

**CAFFEINE: MOBILE KIOSK FOR COFFEE AND COFFEE
DERIVATIVES**

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Acknowledgments

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Abstract

Coffee culture is ingrained in the roots of people, culture and history of Portugal. Considered one of the most traded and consumed products on every continent, coffee is embedded in the routine of Portuguese being considered as a social act, typically carried out outside home.

But the landscape of coffee retail in Portugal is changing. The new ways of life, the modernization of the Portuguese society and the increase in tourism mark a new social dynamic. With this, also HORECA evolves, creating stores with new formats which respond to different needs and desires.

Furthermore, the handcrafted process of serving coffee and the experience associated with it has been growing as a trend, what provides a great challenge for brands.

The project below studies the proposal of launching a mobile kiosk in particularly busy areas within the city of Lisbon that will offer consumers coffee and coffee derivatives in a “take-away” style.

Overall, this paper presents an analysis to the coffee landscape in the country that sets the basis for the development of a new concept, brand and business that focus on simplifying consumer’s lives by offering a good product and service, in a potentially growing green economy.

This project is part of the Masters in Marketing and conveys the creation of a Business Plan. This plan should serve as a guide to the implementation of this venture.

Keywords: Business plan, restaurant, coffee, retail

JEL classification: L26 - Entrepreneurship, M310 - Marketing, M13 - New Firms & Startups

Resumo

A cultura do café está enraizada nas pessoas, na cultura e na história de Portugal. Considerado um dos produtos mais comercializados e consumidos em todos os continentes, o café está inserido na rotina dos portugueses, sendo considerado como um ato/evento/atividade/ritual social, tipicamente realizado fora de casa.

Mas o panorama do mercado de retalho de café em Portugal está a mudar. As novas formas de vida, a modernização da sociedade portuguesa e o aumento do turismo marcam uma nova dinâmica social. Com isto, também o HORECA evolui, criando lojas com novos formatos que respondem a diferentes necessidades e expectativas desejos dos consumidores. Além disso, o processo artesanal de servir café e a experiência que lhe está associada tem vindo a crescer enquanto tendência, o que representa um desafio para as marcas.

O projeto abaixo estuda a proposta de lançamento de um quiosque móvel em zonas particularmente movimentadas da cidade de Lisboa que irá oferecer aos consumidores café e respetivos derivados em estilo "take-away".

Assim, este plano apresenta uma análise ao panorama do mercado do café que estabelece as bases para o desenvolvimento de um novo conceito, marca e negócio que visa simplificar a vida do consumidor, oferecendo um produto e serviço de elevada qualidade, aliada ao desenvolvimento de uma economia verde, em crescente.

Este projeto faz parte do Mestrado em Marketing e configura a criação de um Plano de Negócios, que deverá servir como base para a implementação deste projeto.

Palavras-chave: Plano de negócios; Restauração; Café; Retalho

Sistema Classificação JEL: L26 - Empreendedorismo, M310 - Marketing, M13 - Novas empresas e Startups

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1. Executive Summary

The start-up scene is growing and is stated as a trend in Portugal, with new businesses appearing everyday throughout the country. Along with this trend, emerged a comparison: Lisbon is a new and refreshed Silicon Valley say a few.

Nevertheless this brings up a myth in which start-ups are seen as a disruption of the market by acting in the field of new technologies and digital and this could not be more reductive. Start-ups are the beginning phase of a business that may or may not grow even from the simplest idea. The success of a business cannot be reduced to the complexity or innovation of its idea since the development and its implementation phases are just as important for the future of the company. Only by developing properly the business model, step by step, will it be possible to turn the idea into a successful reality.

The new business idea developed in the following pages emerged from a need and desire from the author. While working in the center of Lisbon, in one of the many companies headquartered in Marquês de Pombal, the author felt daily the rush in public transportation and traffic queues arriving just on time (and sometimes late) to work. The morning desire to have a cup of coffee without compromising the timeline of the route was hard to accomplish due to the number of people waiting in line in cafes and pastries to have a coffee, likely with poor quality.

While visiting other countries, both in leisure as in Erasmus in Warsaw, the author noticed it was common for people to quickly stop in a kiosk to grab coffee to go and drink it on the way. It was simple, fast and tasty. Therefore, there seems to be an opportunity to differentiate and position a small business of coffee and derivatives in the Portuguese market, especially near business areas and big offices.

To evaluate this, it is necessary to understand the acceptance of the concept by the target audience, to fully analyze the market and its players and develop a strategy based on its conclusions and to study the financial viability of the business through sales and costs projections.

Several sources of information, such as journals and articles, were used, contributing to the Literature Review developed by the author. An online questionnaire was made to potential consumers and several industry experts, entrepreneurs/business owners and potential consumers were interviewed by the author.

According to Kantar, coffee is one of main products (top 5 categories) responsible for out-of-home consumption. This makes Portugal the country with most coffee enthusiasts: 9 out of 10 Portuguese drink coffee regularly. Furthermore, this consumption is even considered a social act, reinforcing the importance of the product.

According to the assessment conducted the attractiveness of the market outlines a reasonable value and somewhat likely profitability to be achieved with a result of 3/5 in terms of Porter's identified factors, mainly due to the low barriers to entrance of new competitors and due to the power of consumers that have many options to choose from.

A differentiation strategy was chosen, where the author tries to deliver an added value. However, it is imperative to achieve an equilibrium in the price since we can identify a strong sensitivity in the topic. In order to be successful in both it is required a strong efficiency that allows to cut costs to the minimum possible and a strong sales capability (consumer service) and brand experience. The positioning of this venture should be aligned with this strategy: it is intended to evidence the quality of the products and the service provided, the convenience, the price-quality ratio, but also the importance given to sustainable behaviors that will help to shape a better world.

The products available in the POS will be Espresso, Americano, Cappuccino, Mocha and Frappuccino and the price ranges will vary between 0,90€ and 2,3€.

The target of Caffeine is people who drink coffee, work or live in the center of Lisbon, aged 20 to 54 years old, who earn over 800€ monthly and have stressful and busy daily routines. Furthermore environment conscious consumer are also targeted. According to the assumptions made the overall size of the market is 123.208 consumers.

The estimated initial investment is 25.000 euros that is supposed to be funded fully by equity. A WACC of 4,3% was considered for the financial analysis. This project has:

- NPV: 15.973€
- IRR: 104%
- Payback Period: 1 Year
- Breakeven Point: 25,079 units at an average price of 1,35€;

The only scenario where the project does not deliver value in the first 3 years is with a decrease of 10% in demand. It is believed that this is manageable and unlikely, having in mind that all assumptions were conservative.

2. Literature Review

Change is present in every moment of our lives since the world has been continuously evolving. The rapid pace of globalization, increased competition and excessive brand clutter are changing the market landscape mainly by creating more sophisticated and complex customers from the arising of new needs and desires (Srinivasan & Srivastava, 2010).

The access to information and the connection between customers makes them more powerful every day and this evolution has had a profound impact on shopping trends, retailers' relations with consumers, operations and beyond. While studying and researching on consumer theory, Lancaster (1966: 154) realized that “(...) *goods possess, or give rise to, multiple characteristics in fixed proportions and that it is these characteristics, not goods themselves, on which the consumer's preferences are exercised*”. This means that in such a highly dynamic business environment there is the need of adjustment in companies so that they can adapt their products and services to meet the expectations of their target audience.

Moreover, a company that has the capability of transforming a simple product/service into a connection or environmental relationship with the consumer may present a competitive advantage (Pine & Gilmore, 1998). This is mainly accomplished through brands, commonly recognized as the element that identifies a product and differentiates it from its competitors.

Brands are composed of intangible elements related to its specific promise, personality, and positioning and tangible components having identifiable representation including logos, graphics, colors and sounds. A brand creates perceived value for consumers through its personality in a way that makes it stand out from other similar products.

Aligned with the brand strategy, also sensory marketing presents a possible advantage in the market since it studies innovative strategies to impact the consumer in an emotive and significant way creating relevant brand/product experiences.

In this complex scenario companies need to resort to marketing.

2.1 Marketing: a tool for companies growth and development

Marketing *“is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. (...) It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”* (Kotler, 1972).

The marketing concept disrupted the status quo in the market by stating that firms should be market-oriented - focusing all its key activities on the needs and wants of consumers - instead of production-oriented. It advocated that the success of businesses was driven by consumers, customers and markets making marketing of great importance due to its direct effect on profitability and sales.

Despite that fact it was not until 1980's that Marketers first started to emphasize customer satisfaction measures to make sure that they were not solely evaluated on transactional aspects of the process (Sheth, Parvatiyar & Sinha, 2012).

Marketing is often applied through the marketing mix which Kotler (1972) suggested that should be the basis of every brand plan. Marketing mix is a combination of four marketing decision variables that should be defined by a company to market both goods and services: the famous 4P's of marketing namely Product, Place, Price & Promotion, has devised by Gerome McCarthy (1960).

Product - The product is either a good or service that is expected to meet a specific consumer need or desire. All products follow a logical product life cycle which *“denotes the different stages through which the sale of any product changes in a time period.”* (Singh, 2012).

Price - Price covers the actual amount a consumer is expected to pay for a product. This is linked to what the perceived value of the product is to the customer rather than an objective costing of the product on offer. The difference between the perceived value and the price will determine the success of the product.

Promotion – It comprises all the marketing communication strategies which may include advertising, sales promotions or public relations. Promotion reflects the communication aspect of the marketing function.

Place - Place determines how the good or service will be provided to the consumer. The placement strategy includes the assessment of the most suitable channels for a product and definition of the route to market. So distribution is a key element of it.

The implementation of these variables of the marketing mix is identified as the best strategy for a company to acquire competitive advantage (Singh, 2012). However, some criticism has been shown regarding the coherency of this model in current times. Londhe (2014) stated that the 4Ps are out dated since they reflect a marketing perspective focused on the provider stand point instead of the consumer's perspective. Other authors have proposed other models but they too face some controversy making the 4 P's more appropriate for this business plan.

Marketing has evolved continuously due to the constant changes in the market landscape. The competitive scenario is more intense by the day and companies strive to maintain good relations with current customers and acquiring new ones through value delivery. Retail marketing – which reflects the process undertaken by the retailers in order to promote awareness and interest for their goods and services and consequently generate sales –, sensory marketing – a concept from which “*marketing engages the consumers' senses and affects their perception, judgement and behavior*” (Krishna, 2011: 1) – and green marketing – comprised by environmentally friendly product, pricing, distribution and promotion strategies (Leonidou, Katsikeas & Morgan, 2013) – are examples of this evolution.

2.1.1 Retail Marketing

Retail has its foundations on the animal's trade, used as currency many millenniums ago and it “*encompasses the business activities involved in selling goods and services to consumers for their personal, family, or household use.(...)*” (Berman & Evans; 2010). Retailing is, therefore, nothing but the transaction of goods between the seller and the end user to satisfy their needs.

Retail has overcome a massive transformation in the last decades. The internationalization and consolidation of retailing is turning the traditional retail industry on its head. International purchasing, fast and efficient operational models and new technologies constantly challenge the status quo. Well-differentiated new players enter the market and real price competition becomes ever tighter (Finne & Sivonen, 2008). In less than 100

years we witnessed the appearance of shopping malls, convenience stores or department stores like Walmart. Besides this also online shopping introduced by Pizza Hut in 1994 and mobile payments have obliged retailers to evolve in the way they used to operate.

In today's scenario, the customer has several options to rely on what makes of the utmost importance that the retailer promotes its brands and puts some effort in the marketing strategy trying to stand out from its competitors.

This seems to be true also in retail firms as Brown & Burt (1992: 5) stated that despite *“slow to embrace the marketing philosophy, with its commitment to adapting a company's product and service offer to the perceived needs of a target market segment or segments, retail firms now occupy the van of marketing practice”*.

As detailed by Lindon, Lendrevie, Lévy, Dionísio & Rodrigues (2004: 290) retail marketing can also be split into different variables which are place, product assortment, brand policy, customer services, price and communication. These comprise the retailing-mix.

Location which is one of the most important elements of the mix. To choose a good location the company should study the store's attraction potential in order to determine the customer's attraction areas.

These areas should be evaluated in terms of time and distance to the point of sale and are usually three: primary, secondary and tertiary. The primary is responsible for the large majority of the customers (from 60 to 80%) since is the closest to the store.

Product Assortment is an element defined under two dimensions, width and depth. Width depends on the number of product families available and depth is based on the average number of SKUs that makes a family of products.

Mercator presents 4 retail assortment strategies: defensive (example: supermarket), offensive (example: specialized retailer like AKI), “breakdown” (example: convenience store) and attraction (example: hypermarket).

Brand Policy can be applied under two major brand policies: either multibrand or unibrand/exclusive assortment.

The first one promotes heavy competition and short level of differentiation among retailer chains which increases the importance of price. By competing in price, retailers reduce

their margins and become less profitable. This led to the creation of retailer brands, which are owned by them and intend to grow profit and to increase customer loyalty.

