to determine what proportion of the restaurants in Honolulu and the surrounding area served Kona coffee; the users' opinions of the product; the non-users' reasons for not serving Kona; the coffee preparation and serving practices currently in use; and the amounts of coffee used in eating places of various types. Findings from such a survey do more than indicate the appealing and unappealing aspects of a product. The reasons given for use or non-use of a product may point the way to improvements which could lead to a considerable market expansion.

Sampling and Data Collection Procedures

Several sources were used to obtain a complete listing of eating places on the island of Oahu. The Hawaii State Health Department provided the most complete records, and it was from these that the final listing was obtained from which the survey sample was selected. These were 1962 records, however, and no doubt several new eating places, not on the master list, were in operation at the time the survey was conducted. In those cases where it was known that a new restaurant had opened during 1963, it was added to the universe prior to sample selection. During field work on the study, however, several establishments were found to be closed down and these probably offset those restaurants which were unavoidably omitted from the universe because of their newness.

From the above-mentioned listing of over 800 eating places on the island of Oahu a random starting point (number) was drawn and a one-in-five selection ratio was used throughout the listing to yield a 20 percent sample. A secondary sub-sample was drawn from the same listing and these restaurants were used to substitute for the many establishments which did not serve coffee. Of the original sample about 20 percent served no coffee at all. Most of these restaurants served Japanese, Chinese, or Korean food exclusively and the primary beverage served was tea. After all necessary adjustments had been made, interviews were completed with the owners and managers of 177 eating places.

Initial contact of restaurants was made by telephone. The extent and purpose of the survey was briefly explained to the owner or manager and an appointment was made to see the prospective respondent in person. All interviews were completed through personal contact with the respondent at his place of business. The island of Oahu was arbitrarily divided into several zones and interviewers were responsible for contacting respondents in specific areas, according to a prearranged appointment schedule.

"Eating Place" Defined

Early in the planning of this survey the term "eating place" was adopted to generally designate the sample units. This term was used in order to avoid confusion over the word "restaurant" which might denote a certain type of eating place. In this case it could have a very specific meaning, since the universe from which this sample was drawn included drive-ins and cafeterias as well as regular restaurants.

"Eating place" was a valuable concept during the survey's planning stage. It is an awkward term to use repeatedly, however, so in this report it is used interchangeably with "restaurant." For purposes of this report these two terms have the same meaning. It should also be noted here that one group of eating places--those in institutions like schools and hospitals--was excluded from this survey.

GENERAL CHARACTERISTICS OF THE SAMPLE

The 177 responding units in this survey were restaurants, restaurant-bar combinations, drive-ins, cafeterias, eating places offering only counter service, and several small snack bars. Regular restaurants, providing table service or both table and counter service, made up the largest single group in the sample. There were 89 such units. The second largest group was made up of restaurant-bar establishments (40 units). Twenty-six units provided counter service only and the remaining 22 units were grouped together in the "drive-in, cafeteria, and other" category. This breakdown of restaurant types, by number and proportion of total sample, is presented in Table 1.

Table 1. Number and percentage of types of responding sample units

Type of eating place	Number	Percent
Restaurants	89	50
Restaurant-bars	40	23
Counter service only	26	15
Drive-ins, cafeterias, and others	22	12
Total	177	100

Just over half the units included in the survey were open 7 days a week. The remainder served the public from 4 to 6 days per week. None of the sampled eating places were open for less than 4 days a week (Table 2).

Table 2. Responding units: Number of days open per week

Number of days open	Number	Percent
4 to 6 days	80	45
7 days	95	54
No answer	2	1
Total	177	100

About half the sampled units were open from 10 to 14 hours each day. Nearly one-fourth of them served meals for fewer than 10 hours daily and another one-fifth remained open from 15 to 23 hours a day. Only 4 percent of the restaurants included in the survey remained open 24 hours a day (Table 3).

Table 3. Responding units: Number of hours open per day

Number of hours open	Number	Percent
9 hours or less	40	23
10 to 14 hours	88	49
15 to 19 hours	37	21
20 to 23 hours	3	2
24 hours	7	4
No answer	2	1
Total	177	100

SURVEY FINDINGS

Use of Ground and Instant Coffee

Only ground coffee was served in 9 out of 10 of the restaurants contacted (Table 4). Very few eating places served instant coffee exclusively and these were mostly restaurants having counter service only. The remaining establishments served both ground and instant coffee.