Customer Services which are commonly perceived in two different possible ways: either a way of differentiation with good potential for high turnovers or a source of extra costs and recruitment difficulties.

There are three main services strategies according to the level of integration in the business: included, optional (paid) or limited.

Price is an extremely important element, especially in multibrand retailers since it is common for multiple stores to sell the same products and brands creating a need of differentiation between them. However consumers have some difficulty in identifying specific products pricing so retailers usually focus their price communication in a broader level sometimes making indirect comparisons with competitor chains.

Of course that price also includes the pursuit of profitability in those sales.

Communication has three main purposes: promote the chain's brand and increase its equity throughout its locations, increase the number of customers going to the stores and increase the average purchase of the consumer. The first represents a more institutional objective advertising the positioning of the company as the last is intended to drive sales.

There are different touchpoints and media channels for each of these goals. When trying to promote the chain it is common to use mass channels like TV, radio, press or outdoor as to drive sales it is more efficient to use leaflets, in-store activations (sampling, coupons, product exhibitors, POS displays, etc) or geo-targeted digital communication.

But, as mentioned before, the customer is changing and presenting himself has more difficult to understand and to satisfy. Competition is also a strong force that created the necessity to change the way marketers approach them and present their products and services. Ahmed (2013: 10) states that "*retail marketing is intended to create the knowledge of goods and services and the desire to hold or have them. Competition is the soul of it. It is a saga of product innovations or new products, product improvement and giving good value-for-money*".

Every retailer or company should follow a business model that allows it to successfully fulfill the needs of its consumers. Success in the retail market depends on the flexibility and ability to innovate in this sense.

2.1.2 Sensory Marketing

For the last few years, marketers are starting to employ innovative strategies to address the changing consumer profiles and brands aim to create experiences that shall be cherished forever (Srinivasan & Srivastava, 2010).

Simple products alone tend to provide some “stimuli” to be appreciated properly (Holbrook & Hirschman, 1982) and, as stated by Hultén (2009: 269): “(...) a smell, sound, vision, taste or touch can reinforce a positive feeling, following the experiential logic, that generates a certain value to the individual and, in particular, creates a brand image.”

The operation of this sensory channels is what leads to experiences that are the fourth stage of the evolution in the economic value that started by the agrarian economy.

Experiences are seen as valuable from the eyes of the Customers since they are inherently personal and may induce different feelings from person to person. Sensory Marketing is, as stated by creating subconscious triggers which appeal to the senses, engaging the consumers may present itself as an easier task since consumers perceive the attributes of the products and the brand in a more personal way rather than the verbal communication from the advertiser. Therefore, the marketing focus on the features and benefits does not fit this new approach that is intrinsically connected to the customer experience.

Sensory marketing tries to get the consumers to act based both on emotions and rationality (Tatum, 2009). This new approach assumes that the sensory, emotional, cognitive, behavioral and relational values replace the functional values (Schmitt, 1999) and that by combining functional and emotional benefits, companies own a stronger tool to strengthen customer loyalty rather than a simple product or service enhance that is also very difficult for competitors to copy (Berry, Carbone & Haeckel, 2002).

This is also related to retail marketing: each day more retailers realize that customer experience is gaining a huge importance in the success of their brands and try to increase the value delivered to the customer by implementing an experience management concept (Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros & Schlesinger, 2009). An example of that is presenting merchandise in order to highlight its function and aesthetic appeal. While doing this the consumer is involved by an engaging and enjoyable atmosphere that invites consumers to spend more time in the store (Srinivasan & Srivastava, 2010).

According to Hinestroza & James (2014) sensory marketing allows an increase in customer purchases and increased profit. This is based in the study of the expansion of Au Bon Pain brand in Thailand that tailored the strategy of a large international corporation into successful integration of local markets. Besides this, a study on the impact of visual and olfactory sensory cues on consumer touch behavior performed by Hultén (2012) conducted in IKEA's glass department also showed that senses impact on shoppers' behavior by increasing purchase intentions and total sale.

Finally, brands can take a big part in creating this feeling on the consumer/shopper. Under the increasingly fierce competition of the market today, consumers purchase not only the product or the service itself, but a satisfactory and emotional purchasing experience. Young (2015) refers to one of the key aspects on brand essence: packaging, stating that consumer packaging has suffered a big change on sustainability, functionality and glitz due to its importance on the formation of long-lasting relationships between the brand and the consumer.

2.1.3 Green Marketing

When making the decision about whether buying a product or not, there is the potential for that choice to have a positive impact and contribute for a more sustainable pattern of consumption (Young, Hwang, McDonald & Oates, 2010) and in the last years, the concern about the environmental impact of products and services has increased drastically.

Due to this change, the pursuit of sustainability will demand fundamental changes to the management function that includes marketing and others (Shrivastava, 1994).

The terms "green" or "sustainable" often refer to practices that allow for economic development while conserving for future generations but when talking about products, the definition is not as "strict". A green product is one that has less of an environmental impact or is not as harmful to human health as the traditional product equivalent.

Green, Environmental or Ecological marketing is a broad concept that can be applied to all types of goods (consumer or industrial) and services and that incorporates many activities including product, process, advertising and even packaging modification. Polonsky (1994: 2) defines it as "(...) *all activities designed to generate and facilitate any*

exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment”.

Some studies on the green consumer appear to show that it is not stated concerns about the environment that have the most impact but the degree to which the consumer believes that his purchase decisions are likely to make a difference (Straughan & Roberts, 1999). A person’s belief that each one may play an important role in environmental sustainability, the so called perceived consumer effectiveness, is likely to be the most compelling force behind an ecological conscious consumer behavior (Roberts, 1996b; Antil, 1978).

Furthermore, when people consider the change to tenable lifestyles, they engage with a far more complex decision-making process that results in trade-offs and in a “(...) *motivational and practical complexity of green consumption*” (Moisander, 2007: 404). That may provide an explanation to the fact that very few people buy only green products (Bhatia & Jain, 2013).

For that reason, green consumers may present themselves as more complex and demanding. Shrum, McCarty, Lowrey & Tina (1995: 81) state that “(...) *green consumers must be treated carefully and, in particular, with respect. They appear to be careful and thoughtful consumers. Treated fairly, they may be receptive; treated poorly, they may not only switch brands, but also take others with them.*”.

For many companies, “green marketing” is not about saving the planet but an adjustment made to meet the expectations of consumers and keep the business floating. Firms adopt new practices and develop new products because consumers expect them to do it. Throughout the last decade, we have seen an increase in the number of green businesses from “ecotourism”, eco-friendly retail or even organic catering. For example, many hotels, retail brands and shopping facilities market themselves as operating in a way that minimizes their environmental impact (May 1991).

Finally, Pickett-Baker & Ozaki (2008) concluded that consumers would be more likely to purchase products that belong to environmentally concerned brands but suggested that customers have difficulties to identify these products due to a lack of awareness about the benefits or improvements to the product, showing that green marketing might be under-exploited. As presented before, labelling may be considered as a tool to increase “eco” awareness in branded products. More detail on labelling is presented below.

2.1.3.1 Fair Trade & Labelling

One of the ways used to promote environment-friendly practices is the organic certification. However, this recognition seems not as effective as Fair Trade certification in connecting small and marginal farmers with value-added markets (Gomez Tovar *et al.*, 2005). Makita (2016: 199) states that “*Fair Trade should be distinguished in its ability to link environmental and economic aspects for the benefit of poorer producers*”.

Basically, organic and fair trade certifications may be called complementary since the first has an advantage promoting environmental conservation and the second is more effective in poverty reduction.

Fair Trade is commonly defined as an establishment of a “level playing field” between trade partners (Balaam & Veseth, 2008). That means that trade is “fair” when the parties in both ends of the deal adhere to the same principles, norms and rules (Archer & Fritsch, 2010). “*Fair trade marketing is a high-minded endeavor. Rather than just satisfying customer need at a profit, it aims to help the world’s most disadvantaged producers while maintaining rigorous ethical standards and enforcing them through regular audits.*” according to Witkowski (2005: 30).

The creation of labeling processes that would identify products as fair trade certified first appeared in the Netherlands in 1988 as a reaction to an exponential drop in coffee prices. From there, many local organizations started to, independently, create certification processes that are being homogenized under the Fairtrade Labelling Organizations International Certification (Archer & Fritsch, 2010). Basically, fair trade labelled products allow consumers to “*(...) express their feelings of responsibility towards society through ethical consumption behavior*” (De Pelsmacker & Janssens, 2007: 361).

Consumers feel that the products from the developing world are under-valued what means that the “*(...) relative prices between the exports of the developing countries and those of the industrialized countries are unfair*” (Leclair, 2003: 66). By buying fairly traded products, the individual expects to be able to support a positive change in the living standards of smallholders by increasing their income and promote the accessibility to healthcare, education, and long-term financial stability (Doran, 2009).

In Europe, multiple studies show that consumers are willing to pay more to purchase coffee derived products with these characteristics. Belgian consumers are shown to be willing to pay, on average, 10% more for fair trade labelled products (De Pelsmacker,

Driesen & Rayp, 2005b) while Italians are found to be prepared to pay an extra 9% for these (Maietta, 2004). Moreover, customer's satisfaction with coffee – which is the second most traded product in the world and “the fair trade product with the highest share on the total” (Maietta, 2004: 3) – is higher where fair trade coffee is believed to be served and advertised (Murphy & Jenner-Leuthart, 2001).

But sustainable labelling may be harmed by self-declaration on certain products. The results of a french study on Nespresso's self-declared sustainable coffee claim concluded that it has a positive impact on consumer preference, in a way similar to Max Havelaar's Fairtrade certification, the first certification process in the world (Archer & Fritsch, 2010). Dekhili & Akli Achabou (2014: 321) argued that “(...) *a strategy of promoting a well-known branded product based on self-declaration would be effective in the French market. Nevertheless, such a strategy could not operate if all brands adopt their own labels*”. As mentioned by the authors, this does not present itself as an effective strategy in the long run since label proliferation increases consumer uncertainty about product quality and undermines the labelling strategy (Harbaugh, Maxwell & Roussilon, 2011).

2.2 Brands: an element to grow differentiation and gain competitive advantage

With the increase in market competitiveness and the developments in production technologies, products are no longer unique. That creates the necessity to add value in other formats that may be perceived by the consumers (Urde, 1994).

The American Marketing Association defines a brand as “*A name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers*” making differentiation the core purpose of a brand strategy.

Brands are expected to deliver value to their companies. Berry (2000: 128) thinks that strong brands “*enable customers to better understand the intangible nature of products*” since it is the element that underpins the offering of their goods and services.

In order to become a strong brand within the industry there is the need to map and define the brand strategy which defines what the brand promises to deliver and the personality it conveys. The everyday interaction with the consumer is the mirror of the strategy and positioning of a brand.

Multiple authors suggest that it is only possible to implement successfully a brand orientation model when incorporated in the companies’ strategy from an early stage. This means that brand strategy is crucial when designing a business plan or renewing the value proposition of an already established firm. Takalkar (2014: 138; 1) defines brand strategy as “*(...) the complex business of making a product meaningful.*” and supports the importance of this practice stating that brand strategy “*(...) allows businesses, even emotionally uninspiring banking institutions, to capture the hearts, minds and wallets of young instonairs*” (Takalkar 2014: 1).

Also, Clatworthy (2012) emphasizes that brand strategy needs to become more experiential and that this may be accomplished by aligning brand strategy, brand personality and service touch-points from start. Everyday more marketers are using sensory marketing as an engagement strategy to create brand impact and long-lasting experiences (Abimbola, 2010). As already seen above multi-sensory experiences lead to memorable and emotional connections providing a competitive advantage for these companies.

But do brands impact the financial performance of businesses? According to Madhavaram, Badrinarayanan & McDonald (2005) brand equity delivers competitive

advantage and therefore superior financial performance but in order to achieve it both brand identity strategy and an integrated marketing communication are critical. Moreover, Keller (1993) points out that building brand equity requires internal brand identity efforts, and then, integration of brand identities into the firm's overall marketing programs, such as the marketing mix definition.

2.2.1 Brand Equity

Urde (1994: 18) stated that “The future of many companies lies in brands” reinforcing brands as one of the most valuable assets of a company. The value of a brand is commonly referred to as “brand equity” and according to Aaker (1991:pág) it represents “*a set of assets and liabilities linked to a brand (...) that adds or detracts value provided by a product or a service*”. Some authors like Falkenberg (1996), Hooley et al (2005) and Srivastava et al (2001) consider brand equity as a relational market-based factor because it subsists outside the company or the business and resides in the relationships between consumers and brands.

It is difficult to correctly identify the true value of a brand but it can be indicated by the money paid by firms that have acquired others with strong brand names. Lately, numerous companies, especially strong branded ones, have been traded for prices many times higher than expected based on the value of its net tangible assets (Seetharaman, Nadzir & Gunalan, 2001): Procter and Gamble paid 2.6 times Richardson-Vicks' book value, Nabisco sold for 3.2 times book value, and General Foods sold for 3.5 times book value (Business Week, 1995). For example, Adidas buyer supported the decision of buying the company with a “premium” by stating that it was the third best known brand in the world after Coca-Cola and Marlboro. This shows the growing importance of brand value on a firm's evaluation and emphasizes the need for an approach to brands as strategic resources.

Furthermore, a study conducted by Rahman (2016) on retail brand experience suggested that “*superior retail brand experience leads to positive word-of-mouth and increased willingness to pay more*” what may influence positively in retailer's profitability and help to grow the business. Of course, the involvement with a consumer accomplished by the brand is necessarily shaped by the “*(...) needs, values, and interests that motivate a consumer toward an object (e.g., a brand)*.” (Brakus, Schmitt & Zarantonello, 2009: 53)

so the experience delivered should be designed and managed according to the specificities of the target.

To add to that, Ballester & Allemán (2005) utter that brands provide numerous benefits to companies like lower vulnerability to marketing actions from competitors, larger margins on products and services and brand extension opportunities.

To sum up, brands and their strategy within companies have played an increasingly importance in firm's valuation since customers perceive a higher deliverable value from branded products that reflect their values, needs and wants. As others, sensory marketing plays a crucial role in brand strategy by increasing brand impact across multiple touchpoints and channels.

2.3 Street Food

As previously mentioned the markets are evolving every day and it is not different in the gastronomy/cuisine sectors. Food has always been important as a key source for social, economic and cultural improvement and in the last few years it has witnessed a particular phenomenon: if in the past “nouvelle cuisine” and “fusion cuisine” were the most interesting, now a new but “old” model is achieving global success: we are talking about Street Food.

Because street food has a rich history, it is important to be clear about what this really means. It refers to a class of food that shows a specific characteristic: the moment of preparation of the dish can be separated from the moment of cooking - by space and time - in a way that does not substantially affect the final outcome of the product. This element is essential to understanding this concept as something edible that is prepared in the street while people are simultaneously purchasing and consuming it.

This describes not only the base of Street Food but its greatest perks and strengths. In fact its success cannot be unrelated to the simplicity, low cost but especially its accessibility. A vendor does not have to rent a building, he is able to sell his products from portable vehicles, for example, a food booth or a food cart. Moreover, a hawker can ride around the city and sell in different places every day.

These are the main reasons for a growth in this business model which is nowadays used not only for food but also for drinks: natural juices, milkshakes, alcoholic cocktails and coffee are examples of this new ventures. As you can see below in a short number examples both massive corporations as small entrepreneurs seem to be interested in mobile businesses.

Benchmarks



Figure 1 - Subway Mobile Kiosk

Source: https://c9t4d5n2.stackpathcdn.com/wp-content/uploads/2018/10/1024px-Subway_kiosk2007-696x466.jpg

Subway is one of the multinational companies testing new business models in order to meet consumer's expectations regarding fast, efficient service that barely requires them to look up from their mobile phones. This company's strategy is based in 3 pillars that are currently being tested at its nearly 30,000 locations in the U.S. and Canada: mobile kiosks, apps and loyalty programs.



Figure 2 - Starbucks Mobile Kiosk

Source: <https://pbs.twimg.com/media/CIOMIH4WIAAd83.jpg>

Starbucks has implemented some smaller kiosks in many locations in an effort to increase its presence in expensive locations without a major investment for a flagship store. One of this examples is the Oslo's airport kiosk where Starbucks is able to serve its customers in under 10 square meters but with a massive brand presence.

Also on 2017, Starbucks inaugurated a Starbucks' truck in the parking lot of their headquarters in order to keep a store's business running while their lobby store was closed for major renovations.



Figure 3 - Cocktail's Truck

Source: <https://i1.wp.com/www.streetfoodnews.co.uk/wp-content/uploads/2017/01/vw.jpg?w=600>

But not only big international companies find mobile trucks and kiosks a suitable option for their point of sale. Nick Thomas from Swansea is one of the entrepreneurs that decided to open its own business in a 1968 Volkswagen van which specializes in serving drinks and cocktails for small and medium events.

Also in Portugal (especially in Lisbon) this is also a reality with many small companies opening food or drinks businesses in mobile trucks. Some examples of this are Piadina's, Santini, Tasca Itinerante or Bolas da Praia.

Is is also common to discover new street food festivals every weekend across Lisboa due to the great dynamics the segment is having nowadays.

2.4 Business Idea: why coffee?

The Portuguese people have a regular and daily coffee consumption being it perceived as a social act that is typically performed outside of home. But the landscape of coffee retail in Portugal is changing. The new ways of life, with a modernization of the Portuguese society and the increase in tourism mark a new social dynamic. With this, the HORECA channel has become more professional, creating stores with new formats, which respond to consumption necessities in different contexts and moments.

Furthermore, the handcrafted process of coffee as part of a more pure and intense sensory experience has been growing as a trend, especially in large urban centers such as Lisbon and Porto what provides a great challenge for brands.

Taking all of the above into consideration the business idea is to create a mobile kiosk with a new concept on coffee retail in busy areas within the city of Lisbon that will offer consumers coffee and coffee derivatives in a “take-away” style.

This business will differentiate from the remaining due to the experience the consumer will go through while buying and drinking coffee. The coffee sold in this kiosk will come from fair trade reinforcing ethical standards in this industry while all the “tableware” will be made from recycled materials promoting a “green” sale.

Moreover, it will be focused on take-away promoting a fast and professional service to the consumer to ensure there is no waste of time in queues while starting the day.

3. Objectives

The process of writing a business plan helps entrepreneurs to clarify the purpose and explores in detail the idea since it presents the steps needed to build up a business. The framework is basically a map that should be continuously improved and adjusted since businesses are not static but Karlsson & Honig (2007) studied several examples of new ventures and concluded that “*Entrepreneurs who wrote business plans never updated or rarely referred to their plans after writing them*”. While initially they used it as a tool to gain legitimacy from external parties by presenting a structured and well established operation it was common ventures becoming more dissimilar from their plans. Moreover, business plans also present a good opportunity to test the feasibility of an idea by studying the market and the competitors what may end up saving a great amount of time and money to the entrepreneurs.

According to Sahlman (1997) business plans are important since they assess four critical elements for a new venture:

- The **people** running the business or providing key services for it;
- The **opportunity** for the business to become successful by assessing the potential economics (sales, costs, growth, etc.);
- The **context** which is comprised by the external factors and cannot be controlled;
- The **risk and reward** by studying the possible paths (good or bad) that the business may take;

This specific business plan intends to analyze and prepare the launch of a new concept on coffee retail in the city of Lisbon: *Coffee to go*. The main objective is the development of a marketing plan that details the implementation strategy.

Business plans are time-consuming, but also essential in order to assess business opportunities and the risks associated to it.

4. Methodology

The Literature Review presented above conveyed the knowledge and main research ideas established on the topic of this thesis but there is the need to describe how this research is sustained. Qualitative and quantitative methods were used with the objective of collecting information to elaborate this business project.

“Desk research” will be pursued in order to gather all the relevant market indicators and competitors’ information that will support the assessment of characteristics and forces that may impact the business. Moreover, in-depth interviews are intended to target entrepreneurs with similar mobile businesses, coffee experts and some potential customers to learn specific knowledge about the product, how to position it and how to market it.

Moreover, we used secondary data that stands on an online survey. This survey intends to target potential customers and will be applied through a series of closed questions divided into three main topics:

- The first topic is to be related with the perception of customers about this market in order to present a practical overview about the status of fulfillment of their needs and desires regarding coffee products offering;
- The second topic is to be related with the business idea/model and its attractiveness to the consumers;
- The third is to be related with pricing and value delivered by the idea and the product.

The survey will be shared through email and posted on social networks and Likert scale is most likely to be used to measure and evaluate customer sentiment.

4.1 Interviews with Key Stakeholders

Unstructured interviews with key stakeholders and experts were conducted, which were crucial to understand further about coffee, coffee consumption habits and the difficulties to open a business. Most of the interviews lasted for one hour and were conducted on the telephone or in person. There were three main interviews that gathered a lot of important information on this project: the first one related to the coffee industry with Eng. Lourenço Campos, the purchase director from JMV (owner of coffee Torrié), the second with Diogo

Costa, an entrepreneur with the 3Mosso business that launched a new concept on lupin beans and the last one of possible consumers, people who are used to drink coffee in the morning while going to work and that work in the business district of Lisbon.

4.2 Sample Characterization and Key Findings

In terms of distribution of the responses concerning this research, from the total number of 338 individuals, the male gender represents 44,38% (n=150) respondents while the female gender represents 55,62% (n=188), as we can see on Figure 1.



Figure 4 - Gender

Concerning age, as we can see on table 2 in the appendix, the answers collected belong to respondents with an average of 28 years.

In terms of the average monthly income, it is possible to conclude that 18,64% (n=63) of respondents receive more than 1900€ and 20,12% (n=68) less than 700€. In addition, there is a relatively linear distribution between the other groups so, it is possible to conclude that the sample is well represented in terms of distribution of monthly income.

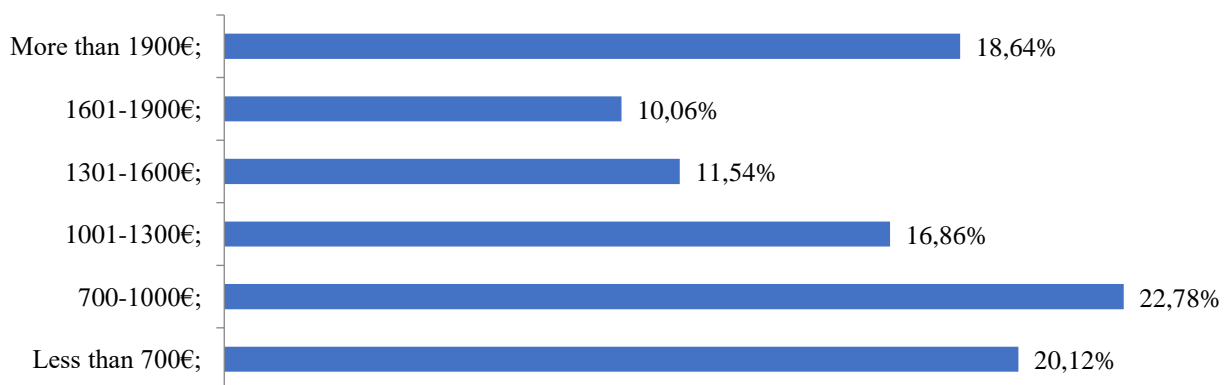


Figure 5 – Monthly Income Distribution

The questionnaire intended to gather information on coffee habits and consumption opinions of respondents currently living or working in Lisbon, because the business will be implemented in the city center. In this way, it is perceived through the answers,

presented on table 4 in the appendix, that from the total number of 353 individuals who started the questionnaire, 84,14% (n= 297) lives in Lisbon and 15,86% (n=56) do not.

Moreover, the questionnaire intended to understand the coffee consumption of the respondents who are currently living/working in Lisbon. As we can see below, 86,82% (n=257) of the individuals drink coffee or derivatives and 13,18% (n=40) don't.

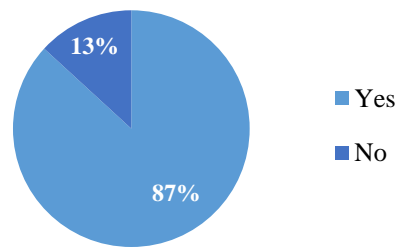


Figure 6 - Consumption of Coffee or Derivates like cappucino, mocha etc.

Finally it was important to understand what leads individuals to drink coffee. It is possible to see that most respondents (65%, n=163) strongly agree with the statement *"I drink coffee because I enjoy it"*. In this case, it is possible to assume that there is a moment of pleasure associated with coffee consumption. Regarding the statement *"I drink coffee to have more energy"*, it is noticeable that 76,5% of respondents strongly agree or somewhat agree with that what states that coffee may be associated with an energy solution.