Table 4. Use of ground and instant coffees by type of restaurant

Type of coffee	Restaurants	Restaurant-bars	Counter service only	Drive-ins, cafeterias, and others	All eating places
	Percent	Percent	Percent	Percent	Percent
Ground	92	80	85	90	88
Instant	1	3	11	5	4
Both	5	17	4	5	7
No answer	2	--	--	--	1
Total	100	100	100	100	100

Prices Paid for Coffee

There was great variation in the wholesale prices paid for both ground and instant coffee. Very few restaurant owners and managers reported that they were able to obtain ground coffee for less than 60 cents per pound (Table 5). The majority (58 percent) paid between 60 and 69 cents per pound and another 19 percent paid from 70 to 79 cents per pound for ground roasted coffee. Over 6 in 10 Kona users got their coffee for less than 65 cents per pound. Only 1 in 10 non-users of Kona obtained coffee at so low a price. A few restaurants paid 80 cents or more per pound for their coffee.

The entire range of prices for ground coffee was from 30 cents to 95 cents per pound. For instant coffee the range was much greater--46 cents to 4 dollars per pound. Per pound costs for soluble coffee were extremely difficult to arrive at because most restaurants purchased pre-packaged, individual servings. Costs for instant coffee are therefore exaggerated by the great amount of service built into each pound.

Table 5. Prices paid for ground coffee

Price per pound	Percent of restaurants		
	...using Kona	...not using Kona	Total
59¢ or less	1	5	3
60-64¢	63	4	37
65-69¢	22	20	21
70-74¢	1	21	10
75-79¢	2	17	9
80¢ and over	1	13	6
Don't know or no answer	10	20	14
Total	100	100	100

Reasons for Using a Particular Brand

Numerous brands of ground coffee were reportedly used among the restaurants surveyed. Changing from one brand to another appeared unusual. In fully three-fourths of the restaurants contacted coffee brand changes were never made. Regardless of brand, the major reason for using a particular kind of coffee centered about good quality. Restaurant owners specifically mentioned the importance of retaining freshness. Responses to the question, "What are the main reasons you use this brand of coffee?" are shown in Figure 1. In addition to quality considerations and customer preferences, the respondents' own feelings about brands based on previous experience (usually from restaurants owned or managed in the past) were sometimes responsible for the use of a particular brand of coffee. Sometimes, too, the kind of coffee being used was dictated by the restaurant owner or manager.

Price considerations, which are frequently major factors influencing product choices among consumers, appear rather far down on the list of reasons for using a certain brand of coffee. This does not imply that price is an unimportant factor, merely that there apparently is room for a premium-priced coffee in the Oahu restaurant market. Such an implication was reinforced by a later question regarding the role of coffee in attracting customers. Respondents in 3 out of 4 eating places were of the opinion that coffee was important in bringing customers into their restaurants. This does not imply that coffee was considered to be the only factor involved in attracting customers. And, certainly, an answer indicating coffee's importance would carry more weight in those restaurants were coffee breaks represented a major portion of the day's business than in restaurants whose business was not so concentrated. Nevertheless, this finding indicates that being known for serving "a good cup of coffee" is important. There is not enough evidence here to establish that this is considered desirable or necessary regardless of the price one pays for coffee, but such a reputation is at least to some extent worth paying for.

When used in response to the question concerning reasons for using a particular brand, "convenience" did not generally involve the use of instant coffee. Instead, this was convenience in the sense that some extra service was included with the purchase and use of a certain coffee. For example, some suppliers provided and maintained coffee-making equipment for restaurants using their product.

Use and Non-Use of Kona Coffee

Of the 177 restaurants included in the survey 93 served Kona coffee (Table 6). Most of this number used Kona exclusively and the remainder used it in addition to one or more popular mainland coffee blends.

Table 6. Type of coffee served

Type of coffee served	Percent serving
Kona	44
Other blends	47
Both Kona and other	9
Total	100