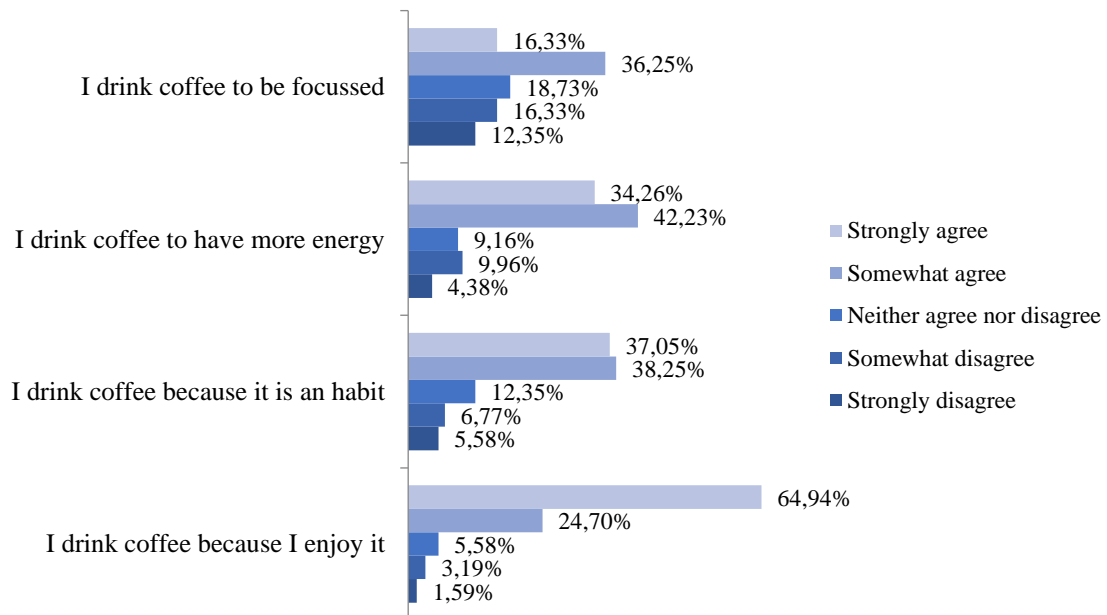


Figure 7 - Reasons for coffee consumption

The remaining questions intended to understand the logistics behind coffee consumption like frequency, timing, average cost and others that were used on the financial assumptions below.

5. External Analysis

In order to thrive, businesses need to cope with changes in the macro-environment. The constant evolution of the market and industries may present multiple opportunities and threats and entrepreneurs should be ready to react to those.

5.1 PESTEL:

5.1.1 Political analysis:

Portugal is a sovereign and developed country located in southwestern Europe with over 10 million inhabitants. Lisboa is the capital and its largest city with over 500.000 inhabitants (~3 million in the Metropolitan Area). It is a member of the European Union, Eurozone, Schengen Area and others making easier the exchange of goods and services.

The country surpassed a demanding economic crisis that led to a memorandum on financial assistance to the Portuguese Republic. This period of distress had a huge impact on people creating several internal conflicts. Nowadays, the government is supporting new ventures and promoting entrepreneurs by providing access to advice and financing.

The most relevant tax on consumption is the VAT. Portuguese VAT rules are based on regulations drawn up by the EU. The standard rate is 23% but there are reduced rates for specific products: 13% and 6%. In 2016, the government decided to implement a rate of 13% on all food sold in hotels, restaurants and cafes (HORECA).

5.1.2 Economic Analysis:

As previously mentioned, the Portuguese economy has gone through difficult years but it has started to recover from the financial and economic crisis (Euromonitor, 2017). According to Banco de Portugal, Portugal's GDP is estimated to grow 1,7% in 2019 after a 2,1% increase in 2018. The private consumption has been stimulating this rise with an increase of 2,3% in 2018 reflecting the overall improvement on household consumption.

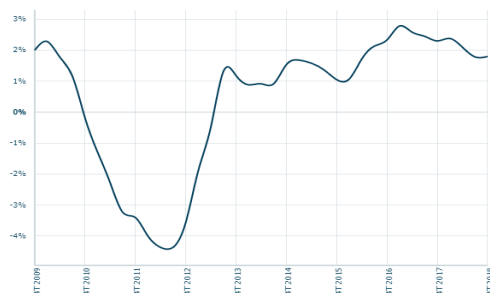


Figure 8 – Portugal GDP evolution

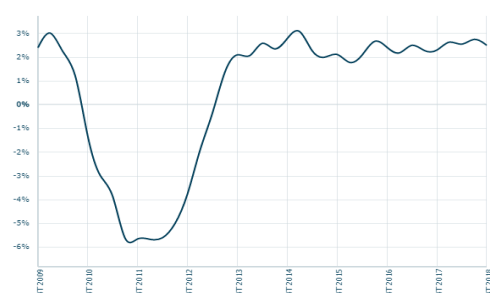


Figure 9 – Portugal Private Consumption Evolution

Source: Banco de Portugal

The unemployment rate has been declining since 2015 and is expected to reach 6,1% of the active population in 2019, a reduction of 2,8pp versus 2016. Furthermore, the current rate for the eurozone is 8% reflecting a good performance from the Portuguese economy.

Harmonised Index of Consumer Prices that allows the comparison of the inflation rates in the EU, has suffered a slight growth (1,2%) in 2018 due to an increase in prices of services mainly in tourism related activities (rise in wages in the private sector which increased unit costs). Nevertheless, inflation in Portugal is below the Eurozone's average.

To sum up, there is a positive trend on the Portuguese economy. Nevertheless, there are multiple challenges for the country and its people that cannot be ignored.

5.1.3 Social Analysis:

According to INE, Portugal's population has been decreasing throughout the last 6 years, amounting to 10,291,027 in 2017 (compared to 10,542,298 in 2011). Besides this, also the ageing of the population is notorious since its index increased around 27% from 2011 to 2017. This trend pressures the active population to support the country's development.

The Gini Index, that measures the inequality of income distribution has been decreasing slowly reaching 33,5% in 2017 (PORDATA). Nevertheless, Portugal was ranked 24th in quality of life according to WSQ (a co-publication by UMinho, UCoimbra and National Observatory of Human Resources). Climate, safety, low child mortality, life expectancy and education contributed to it. Also, the cost of living is below the average in EU. Moreover, the Human Development Index has been evolving positively (0,847 in 2018) making Portugal a highly human developed country. It ranks 41st according to the UN.

Despite that fact, the daily bustle is increasing. Like in other cosmopolitan cities, stress is massive due to work, traffic or constraints in transportation and this has great impact.

5.1.4 Technological environment:

Technology is discussed daily as a starting point to the revolution in businesses and markets. The government is promoting digitalization throughout all sectors, public and private. A study by the United Nations on the digitalization of governments has placed Portugal in 39th, a result supported by the outcome on digital transformation on public entities like SPMS – Serviços Partilhados Ministério Saude - that launched multiple apps, online registration forms and online information systems for healthcare professionals.

On the other hand, Portugal is considered to have great specialized labor in technology and computing. Giant technological companies are recruiting Portuguese students and expanding their operations to Portugal: Uber has its European Excellence Center, Daimler has its digital software center (the only shared center outside Germany) and even Braga is considered a top location housing the Fujitsu competence center since 2016.

Besides this, there has been a growing effort on improving infrastructures that suit technological events like Web Summit which is located in Lisbon since 2016.

5.1.5 Environmental factors:

Environmental aspects have gained broad relevance for businesses mainly due to pressure from the government, market and customers and there has been an effort to reduce energy and water consumption, recycling materials, and optimizing production processes.

ISO 14001, the standard that specifies requirements for an effective environmental management system, provides certification for companies which implement measures to minimize how their operations negatively affect the environment. This certification is gaining relevance among companies, especially the ones quoted in the stock market.

Customers are also becoming more conscious and pursuing sustainable lifestyles. One evidence is the growth in green products - products that have less environmental impact or on human health than the traditional ones. Furthermore, multiple certifications have appeared throughout the last decades like the CarbonFree Certification, Energy Star on appliances/electronics and Rainforest Alliance Certified for coffee, tea, wood and others.

5.1.6 Legal factors:

Portugal is known to be a bureaucratic country but the growth of entrepreneurship in the last few years has led to the implementation of measures to simplify the processes of opening a business. Empresa na hora, Licenciamento Zero and Balcão do Empreendedor are the most important assisting entrepreneurs who aim to create a company.

Autoridade de Segurança Alimentar e Económica (ASAE) is the national authority specialized in health safety and economical oversight. It is responsible for the control of risks within food's value chain and the compliance in economic activities. Nevertheless,

food retail licensing is under the municipality's umbrella. A mobile kiosk needs to license for "atividade de restauração ou bebidas não sedentária" and must cope with the Regime Jurídico das Atividades de Comércio, Serviços e Restauração (RJACSR).

5.2 Market overview:

Coffee is the second most drunk beverage in the world – with a steady growth in recent years as can be seen in Table 1 – and the second most traded product worldwide, only preceded by water and oil, respectively.

World coffee consumption

In thousand 60kg bags

	2014/15	2015/16	2016/17	2017/18	CAGR (2012/13 - 2017/18)
World total	151 505	155 443	157 768	161 381	2.1%
Africa	10 719	10 951	10 767	10 895	0.5%
Asia & Oceania	31 950	32 863	34 114	35 325	3.4%
Central America & Mexico	5 230	5 295	5 174	5 257	0.2%
Europe	51 008	52 147	52 043	52 999	1.3%
North America	27 645	28 934	29 559	29 941	2.7%
South America	24 954	25 251	26 111	26 964	2.6%

Table 1 - Coffee's consumption worldwide

Source: International Coffee Organization

It is also one of the products that most contributes to the economies of the underdeveloped countries, since 80% of the world's coffee is produced by small farmers and their exports total, on average, more than 22 billion dollars (US \$) per year, according to the European Coffee Federation. According to the same source, in countries such as Ethiopia, Vietnam or Colombia, considered the largest coffee producers in the world, about 4.6 million people depend economically on the coffee market.

The European Union (EU) has the largest consumption per capita of coffee in the world. According to Table 1, around 3,2 million kilograms of roasted coffee are consumed a year, the equivalent to 747 million coffees a day, within the 28 member-states.

In Portugal, one of EU's countries with the highest per capita coffee consumption, the market has been growing in the recent years after a slowdown in 2012 and 2013 coincident with the raise in VAT for food retail (HORECA).

The portuguese market was valued at 508 million euros in 2018 with a growth of 5,6% in terms to 2017 according to Nielsen data. The coffee market is divided under two main segments: Out-of-home which accounts for 56% and In-Home that accounts for the rest.

5.2.1 Coffee consumption: In-Home vs Out-of-Home

According to Kantar, coffee is one of main products responsible for the consumption out-of-home. According to the same source around 30% of the 16 billion yearly occasions where we consume snacks or drinks are made outside of our houses, from which 80% are due to coffee, without any other product. It is one of the top 5 categories consumed out-of-home. This makes Portugal the country with the most coffee enthusiasts: 9 out of 10 Portuguese drink coffee regularly and a strong and rooted social culture of coffee drinking develops over time.

A large amount of consumers drink coffee at the end of the day or on the weekend, accompanied by friends, colleagues or family as a social act but coffee is such an element in the routine of Portuguese people that drinking alone is not a barrier and this can be verified since 50% of in home consumption of coffee is done without company.

But let us not forget that the market is continually changing and the consumer is increasingly demanding even in such a traditional category as coffee. In this way, we have seen major manufacturers making great efforts to modernize, optimize and premiumize the category while adapting it to the new needs and wants of consumers. Examples of this movement are a more convenient offering via coffee capsules or a concern for the environment creating bio options and raising awareness for the importance of recycling coffee capsules, leveraging sustainability.

5.2.2 Coffee in the HORECA segment:

In this project, the out of home market is much more relevant to assess opportunities and its potential.

HORECA is a very competitive segment with many brands and numerous sales channels, being mainly divided in 3: Hotels, Restaurants and Cafes. According to the last data from INE and AHRESP (Associação da Hotelaria, Restauração e Similares de Portugal) in 2018 the turnover increased 6,2% per month for the Horeca segment. This trend has been positive since 2016 mainly due to the tourist boom in the country with focus on Lisboa, Porto and Algarve.

Coffee consumption in this segment has the major volume within restaurants and cafes and has suffered a slight increase- 2,8% in euros and 1,9% in KG - from 2017 to 2018

adding up to a value of 285 million euros and around 14 million kilograms of coffee. In HORECA the top 5 brands are responsible for almost 70% of coffee sales in euros.

Brand	Company	Value Market Share (%)
Delta	Grupo Nabeiro	41,9%
Buondi	Nestlé	10,3%
Sical	Nestlé	8,4%
Nicola	Massimo Zanetti Beverage Iberia	4,2%
Nandi	Massimo Zanetti Beverage Iberia	3,0%

Table 2 - Coffee Market Shares in HORECA

Source: Portugal INCIM Nielsen March '19

Despite that fact, brand is not as relevant as in other industries. Coffee is a product that follows a specific pattern of consumption since it is an undifferentiated product and people consume coffee according to its accessibility and proximity to the sales channels. Therefore, market shares in this industry are directly linked to the coverage of the brands in terms of number of POS and strategic partnerships (e.g. McDonald's, A Padaria Portuguesa, Padaria do Bairro, etc).

Nevertheless, there are other significant brands in the coffee landscape that even with small sales are able to retain their customers and present some differentiation. That is the case of Starbucks, an American coffee company and coffeehouse chain, founded in Seattle in 1971. Nowadays the company operates over 27 thousand coffeeshops worldwide. It is a premium brand distinguishing itself from other venues by the taste and quality of their products as well as customer experience delivered in their locations.

Starbucks owns 20 shops in Portugal divided between Lisbon, Porto, Braga and the Algarve with the great majority within the capital. It is one of the brands with the greatest awareness, especially among younger customers. Nowadays Starbucks is the 64th strongest brand in the world with a value of 7.490 million dollars.

Furthermore, the company is concerned with the environment and the conditions of employment in the countries where their coffee beans are sourced from. According to a statement from the company, "99% of its supplier chain verified as ethically-sourced" being the largest coffee retailer working in partnership with Conservation International to build standards that help farmers in a sustainable and fair way.

Nowadays, Starbucks is a great example that it is possible to change the paradigm on coffee consumption with the ability to offer experiences and a good value proposition.

Overall, HORECA is of great importance for the coffee market still holding the majority of the consumption and being a very competitive marketplace with multiple brands. Delta presents itself as a highlighted leader with over 40% of market share but consumers are demanding more. The desire for new experiences is promoting “new” players, having Starbucks accomplished a steady growth in Portugal in the last few years, successfully delivering extra-value to its customers.

6. Internal Analysis

Mission – To launch a mobile business concept for coffee products that meets consumers taste landscape demands and delivers a fast and professional service at an affordable price, while shaping a better world through sustainable products and materials.

Vision – To become the favorite option of the consumers who want to have a nice coffee while rushing in the daily burst of their routines.

Values (that help to deliver a high service level to the consumer):

- Professionalism and consumer orientation;
- Product quality;
- Ethics and social responsibility;

Team - Furthermore it is important to understand the people behind the project and what are their strengths and the expertise they bring to the project.

The author is a business bachelor graduate from Católica Lisbon who is currently finishing his Master in Marketing at INDEG, the executive school of ISCTE. He has been working in sales and marketing roles in multinational companies or subsidiaries for the last 5 years. Starting his professional career in 2015 he first joined Tabaqueira as a Brand Builder where we worked for one year. From 2016 to 2018 he worked as a product manager in EDP Comercial being responsible for the Efficiency Services for B2B Clients. Nowadays, the author works in SCC- Sociedade Central de Cervejas, a company 100% owned by the Heineken Company, as brand manager for multiple beer brands.

Throughout his life he has been an active member of multiple projects such as the students union, football and volleyball teams (being a volleyball coach for 1 year) and has worked as a volunteer several times.

The partner is called Rafael Diogo and has been a good friend of the author since their first year together at Católica Lisbon, where they met. Rafael is a professional in the economics and finance fields, currently working as a financial market research analyst, for Bankinter SA, a Spanish-based commercial bank, particularly active in the private and corporate segments. Rafael also counts with 3 years of previous experience in the investment banking area, in leading Portuguese and international banking institutions. Rafael's academic background crossed ways with João's, since he is also a graduate from Católica Lisbon's management degree. He subsequently completed the Masters in

International Management with a Major in Corporate Finance degree and is currently pursuing the CFA designation, having completed the first two levels of the program.

Also the team that will execute the daily operations needs to be chosen very carefully. Howard Schultz, the emeritus president of Starbucks, once said that “We are not in the coffee business serving people, we are in the people business serving coffee” reinforcing the importance of a good team, both in the management roles as in the customer care or front office. The daily staff will be composed by three people, two of which will be permanent and the third person will rotate according to the business needs (days off, seasonal peaks, annual leaves, etc.). The team should be aligned with the values of the business mentioned above.

Financing and others – Due to the background of both founders it will be easy to get some help, especially on ideas and business management. The financing will be easier to get since Rafael currently works in Bankinter and the bank has very good conditions on loans for employees and their projects.

7. Competition analysis:

The coffee market presents two types of competitors in relation to a mobile kiosk: direct and indirect.

The direct competitors are mainly HORECA establishments both branded (like A Padaria Portuguesa) or non-branded (e.g. street cafes). The location (directly linked to the accessibility) is a major factor when consuming this product what means that direct competition is also influenced by the whereabouts of the consumer.

Due to the large amount of branded and non-branded players in the market, even within a specific municipality or parish, it is not possible to analyze them all. For that reason, there were defined the different types of establishments that serve coffee in the center of Lisbon (cafes, companies' cafeterias, restaurants and kiosks). Furthermore, A Padaria Portuguesa was considered as the standard for the direct branded competition due to the heavy geographic diffusion in Lisboa and its brand awareness. So, through a general description of these business models it is possible to get an overview about the industry.

Branded Competition

A Padaria Portuguesa is a chain of bakeries launched in 2010 by the hands of Nuno Carvalho, a former manager at Jerónimo Martins. Nuno thought that the concept of the “old and traditional Portuguese bakery” was being replaced by the big retailers and that there was a lack of establishments that promoted its tradition. During the last 7 years, Nuno and his dynamic and enthusiastic team have grown the Brand of “A Padaria Portuguesa” from one to more than 50 stores making it the most well-known bakery chain in the industry.

A Padaria Portuguesa wants to achieve differentiation by the quality and variety of their products, the experiences delivered and the fair price.

Non-branded competition

Cafe: an establishment which primarily serves hot coffee, related coffee beverages (decaf coffee, cappuccino), tea, and other hot and cold beverages. Many establishments also serve light snacks, muffins or pastries. Most cafes stand as owner-operated small businesses.

Cafes' schedule usually extends from 8/9 am to 8 pm and the busiest times are early in the morning when people arrive at work and after lunch.

Companies' cafeterias: a type of food service establishment in which there is no table service, in this case within an institution such as a company's office building. Instead of table service, there are food-serving counters and customers take the food that they desire as they walk along, placing it on a tray. Usually the access to this location is restricted to the employees and the price is relatively lower than in a general restaurant.

Restaurants: a venture which prepares and serves food and drinks generally for consumption within the premises. Restaurants vary greatly in appearance and level of service, including a wide variety of cuisines and service models ranging from multi-brand fast food restaurants to high-priced luxury establishments.

Kiosks: Typically, a booth with an open window on one or more sides that prepares and sells hot and cold beverages and light snacks. Kiosks are mainly placed near important monuments or touristic spots: outdoors in a park, near a stadium, in a busy square or otherwise.

The indirect competitors may be identified as the premium branded establishments like Starbucks. Despite still representing HORECA, customers choose to go to Starbucks (and others) for the experience delivered and not only for their specific products. This makes it a distinct pattern of consumption with different triggers and purposes that should be analyzed differently from the typical coffee purchase.

Starbucks is considered as the primarily competitor for premium coffee houses due to its international success, the relevant geographic diffusion in Lisboa and its brand awareness.

Its core products are its both hot and cold coffee derivatives like espresso, cafe latte, cafe mocha, cappuccino, frappuccino and others. Furthermore, Starbucks also sells pre-packaged food items, hot and cold sandwiches, homemade pastry and merchandising with its brand like mugs and tumblers. Innovation is part of the DNA of the company. Throughout the years multiple new products have been added to the portfolio of the company: Instant coffee, coffee capsules, home coffee machines and more.

7.1 Forces of competition: Porter's five forces

Porter's Five Forces is a framework created by Michael Porter, a former professor at Harvard, that is intended to analyze an industry's attractiveness and likely profitability by understanding the competitiveness of the business environment. It is a simple but powerful tool that allows companies to adjust their strategy based on the factors that are relevant in the marketplace. In order to do that, Porter identified five forces that make up the competitive environment, and which can erode profitability: bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitutes and the industry rivalry.

In order to classify the industry according to the results of this analysis it would be used a scale of 5 values: Very low attractiveness – 1 to very high attractiveness – 5.

Bargaining power of buyers: Coffee is a product found “whenever and wherever” what presents multiple options to the customers in terms of place, brand and even price what allows changes in the consumption behaviors and patterns. In Portugal, the relation between the number of points of sale and inhabitants is extremely high, over double the the EU's average (1 POS for every 400 inhabitants). This represents an intense competition what makes the attractiveness of the industry based on the bargaining power of buyers very low (1).

Bargaining power of suppliers: Even with Delta's market share of 40%, HORECA still presents itself as a very competitive segment with multiple suppliers (both companies and brands). Around 20% of the market in value (over 50 million euros) is divided by brands with less than 2% of market share what allows for an easy switch. Furthermore, this product is similar and there are no changing costs. For this reason, the attractiveness of the industry based on the bargaining power of suppliers is high (4).

Threat of new entrants: There are low barriers to entry the market since the initial investment to establish a new business in HORECA (e.g. a café) is low and there is potential to yield high relative returns especially in coffee. Moreover, the government is working on simplifying the procedures to open new businesses and provides assistance with the bureaucratic questions. Therefore, there is a steady threat of new entrants in the market landscape both on the short and the long run what leads to a low attractiveness (2).

Threat of substitutes: Coffee is a very specific product with many loyal customers (the second most drunk beverage in the world as mentioned before) and has a frequent consumption. Despite the existence of other products with the same properties of coffee (caffeine) none can be considered a possible substitute of coffee. For that reason, the threat of substitutes is not an issue when assessing the appeal of this market. Based on this criteria the attractiveness of the market is very high (5).

Competitive rivalry: In this market, there is an intense competition both by the HORECA establishments, mainly restaurants and cafes, but also the capsules segment. The coverage and convenience of the locations on the HORECA allows customers to adapt the consumption to their daily routines what presents an important advantage on a product with a very consistent and repetitive consumption. On the other hand, due to the growth both on awareness and sales of capsules and personal coffee machines, consumers may buy coffee in advance to use according to their needs and desires, both at home and work.

Nonetheless, the coffee market still presents a consistent turnover integrated with high margins what assures the profitability of the product. Therefore, despite a competitive landscape with abounding players, the industry still presents a reasonable attractiveness (3).

Overall, this analysis outlines a reasonable value and somewhat likely profitability to be achieved with a result of 3/5 in terms of Porter's identified factors.

7.2 Key Success Factors

“Critical success factors are those few things that must go well to ensure success for a manager or an organization and, therefore, they represent those managerial or enterprise areas that must be given special and continual attention to bring about high performance.” (Boyton & Zmud, 1984)

In order to continue identifying the relevant external factors that may influence the success of a company/business idea in this market, there were listed some KSF (Key Success Factors). These were selected according to the previous knowledge about the consumption patterns, the desk research conducted, the interviews with coffee experts and the opinions of some indiscriminate customers.

Through this research were identified five key success factors that were afterwards corroborated and evaluated in terms of relative importance by consumers through the online survey conducted:

Price: Coffee is a relatively low-priced product (mainly priced between 0,6€ and 1€). Despite that fact, the recurrence of this consumption (often twice or more a day) may impact the price influence on the customer purchasing behavior.

Accessibility: As mentioned above, the daily bustle and hurry of people on their daily routine is tremendous. That makes the accessibility of growing importance in the success of businesses especially in food retail. To add to that, coffee is found almost anywhere making a switch in consumption habits effortless.

Speed of service: Adding to the previous point, the high rotation of the product in the point of sale connected to the peak hours on its consumption make the speed of service in the HORECA establishments a significant element.

Taste: Coffee is an undifferentiated product but its taste is influenced by numerous factors from the source of the beans, the mixture of roasted coffee, the espresso machine or the recurrence of the espresso machine cleaning.

Complementary products: Typically, coffee is a stand-alone product drunk after meals, especially breakfast and lunch. None the less, some customers appreciate to “take a bite” while drinking coffee. Pastel de Nata is recurrently perceived as a complementary product to coffee.

8. Development Strategy & Requirements

8.1 Legal Requirements

Firstly there is the need to create a company. It will be a limited partnership called “Sociedade por Quotas” which ensures that only the company’s equity is legally responsible for the debt of the business. This venture will be classified as a Microenterprise (included in the group of Pequenas e Médias Empresas, PME) as it will have less than 10 employees, and an annual volume of sales or total balance sheet volume lower than 2 million Euros.

Moreover, to be able to operate as a mobile kiosk on food retail it is necessary to initiate the process of licensing the economic activity and the establishment. A mobile kiosk needs to license for “atividade de restauração ou bebidas não sedentária” and must cope with the Regime Jurídico das Atividades de Comércio, Serviços e Restauração (RJACSR).

Regarding Hygiene and Safety, a restaurant business that is engaged in the production, processing, storage and distribution of food, is required to develop a methodology of Hazard Analysis and Critical Control Point (HACCP). This is a preventive methodology that ensures there is no risk in products available for the consumer. Also, there is the need to hire a certified company to conduct internal audits macrobiologic analysis.

8.2 Business Strategy

There are three main approaches that can be applied to products and services in the majority of industries and to most organizations of all sizes. They were first set out by Michael Porter in his book, "Competitive Advantage: Creating and Sustaining Superior Performance" published in 1985. He named the three as generic strategies: "Cost Leadership" that mainly promotes a business based on the basic with no unnecessary extras that may increase the cost to serve, "Differentiation" which is focused in creating uniquely desirable products and services and "Focus" that is mainly addressed to offering a specialized service to a niche target audience. The Focus strategy can also be divided into two: "Cost Focus" and "Differentiation Focus."