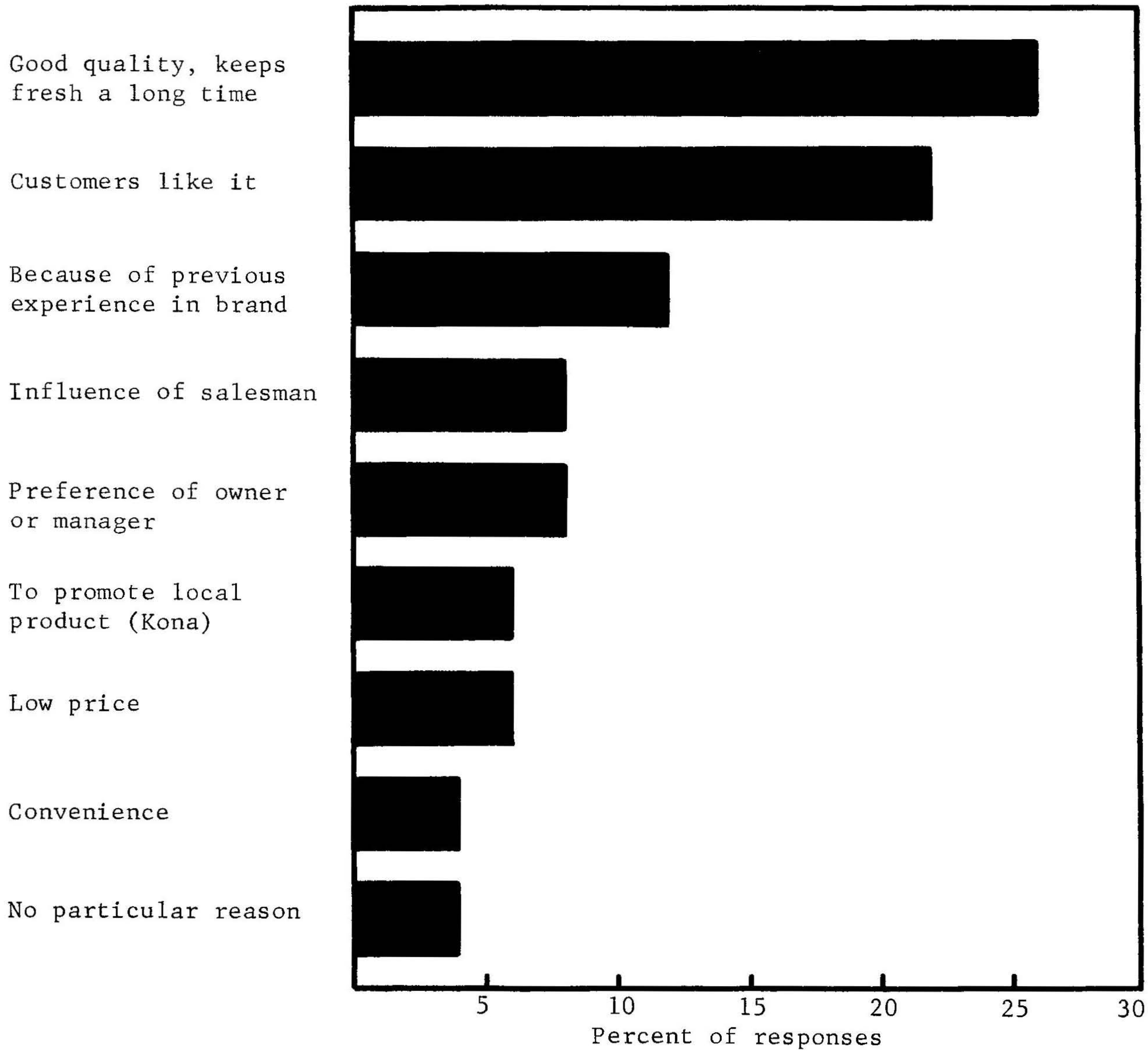

Figure 1. Reasons for serving coffee of a particular brand.

Nearly half the Kona users had served it for 10 or more years (Table 7). About one-third of the Kona coffee users had begun serving it in their restaurant within the last three years. The most frequent reasons given for starting to serve Kona revolved around previous experience with it--either the former owner had served it and the practice was continued, or the present owner had served Kona in another restaurant which he owned or managed in the past--and the influence of salesmen (Table 8). Numerous other restaurant owners and managers served Kona because they personally liked it or were of the opinion that their customers preferred it to other available coffees.

Table 7. Kona coffee users: When they began serving Kona

First served Kona...	Percent of restaurants
...within the last 3 years	32
...3 to 9 years ago	21
...10 to 20 years ago	30
...over 20 years ago	16
Don't know	1
Total	100

Table 8. Kona coffee users: Their reasons for beginning to serve Kona coffee

Reasons for serving	Percent of responses
Previous owner used it; (I) used it previously	28
Influence of salesman	24
I like it; customers like it	21
Advice of a friend	6
Price; cheaper	5
Like to use a local product	5
Other miscellaneous reasons	3
Don't know, or no particular reason	8
Total	100

When those who had never used Kona were asked why they did not serve Hawaiian coffee about 4 in 10 replied that it "costs too much" (Table 9). General preference for another brand and a dislike for specific characteristics of Kona (taste, aroma, color) were the next most frequently mentioned other reasons for not serving it. Although these respondents had never served Kona coffee in their restaurants, most of them (8 in 10) had tried Kona coffee at one time or another.