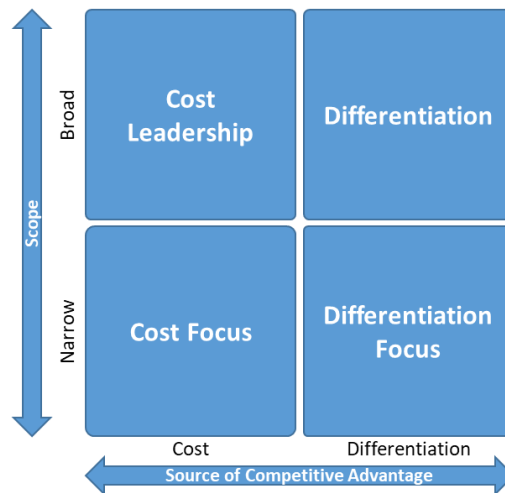


Figure 10 - Different strategies for businesses

Based on the market analysis and taking into account the characteristics of the market and spectrum of the target audience it is possible to understand the potential of the venture but also the challenges that need to be overcome to be successful, as it competes in a very aggressive market. As so, the author will pursue a differentiation strategy trying to create an added value around the product, the service and its experience that is perceived by the consumer and the market. However, it is imperative to achieve an equilibrium in the price since we can identify a strong sensitivity in the topic. In order to be successful in both it is required a strong efficiency that allows to cut costs to the minimum possible and a strong sales capability (consumer service) and brand experience. Overall, all KSF should be considered while designing the business strategy.

9. Implementation Strategy:

9.1 Brand & visual assets

The venture will be called **Caffeine** in order to evidence the energy represented by the products we sell but also the agility in our service and our staff. Below you can find the logo and some applications in specific materials like employees' t-shirts, cups, digital assets and others.



Figure 11 - Logo Caffeine

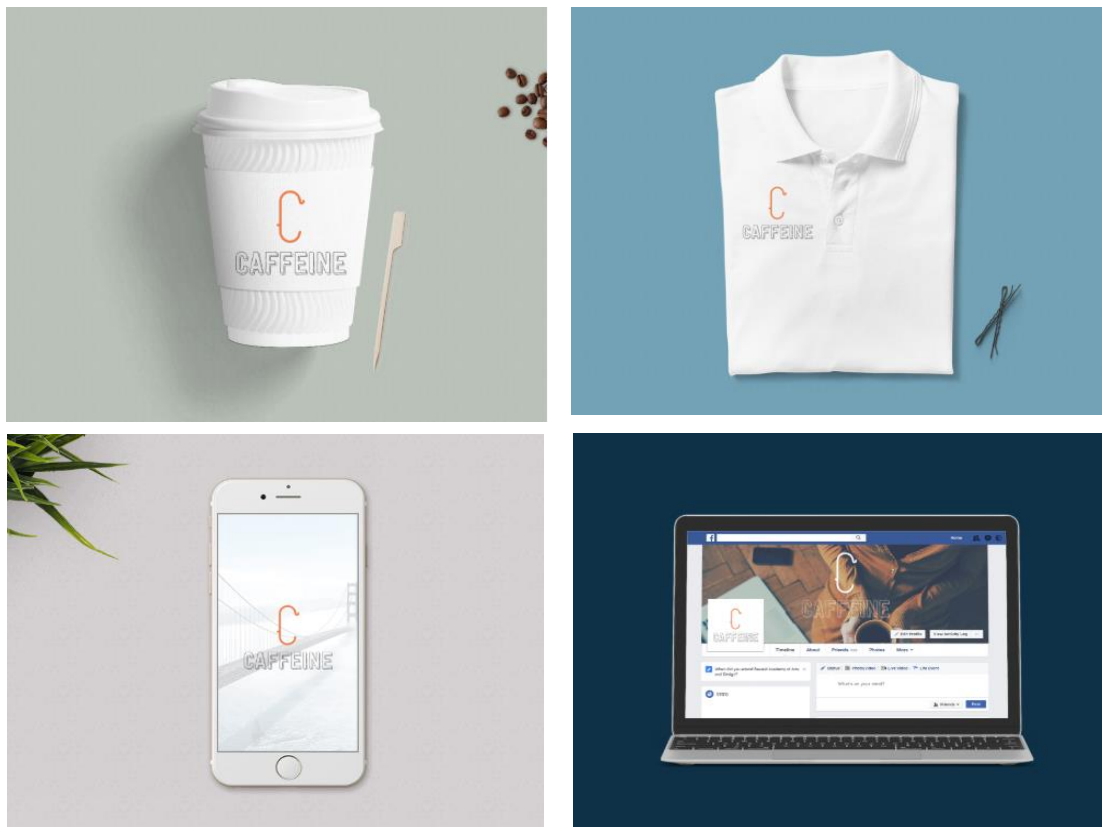


Figure 12 - Look & Feel Caffeine Materials and digital assets

On this logo we can observe a clean and elegant image. The lettering allows an easy reading and understanding and the colors create a simple but likeable pattern with white, black and orange/brown as the main colours due to the contrast between them and the relation with key ingredients like coffee, milk and caramel.

As mentioned in the Literature Review differentiation is the core purpose of a brand strategy. With an alignment between brand strategy, brand personality and the service touch-points from start the author expects that Caffeine brand may be the element that underpins the offering of services from this venture and that differentiates it from the one of its competitors.

In order to monetize the brand it is important to protect it from the competition since it may become a valuable intangible asset in the future. Therefore, “Caffeine” will be registered in Nice Class 43 – Restaurant Services (INPI, 2016) in order to prevent that others may use this trade mark in similar projects, without consent.

9.2 Segmentation, Targeting & Positioning

Segmentation, targeting and positioning are a very important part of the marketing strategy. It allows the business' limited resources to be focused in order to maximize effectiveness and turnover. Due to the specificities of this project the following criteria for segmentation were used:

- **Geographic:** City – the mobile kiosk will be located in Lisbon and even with the possibility of mobility the criteria will be residents, students or workers in the city center vs the rest of the population within the metropolitan area of Lisbon.
- **Demographic:** Age – Coffee has a very specific pattern of consumption and as consumers grow older the patterns get more difficult to change. This means age is an important criteria and may present some efficiency gains when defining the target.

Economic status and income – taking into consideration the localization and brand strategy to be implemented in the venture the author will be looking for medium to high class consumers. It is expected that the consumers with higher incomes may value the experience of Caffeine and be more aligned with the values promoted. Furthermore the price premium vs regular coffee establishments will be evident and even if affordable to the majority of consumers may present a constraint due to the frequency of consumption of the product.

- **Psychographic:** Life style – as mentioned above in the mission of Caffeine, the author aims to provide an effective solution to deliver coffee products in a fast and professional way promoting the take-away style. Furthermore it is intended to create a sustainable business. This means that segmenting and targeting consumers with busy and stressful routines but worried with the origin of the products bought and the effect of their consumption on environment is of great importance.

Overall, target for Caffeine is:

Segmentation Criteria		Target
Geographic	City	Residents/workers within the center of Lisbon
Demographic	Age	From 20 to 54 years old
	Income	Employed. >800€ of net income per month
Psychographic	Life-style	Stressful and busy daily routines – who drink coffee
		Environment conscious and worried

Table 3 - Caffeine's Target

According to the targeting criteria defined above the size of the target market was computed using the following information and calculations (assumptions had to be made due to the lack of information in some topics):

- According to Pordata, a total of 507.220 individuals were living in the city of Lisbon in 2018, of which 197.615 have between 20 and 54 years old (see Appendix 3).
- According to Câmara Municipal de Lisboa, the total population of the city of Lisbon grows daily 378.226 individuals (425.747 entering the city minus 47.521 leaving the city, everyday), as a result of the people who travel for work or study from and to other town halls (CML, 2017). As there is no information about the age of the pendular population, the author used Lisbon's proportion (39%) as a proxy to compute the number of people aged between 20 and 54 years old. As so, the total number of pendular population between this age gap is 147.508.
- According to Pordata around 85% of the people between 25 and 54 are employed. Using the same proportion for people between 20 and 54 we get 293.354 $((197.615+147.508)*0,85)$ people employed living or working in Lisbon
- According to Pordata, in average, only people who have (at least) completed the 12th grade earn more than 800€ of monthly net income.

- According to INE, 60% of the people who live or work in Lisbon (AML) have completed the 12th grade. This means that the total population that follows the above criteria and earns more than 800€ represents 176.012 consumers.
- According to the survey conducted by the author around 87% of the people consume coffee and other related products.
- Furthermore, according to the Instituto de Marketing Research, around 50% of consumers prefer brands that promote sustainable behaviors and products. Nevertheless, it is not an exclusion factor yet so it was considered as a competitive advantage and not a criteria to narrow the target.
- Overall target market size is 123.208 consumers. The author considered this number since the establishment has the benefit of mobility and the kiosk may have different locations throughout the month, adjusting to different routines.

Last, the positioning of this venture should be aligned with the differentiation strategy mentioned previously. It is intended to evidence the quality of the products and the service provided, the convenience, the price-quality ratio, but also the importance given to sustainable behaviors that will help to shape a better world.



Figure 13 - Positioning map Convenience

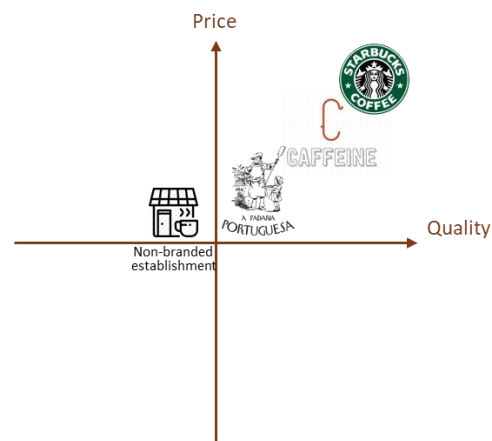


Figure 14 - Positioning map Price

9.3 Marketing Mix

As presented in the Literature Review there are several theories for the composition of the Marketing Mix since multiple authors support different approaches. Taking into consideration the importance of Kotler in the definition of the 4P's and its relevance in academic papers and books, the author considered it as the most logical approach to use and complemented it with some dimensions of the Retailing Mix, mainly "Location" due to its importance in retail ventures, especially for the particular case of a mobile kiosk.

9.3.1 Product:

A product can take the form of a physical item or a service and intends to satisfy a need or a desire from the market. This need is translated into a product with specific characteristics which help to determine all the following actions such as pricing, communication or additional features.

As stated by Nichole Johnson, a bestselling author, dramatist, and motivational speaker from America the consumption of coffee has a sensorial experience attached: "*Coffee is far more than a beverage. It is an invitation to life, disguised as a cup of warm liquid. It's a trumpet wakeup call or a gentle rousing hand on your shoulder ... Coffee is an experience, an offer, a rite of passage, a good excuse to get together*", this means that when defining the marketing mix of **Caffeine** we should consider also the importance of the service related to it.

As mentioned several times throughout this project the core product is coffee and its derivatives like Cappuccino, Mocha, Frappuccino, Americano and others. The key ingredient (coffee beans) should present the best quality possible and its sourcing should be aligned with the values of the business. Therefore:

- **Coffee** – Handcrafted process of transformation as part of a more pure and intense sensory experience; fair trade sourcing reinforcing ethical standards

Aligned with the value proposition of the venture also the professionalism and quickness of the service are of the utmost importance promoting the take-away to ensure there is no waste of time in big queues while consumers rush back and forth daily. As part of this, and despite not being considered core products of this business, it is important to have available complementary/ordinary products like water, tea, hot chocolate, and something to eat like "Pasteis de Nata", cookies or others.

9.3.2 Price:

Following the business strategy defined, also price should focus on the differentiation of the products and services delivered by this innovative concept rather than by competing in price. This pricing strategy is aligned with the desired positioning promoting a premium pricing when comparing with the total market but still more affordable than premium brands like Starbucks, for example. With this strategy it is possible to mark an affordable price for the majority of the consumers that should stimulate experimentation and promote loyalty without compromising the quality promised.

The expectation is that the consumer recognizes this added value and considers Caffeine as providing an excellent value-for-money due to the composition of the service and the total benefits offered. According to the online survey conducted 71% of people said that they were willing to spend more (at least 10%) for the fair trade and sustainable concept.

As a way to present this, the author opted to create a price ladder where the index 100% reflects the price of espresso coffee in Lisbon. In this case we build the price in relative terms vs the market average on a specific product to show how it is positioned. In order to compute this baseline we used the output of the interviews with key stakeholders that mentioned that in average an espresso in Lisbon costs 0,70€.



Figure 15 - Price Ladder

Considering our mix of core products presented above we expect the price range to be between 0,90€ and 2,3€. The prices above have included the VAT (13%).

9.3.3 Place:

In this case, and as a starting point for the launch, the distribution shall be made directly to the consumer in the kiosk, what comprises a direct distribution channel. Later on it is possible to study some other options like third party deliveries on specific areas, mainly on company buildings.