Table 9. Non-users of Kona coffee: Their reasons for never having served Kona

Reasons for not serving	Percent of responses
Costs too much	38
Dislike taste, flavor, color	18
Prefer other brand(s)	15
Packaging unsatisfactory	6
Other miscellaneous reasons	15
No particular reason	8
Total	100

In 38 of the restaurants contacted, Hawaiian coffee, though not currently on the menu, had been served in the past; frequently within the last five years. Complaints about Kona's flavor ("too strong", "too bitter") were the most frequent explanation for its no longer being served. The interrelated factors of preference for another brand and customer dissatisfaction also were high on the list of reasons for discontinuing the use of Kona coffee.

All non-users of Kona,regardless of whether or not they had served it in the past, were asked if they would consider adding Kona coffee to their menu. One-third of the respondents replied "yes." The fact that two-thirds of the non-users' replies indicated a negative attitude toward the product cannot, in this case, be looked upon as discouraging. Based on the findings of this survey, nearly half the eating places on Oahu are not currently serving Kona coffee. If one-third of this group could be persuaded to begin serving it, local consumption of Kona coffee would be considerably increased (see "Conclusions" section, page 16).

When the Most Coffee is Served

In 3 restaurants out of 10, breakfast was the time of day when the most coffee was served (Figure 2). Breakfast was mentioned most frequently as the meal of greatest coffee consumption among regular restaurants, and least often among restaurant-bar combinations. In another 1 out of 4 eating places the time of serving the most coffee was at dinner or later in the evening. Lunch and coffee breaks (both morning and afternoon) each were mentioned as the time of day when the most coffee was served in about 1 restaurant in 10. Morning and afternoon breaks were most frequently mentioned by the managers of drive-ins and cafeterias, while lunch accounted for the greatest daily coffee service in restaurant-bar and "counter service only" establishments.

In many restaurants the owners and managers could not pinpoint the meal or time of day when they served the most coffee. These respondents made up nearly 20 percent of the response to this question and mentioned various combinations such as "breakfast and lunch" and "lunch and dinner" as the times when they served the most coffee.

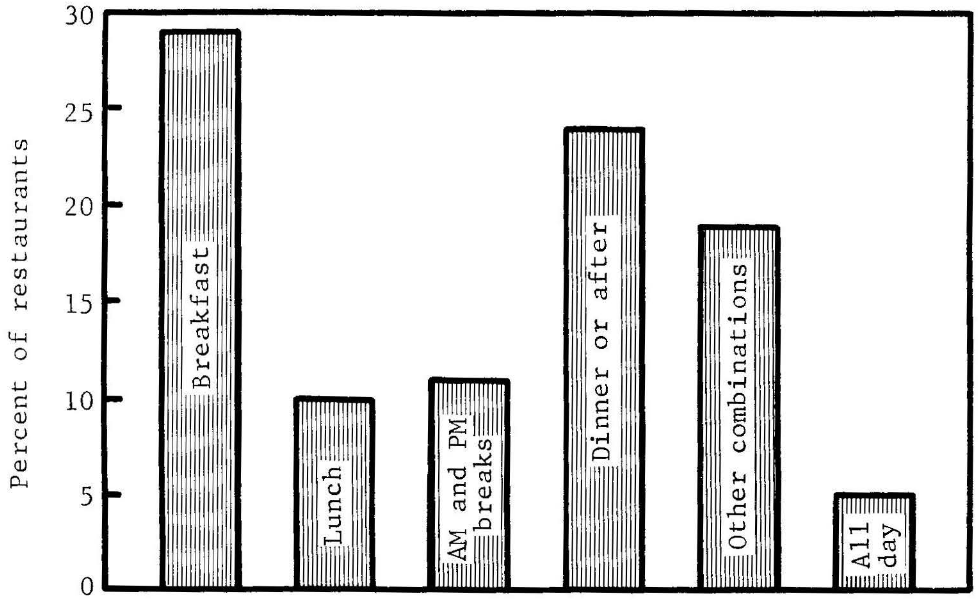

Figure 2. Meal or time of day when most coffee is served in Oahu restaurants.