Regarding location, one of the Key Success Factors of the industry, it is quite important to analyze in detail the impact for the business. Taking into account the target, the key goals of the project and the positioning adopted it is accurate to search for a top location within the city center. As a positive outcome of adopting a kiosk it is possible to lower a lot the cost of real estate in this areas but as a negative outcome the licenses for occupation of public space have special areas which to choose from.

Therefore, the following criteria were considered to shortlist the possible locations for this venture.

- Target consumers – especially business areas;
- Visibility of the kiosk to strength brand awareness;
- Accessibility for both consumers and suppliers – to support the promise of convenience;
- Touristic attraction – to broader the target audience due to special consumption patterns and financial capability;

With this criteria it was possible to create a list of possible locations. Being a mobile business the author decided to create a list with 5 options that can be adopted throughout the year according to special trajectories of the consumers.

1. Marquês de Pombal (Business Area / Transport Aecessibility / Touristic)
2. Cais do Sodré (Transport Aecessibility / Touristic)
3. Saldanha (Business Area / Transport Aecessibility / Touristic)
4. Parque das Nações (Business Area / Transport Aecessibility / Touristic)
5. Campo Grande (Transport Aecessibility)

To support this choice, a report from Cushman & Wakefield (Office Market Snapshot, 2019) was studied to better understand the key business areas.

It is important to take into consideration that obtaining the municipal licenses to set the kiosk may present an obstacle to the success of the implementation. It is necessary to go

through a process of public tender to obtain the license for street sale and after that to present the project of the kiosk to both the City Hall and the parish.

9.3.4 Promotion:

To support the launch of this new venture a targeted promotion strategy is crucial since promotion aims to stimulate demand for a good or service. The main goals of this strategy are three:

- Provide information about the product and the business concept;
- Raise brand awareness and build a strong solid positioning;
- Promote trial focusing on the key strengths of the project: product and service quality, sustainable business, value-for-money, convenience, etc.

As mentioned below the target of Caffeine is people between the age of 20 and 54 years old that live, work, study or develop any other activities near the area of Lisbon, with medium to high incomes and that are interested in contributing for a better world without jeopardizing their convenience due to their stressful routines. This means that the communication should be 100% aligned with this target in the creativity, media touchpoints, promotion mechanics and others.

In order to produce a consistent message focused on the consumer the author decided to adopt a Integrated Marketing Communications approach, that consists in carefully coordinating all promotional activities—advertising, sales promotion, public relations, social media, packaging and others—to produce a consistent, unified message that is customer focused.

In order to build the promotion strategy a budget of 10.000€ was considered for the first year, with strong focus on the first months of business.

9.3.4.1 Advertising:

Due to the high costs of paid advertising in the majority of the touchpoints the author considered only the following:

Digital Mupis (TOMI) – digital mupis may transmit an animated creativity creating more engagement with the audience. Furthermore it is possible to adapt the timing of the

communication allowing to address the key moments on the daily routines of the target. The biggest network is in the subway stations, the most used form of transportation for people working/living within the city center.

Destak (newspaper) – This is the most famous free newspaper in Lisbon being the leader in number of copies distributed in this city with over 51.000 copies (+19.000 than CM, number 2 in copies). It is delivered daily in the morning periods in the most busy areas (public transportation, offices, on the main streets). According to Destak's information on their website the audience of the newspaper is mainly between the ages of 25-54 (70%) and from medium to high social classes (80%) what links perfectly with the aimed target.

The budget estimate for this is 4000€ throughout the first two weeks focusing on creating awareness and providing information about the business concept.~

9.3.4.2 Sales Promotions:

In order to attract new consumers by promoting trial and raising awareness for the business, coupons will be distributed by branded promoters in strategic areas within the city since it allows a direct connection between the business and the potential consumer. Promoters can explain the business concept but also have the capability to address people who fit better the target by assessing age or defining strategic regions within Lisbon directly linked to the distance to the kiosk.

The coupons will present a 50% discount on the first purchase and will be distributed mainly near offices and subway stations due to the possibility of reaching high levels of deliveries in short periods of time (efficiency on the promoters cost) by delivering early in the morning (from 8:00h to 10:00h) and after the work period (from 17:00h and 19:00h). Furthermore, when redeeming the coupon the staff will offer a 30% coupon for the second purchase creating the habit for the visit.

The estimate budget for this is 1200€. This will allow 2 promoters working for 5 days in the first two weeks in different locations and will allow the production of 7500 coupons.

9.3.4.3 Public Relations:

Public Relations involve a diversity of activities designed to maintain or enhance the image of a company or of the products and services it offers. In this case the focus on PR is to build awareness on the brand and promote trial of the products sold and the service related to it. For this 2 activities will be pursued:

Sponsoring Events – By offering our services free of charge to big companies, the press, conferences, seminars and others within the city of Lisbon as a coffee break solution it is possible to contact with our target with minimum investment. The cost of the products sold in the kiosk is relatively low what means this can present a very attractive cost per contact.

Brand Ambassador – With a brand ambassador it is possible to communicate often with our target audience with more organic and contextual creativities rather than hard selling ones. The ambassador should be someone with the habit of drinking coffee and related products, strong profile on social media and someone admired by the target audience. An entrepreneur, business man/woman or an artist may present good options for this role. A PR agency will be contacted in order to suggest some possibilities. The Brand ambassador should appear sporadically in the kiosk to have a drink but the main focus is to promote some news in the press and to create content for social media.

The estimate budget for this is 2800€.

9.3.4.4 Social Media:

The possibility to share photos, videos and our opinions in real-time has transformed the market landscape and the way businesses are conducted. Social media marketing is a powerful way for businesses of all sizes to reach consumers and it relates to the use of social media platforms to promote products and services.

A good thing about social media is that the target is really actionable allowing to segment based on many geographic and demographic variables but also based on public interests. Furthermore many platforms have analytics tools which enable businesses to track the progress and the success of their campaigns.

Based on the positioning of the venture, the brand strategy and the target audience the focus will be the creation of an Instagram with lifestyle pictures with brand and product presence. An example of pictures and Instagram layout is presented below.

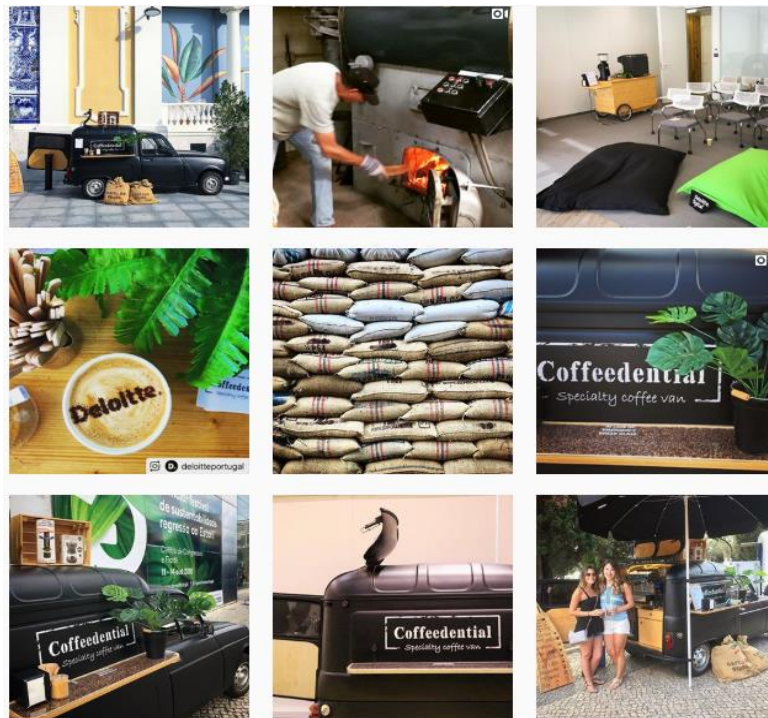


Figure 16 - Instagram Look & Feel example

Source: Coffeidental

Moreover, the brand ambassador pictures should be aligned with the look&fell of the “corporate” channel.

The estimate budget for this is 2000€ and is intended to promote the posts and stories on the platform to reach a broader audience. This investment should be split through the first year but with emphasis on the first six months of the business.

9.3.4.5 Packaging:

Last but not least it is important to align the packaging with all the other communication touchpoints. It should reflect the quality of the products served but also the sustainability statement made by the venture since it will be made from recycled materials promoting a “green” sale.

Packaging is not considered in the budget for the promotion strategy since it will be considered in the cost of production and on the cost of goods sold.

9.4 People:

Recruiting the most efficient and likeable people and training them appropriately is essential for an organization that wants to deliver the best consumer service in order to obtain a form of competitive advantage. The staff must understand the mission and values of the business so that they can promote that culture to the consumers.

In order to promote an efficient service it is necessary to recruit someone with previous experience as a barista, especially if in a specialty coffee house. Also the sales assistant should have previous experience in dealing with the consumers and also be a strong communicator.

The kiosk will be open from 8h until 19:30h, from Monday to Friday. Moreover the kiosk will be closed on special days and holidays like January 1st, May 1st and December 25th. This will allow to get a major traffic due to workdays and schooldays and to decrease costs on days with less movement around the city.

In order to ensure the hourly work according to the schedule above the author estimates the need of 4 employees – 2 baristas and 2 sales assistants. The staff will work in shifts of 2 with one barista and one sales assistant with the exception of the lunch hour where it is expected an increase in demand for the product. The activities to be pursued by the workers are detailed below:

Hours	No. of Workers	Activities
7:30h – 08:00h	2	Cleaning the facilities and preparing the service
08:00h – 13:00h	2	Morning Service
12:30h – 15:00h	4	Lunch Time Service
15:00h	4	Changing shift
15:00h – 19:00h	2	Afternoon Service
19:30h – 20:00h	2	Cleaning the facilities and closing the billing

Table 4 - Staff Working Schedule

This will allow a shift of 7,5 hours and an extra 0,5 hours for a quick break for each employee throughout their shift. Furthermore, another nonoperational worker shall be appointed as the manager of the venture. This manager will be responsible for the functioning and managing of the business in all logistic topics (general management, reporting and finance, human resources,etc.).

The strategic plan for the business and also the marketing plan will be developed and implemented by the partners. Also the strategic partnerships with companies and others will be conducted by the two.

Finally, a training plan will be developed for each worker according to the duties assigned to each one.

9.5 Physical Evidence:

Alignment between the brand strategy and the physical evidence of the business is crucial for the establishment of a premium positioning in the minds of the consumers and to create expectations regarding the service to be provided.

The design of the establishment and the equipment used are examples of physical evidence from which we can identify the main components:

- **Mobile establishment:** The design and look&feel of the kiosk is extremely important since it is both the place where the service will be provided as it is a big and travelling outdoor promoting the brand and the products. The benchmark for this presented several options from retro Piageo, to vintage trucks or kiosks. Simple and clean layouts aligned of the brand: white, brown and black.



Figure 17 - Mobile kiosk/trucks

Source: <https://www.foodtrucksfactory.pt/projetos>

- **Terrace:** To promote the convenience and the confort of the consumers there will be a small terrace with two-seat wooden tables. Furthermore some high tables will be provided for people who wish to have their drink in a faster way.
- **Staff and uniforms:** The staff will be dressed with a branded polo shirt and a half-body apron. This will promote a professional image but still sporty and comfortable for the team. Also the colours will be aligned with the three mentoned before.
- **Cups, cutlery and other:** Since the majority of consumers are intended to take-away their drinks, coffee cups may present a good communication tool to promote brand and business awareness. For this reason all cups will be personalized with brand logo. All the cutlery service (cups, napkins, others) will come from sustainable sources and should always be degradable or recycable.

9.6 Process:

The process implemented in Caffeine should allow a very fast but still a professional service that consumers appreciate. This production process shall have 5 steps, with the following predicted durations:

- 1. Reception of the client:** includes staff welcoming and payment of the products. This step is conducted by the sales assistant. Expected duration: 30 seconds.
- 2. Identification:** Identification of the cup and of the drink chosen by the consumer. This step is intended to facilitate the barista's job. It is also conducted by the sales assistant. Expected duration: 15 seconds.
- 3. Preparation:** Preparation of the drink. This step is conducted by the barista. Expected duration: 20 to 45 seconds depending of the complexity.
- 4. Delivery:** Delivering the drink to the Client. This step is conducted by the barista. Expected duration: 5 seconds.
- 5. Greeting the Client:** Thanking the consumer for choosing Caffeine and wishing a pleasant day. Expected duration: 10 seconds.

10. Financial Analysis:

As mentioned previously business plans should be updated throughout time in order to improve and adjust the plan since businesses are not static. This means that financial analysis, despite being quite important for evaluating the potential of a venture, usually become inaccurate, leading to the overestimation of income and underestimation of expenses. Nevertheless, financial assumptions need to be made carefully and as accurate possible.