Volume of Coffee Service and Price Per Cup

A surprisingly large proportion (about 30%) of respondents was unable to answer the question of how many cups of coffee they served in their restaurants on an average day. Many restaurants use completely automatic coffee makers. Restaurant owners and managers were frequently unaware of the amount of water used in brewing a batch of coffee in this equipment and were, therefore, unable to estimate the number of cups brewed at any one time. This problem, coupled with that of wasted coffee--especially coffee left over at the end of the business day--accounted for most of the non-replies to this question.

Of 123 useable answers to the question, 3 in 10 indicated that less than 50 cups of coffee were served per day in Honolulu restaurants (Table 10). Fifty to 100 cups were served daily in 1 out of every 4 restaurants. In 22 of the sampled businesses (18% of the useable answers to this question) coffee was served at the rate of over 300 cups per day. Included in this group were 9 restaurants in which 1,000 or more cups of coffee were sold each day.

Table 10. Number of cups of coffee served in average day

Number of cups	Percent of useable responses
Less than 50	29
50 to 100	25
101 to 200	17
201 to 300	11
Over 300	18
Total	100

Nearly half the restaurants sold coffee at 10 cents or less per cup (Table 11). One in 5 charged 15 cents a cup. Fewer than 1 restaurant in 10 charged 20 cents or more per cup and this practice was found to be most prevalent among restaurant-bars. In about one-fourth of the restaurants surveyed coffee was sometimes included in the price of meals.

Table 11. Prices charged per cup of coffee, by type of restaurant

Price per cup	Restaurant	Restaurant-bar	Counter service only	Drive-in cafeteria and other	Total
	Percent	Percent	Percent	Percent	Percent
10¢ or less	52	5	76	61	47
15¢	16	33	12	18	19
20¢	2	13	--	--	4
25¢	--	10	--	--	2
Sold separately at 10¢ or 15¢ or included with meal	30	32	12	21	26
Other miscellaneous prices	--	5	--	--	1
No answer	--	2	--	--	1
Total	100	100	100	100	100

Free refills were not provided in the majority of restaurants. Drive-ins, cafeterias, and "counter service only" establishments were those least likely to serve a second cup of coffee free of charge (Table 12). Restaurant-bar combinations, the group most frequently charging 15 cents or more for a cup of coffee, were also the most likely to provide free refills. Overall, nearly one-fourth of the restaurants make a practice of giving free refills and another one-fifth sold all cups after the first at a lower price. In about 1 restaurant in 10 respondents stated that they gave free refills on coffee only when it was served with meals.

Table 12. Restaurants providing free refills, by type of restaurant

Served free refills	Restaurant	Restaurant-bar	Counter service only	Drive-in cafeteria and other	Total
	Percent	Percent	Percent	Percent	Percent
Yes	17	54	--	9	23
No	58	17	72	73	51
Lower cost after first cup	17	19	28	9	18
Refills free only with meals	8	10	--	9	8
Total	100	100	100	100	100

When the Most Food is Served

Maximum food service did not parallel maximum coffee service in most restaurants. Over half the sampled restaurants served more luncheon meals than any other type. One-fifth of the restaurants were most busy during dinner and on into the evening. Only in about 1 restaurant in 10 was breakfast the meal when the most food was served. Table 13 presents a comparison of maximum food and coffee service by time of day.

Table 13. Maximum food and coffee service, by meal or time of day

Meal or time of day	Most coffee is served	Most food is served
	Percent	Percent
Breakfast	29	9
Lunch	10	55
AM & PM breaks	11	--
Dinner or after	24	22
Other combinations	19	11
All day	5	3
Don't know	2	--
Total	100	100

Size and Frequency of Coffee Preparation

The importance of serving a freshly brewed cup of coffee was evident from the small amounts usually prepared at any one time in the sampled restaurants (Table 14). Slightly over half the respondents said that they usually prepared only 6 to 10 cups of coffee at a time. No restaurants prepared fewer than 6 cups at a time. In another 17 percent of the restaurants more than 10 but fewer than 40 cups of coffee were usually brewed at one time. Between 40 and 60 cups at a time were brewed in 10 percent of the restaurants contacted. The exception to the rule of small-batch preparation was 4 restaurants which usually brewed 100 or more cups of coffee at a time.

Table 14. Amount of coffee brewed at one time

Number of cups brewed	Percent of restaurants
6 to 10	52
11 to 19	12
20 to 39	5
40 to 59	9
60 to 99	5
100 and over	3
Don't know	6
No answer	8
Total	100

Because numerous employees might be responsible, at various times, for preparing coffee throughout the business day, a large proportion (22%) of respondents were unable to provide an accurate estimate of the frequency with which coffee was made in their restaurants (Table 15). In one-fourth of the restaurants coffee was brewed 10 or more times daily. Another one-fourth of the restaurants made up only 1 to 3 batches per day and the remainder of those which were able to give an answer brewed coffee 4 to 9 times daily. As a general rule, the smaller the amount brewed at any one time the more frequently coffee was made each day.

Table 15. Frequency of brewing coffee

Coffee brewed...	Percent of restaurants
...1 to 3 times daily	24
...4 to 6 times daily	14
...7 to 9 times daily	4
...10 to 19 times daily	14
...20 to 29 times daily	4
...30 or more times daily	6
Automatic equipment; don't know how often	3
Don't know	22
No answer	9
Total	100

CONCLUSIONS

It appears that a rather large additional outlet for Kona coffee exists in the Oahu restaurant market. Results of this survey indicate considerable loyalty to the product among the restaurant owners and managers who regularly serve Kona in their restaurants, and an expressed willingness to try the product on the part of those who have never served, or have discontinued serving, Kona coffee. A rough measure of the additional sales which might be generated among the latter group of restaurant owners (non-users) is presented below. The estimate admittedly assumes optimum conditions (i.e., that all those who said, in response to survey questions, that they would be willing to try Kona would actually do so, and would continue to serve it in their restaurants for one full year).

1. Proportion of Oahu eating places not serving Kona. 48%

2. Number of establishments the "non-serving" proportion represents of total universe of approximately 800 eating places (48% of 800) 384

3. Number of establishments projected from the survey as willing to serve Kona coffee (33% of 384) 128

4. Potential daily consumption of Kona among 128 firms; based on survey-indicated average of 267 cups of coffee served per day; 3 gallons of water (64, 6-oz. cups) to a pound of ground coffee[1/]. . . . . 525 lb.

5. Potential annual consumption of Kona among 128 restaurants; assuming 260 serving days per year . . . . . 136,500 lb.

1/ Adequate figures on beverage yields per pound of coffee and average cup sizes used in restaurants are most difficult to obtain. The factors used here are purposely somewhat high to avoid exaggerating the possible increased consumption of Kona coffee.

An even sharper picture of this potential market expansion may be seen by breaking down the total non-user group by restaurant type and willingness to serve Kona coffee (Table 16). Such a breakdown reveals that the regular restaurant group accounts for the greatest proportion of non-users of Kona coffee and, at the same time, represents the largest proportion willing to add Kona to their menu. This restaurant category would appear to be the most promising non-user group among which to initiate action promoting the use of Hawaiian coffee.

Table 16. Non-users willing to add Kona coffee to menu, by type of restaurant[1/]

Type of eating place	Proportion of total non-users of Kona		Proportion of non-users willing to add Kona to menu	
	Number	Percent	Number	Percent[2/]
Restaurant	35	44	14	40
Restaurant-bar	30	38	7	23
Counter service only	12	15	4	33
Drive-in, cafeteria, and other	2	3	2	100
Total	79	100	27	34

1/ Excludes "Don't know" categories.
2/ Percentages derived from numbers in first column; not additive down the column.

It must be remembered that this potential annual increase takes no account of another possible increase in consumption--that among restaurants currently serving Kona coffee. Recent developments in quality control and grades standards for Kona coffee make the assumptions regarding increased sales potential in eating places much more feasible than would have been the case a year ago. The recent "Seal of Approval" campaign on ground, roasted Kona sold through retail grocers is an example of the efforts now underway to control the quality of the local coffee and to improve the image of the product in the eyes of the consumer.

Assuming continued quality control and dependable supply, it would not be unrealistic to expect that even some of the most outspoken of Kona's critics in the restaurant trade would begin to use the product. Of course, such critics would have to be convinced that the Kona coffee they would be buying is better than it used to be. Now, the potential for proving such a point is available to the Kona industry.

Another potential which the Hawaii coffee industry should not overlook is the opportunity to encourage a top quality Kona brew by means of promoting realistic and proven cup-yield rates among restaurant owners. (Fifty cups to a pound of ground coffee is recommended by the Coffee Brewing Institute.) A reduction in the amount of water used to brew a pound of ground coffee would obviously increase consumption to some extent.

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