The financial evaluation of this proposition was made with the currency Euros, as it is the official currency in Portugal. The first year of activity considered was 2020. The following tax rates were considered:

- ➔ VAT: 13% for restaurant sales and services provided;
- ➔ Income Tax Rate: 17% for the earnings until 15.000€; 21% for the remaining earnings - applicable for PME's to which we should add 1,5% of municipal tax (Deloitte, 2019).

10.1 CAPEX Expenses:

The CAPEX investment in tangible fixed assets is presented in the table below:

CAPEX investment	Value (€)
Mobile kiosk / truck	13000
Refrigerated Counters	2000
Drinks blender	2*250
Coffee Machine	5000
Coffee tampers, grinder and others	500
Furniture and other equipment	500
POS	500
TOTAL	22000

Table 5 - CAPEX investment

10.2 Sales Estimates:

According to the calculations done previously under “Targeting” the total market potential for this venture is 123.208 consumers. This allows to compute a total estimate for sales in the first year (2020). The following assumption were used:

Description	Assumption	Total	Notes
Market Potential	123.208	123.208	Target
Work days	5/week	260	52 weeks/year
#Coffee purchases/consumer/day	2,3/day	2,3	Questionnaire
Average Purchase	1,35€	-	Questionnaire
Reached Target (communication)	10%	12.320	According to budget
Experimentation Rate	54%	6.653	Questionnaire
Retention Rate	24% (Y1) 10% growth on Y2/3	1.597	Questionnaire – at least 3 purchases a week
Loyalty (%purchases in Caffeine)	$1,3/(2,3*5)= 11\%$	11%	Questionnaire - average
Total Sales	Year 1	Year 2	Year 3
	= $260*2,3*1,35*1597*0,11= 141818€$	156000€	163800€

Table 6 - Sales Estimates computation

According to the growth in the retention due to bigger brand awareness, word of mouth and new communication tools we expect the business to grow about 10% in the year 2 and year 3 of the venture.

10.3 Costs Estimates:

In order to compute the earnings of the company it is necessary to understand the different types of costs incurred: cost of goods sold considered a variable cost, staff costs were considered fixed and external supplies and services were considered a mix.

10.3.1 COGS:

The cost of goods sold were calculated adding the costs of the most:

- **Representative product** - the cup of espresso;
 - ➔ Paper Cup (Bio + FSC): 0,13€
 - ➔ Ingredients: 1 cup espresso (0,12€)
 - Total Cost: 0,25€**
 - COGS on %Rev = $0,23/(0,9/1,13) = 25\%$**

- **The most expensive and also more complex product** – Frappuccino:
 - ➔ Paper Cup (Bio + FSC): 0,13€
 - ➔ Paper Straw (Bio + FSC): 0,07€
 - ➔ Ingredients according to Starbucks Recipe – 1,5 cups espresso (0,18€), 3/4 cup milk (0,1€), 3 tablespoons granulated sugar (0,06€), ice (0,05€): 0,39€
 - Total Cost: 0,59€**
 - COGS on %Rev = $0,59/(2,3/1,13) = 23\%$**

Assuming the highest % as benchmark, this means that on average the COGS will be 25% of Revenue.

10.3.2 Staff / Human Resources:

The minimum wage in Portugal is 600€ and is usually related to low complex jobs like sales assistants and others. Nevertheless, the turnaround in these type of jobs is very high which creates a risk for the venture. In order to avoid employee turnover and attract quality workers that work hard to improve the intended brand experience, the wage will be above the average of the market: 750€ for sales assistants and 850€ for the baristas. Moreover, in order to promote efficiency and quality in the service there will be incentives for each of the employees according to the total value of sales reached and the evaluation made by the consumers (linked with Zomato).

Human Resources Cost Map	2020	2021	2022
Wages	44 800	45 696	46 610
Social contribution (SS) on wages	10 640	10 853	11 070
Lunch Allowance	4 198	4 198	4 198
Total Costs	59 638	60 746	61 877

Table 7 - Staff Costs

It was assumed that staff wages increase 2% every year.

10.3.3 External Supplies and Services

As presented below there are several expenses with external supplies and other services that should be account in the venture's P&L statement:

Description	Total/month	Fixed or variable?	VAT
Electricity	300	Variable	6%
Water	130	Variable	6%
Fluids	50	Fixed	6%
Gas	150	Fixed	23%
Communication (wifi)	30	Fixed	23%
Insurances (employees and company)	80	Fixed	23%
Fees (municipal usage of public space)	420	Fixed	23%
Maintenance	200	Fixed	23%
Advertising	100	Fixed	23%
Specialized work (Accounting, Food Engineer, Pest Control)	300	Fixed	23%
Others	150	Fixed	23%
TOTAL	1860		

Table 8 - External Supplies and Services

10.3.4 WACC – Weighted Average Cost of Capital

In order to compute the WACC there were some assumptions made based on information retrieved from Damodaran (2019) for the Europe region, detailed below:

- Risk free Rate (R_f) = 1% (even though the current rates are below 0,5% there is some uncertainty about the future on the capital markets)
- Market Risk Premium ($R_m - R_f$) = 6%
- Unlevered Beta (β_u) = 55%

$$WACC = R_f + (R_m - R_f) \times \beta_u = 1\% + 6\% \times 0,55 = 1\% + 3,3\% = 4,3\%$$

10.3.5 Working Capital

Regarding working capital assumptions the average stock period considered is 5 days, the average collection period is 0 days due to cash payments from clients in the moment of purchase and the average payment period to suppliers is 15 days. It was considered a cash balance need for the daily business operations of 1000€.

	2020	2021	2022
Working Capital Liabilities			
Cash balance reserve	1 000	1 000	1 000
Clients	0	0	0
Stocks	436	479	503
TOTAL	1 436	1 479	1 503
Working Capital Assets			
Suppliers	2 493	2 742	2 935
State	2 874	4 426	4 570
TOTAL	5 367	7 167	7 505
Total Working Capital	-3 931	-5 688	-6 001
Working Capital Investment	-3 931	-1 757	-313

Table 9 - Working Capital

The payment periods presented above allow for a easier management of the working capital since there is always cash available for the needs of the venture.

11. Financial Evaluation

11.1 NPV, IRR and Payback Period

The cash flows generated by the venture are detailed in the table below.

Cash Flow Statement	2020	2021	2022
Free Cash Flow	- 10209 €	14104 €	13772 €
Cumulated Cash Flow	- 10209 €	3895 €	17667 €

Table 10 - Cash Flows of the Project

The cash flow of the first year is negative, due only to the investment in CAPEX needed to implement the business. These cash flows were used to calculate the key financial indicators for evaluation like PV, IRR and Payback Period.

Due to the low investment required to implement this venture the only source of funding will be equity. A WACC of 4,3% was considered for the development of the methodologies as explained above.

Continuing Value (Firm)	2020	2021	2022
Free Cash Flow to Firm	-10 209	14 104	13 772
WACC	4,30%	4,30%	4,30%
Present Value Factor	1,00	1,043	1,088
PV of FCFF	-10 209	13 522	12 660
Cumulated PV of FCFF	-10 209	3 314	15 973

NPV (Net Present Value)	15 973
IRR (Internal Rate of Return)	104%
Payback Period	1,75 Years

Table 11 - Project Evaluation

As can be seen in the table below, this business is considered to have an NPV of approximately 16.000€, an IRR over 100% and a Payback Period of one year and nine months.

The financial assessment above presents interesting figures since the cash flows from the business are considerable for a investment of 25000€ in equity. Usually in a coffee shop the biggest investment is the location (either buying or renting) what does not happen in this case. With a mobile truck it is possible to change the location according consumer profile and business results without jeopardizing profitability.

11.2 Breakeven Analysis

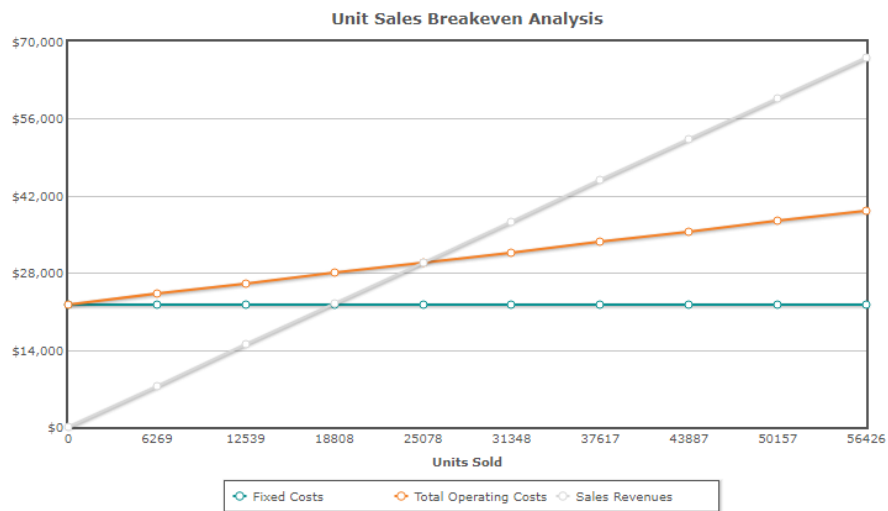


Figure 18 - Breakeven Point

In order to breakeven, the business would need to sell around 25,079 units at an average price of 1,35€ (1,19€ excluding the VAT) in order to cover the fixed costs.

11.3 Sensitivity and Scenario analysis

In order to be prepared for different scenarios it is important to compute a sensitivity and scenario analysis. The variables addressed were units sold and cost of goods sold. The analysis was conducted through a positive/negative 10% variation in the variables.

Scenario Analysis		NPV	IRR	Payback
Base Scenario		15973	104%	2
SALES (units)				
Decrease of Units Sold	-10%	-6 545,45	-23%	4
Increase of Units Sold	10%	38491,8	795%	1
COGS				
Decrease of Costs of Goods Sold	-10%	23549	189%	2
Increase of Cost of Goods Sold	10%	8398	49%	2

Table 12 - Scenario Analysis

According to the scenarios presented above a decrease in the number of units sold can present a problem in terms of profitability for the venture since the NPV(2022) presents a negative figure and also does the IRR. This can be surpassed with an increase in advertising budget or a more aggressive promotional campaign. Nevertheless a payback of 4 years for an investment of 22000€ still presents a good investment. Furthermore, taking into consideration that all assumptions were made very conservatively it is unlikely that the worst scenario may occur.

All other scenarios of these risk analysis present results that are quite interesting and maintain the viability of this project.

12. Conclusion

This project aims to serve as a guide to the implementation of this venture providing a clear view about the concept, the industry and the brand.

By examining the market and industry, the internal factors of the business and its founders, the sources of competitive advantage of the different direct and indirect competitors and understanding the reasons behind coffee consumption and its habits on the portuguese population through the questionnaire applied, this business plan provides a source of information and painpoints that will help to implement the venture in a efficient way in order to achieve a profitable and sustainable performance in the years to come.

The plan delivers all the key aspects and focus on:

- Understanding the acceptance of the new concept by the target;
- Fully analyzing the market and develop a strategy based on its conclusions;
- Evaluate the financial viability of the business through sales and costs analysis.

The financial analysis states it as economically viable, with a payback of one year and nine months, a NPV of 15 973 euros and a Internal Rate of Return of 104%.

Overall, the project presents a likely probability of success with the main constraint being the license for the occuppency of the street for the kiosk that will need to be approved by both the municipality and the parish.

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Appendices

Apendix 1: Questionnaire

Firstly, I would like to thank you for taking the time to answer the following questions.

My name is João Lopes and I am currently writing my thesis for the Master in Marketing at ISCTE-IUL. With the answers to this questionnaire I aim to support a business plan on a concept of selling coffee “to go”.

This questionnaire takes about 5 minutes to complete. The answers are anonymous and there are no right or wrong answers.

If you have any questions regarding the completion of the questionnaire, please contact me at joaopedro.lopes@outlook.pt.

Thank you for your cooperation!

Group 1:

- 1) Do you drink coffee (or derivatives like cappuccino, mocha, others)?
 1. Yes
 2. No

(Skip To: Group 4 If answer1= No)

- 2) How often do you drink coffee (or derivatives like cappuccino, mocha, others)?
 1. Less than once a day;
 2. Once a day;
 3. Twice a day;
 4. Three times a day;
 5. Four or more times a day;

- 3) How much do you spend on coffee (or derivatives like cappuccino, mocha, others) every week?
 1. Around 0€;
 2. Between 0€ and 5€;
 3. Between 5€ and 10€;
 4. Between 10€ and 15€;
 5. Over 15€;

- 4) Typically, where do you consume coffee during your workweek?
 1. At home;
 2. Out of home;

(skip to: Group 3 If answer 4 = “At home”)

- 5) Where do you usually drink coffee during your workweek?
1. At work (capsules);
 2. At work (vending machine);
 3. At work (company's cafeteria);
 4. At a café/bar;
 5. At a street kiosk;
 6. At a restaurant;

Group 2:

- 1) Please evaluate the following factors accordingly to their importance to your purchase decision (1- very low importance; 5- very high importance)
1. Price;
 2. Taste;
 3. Accessibility (product available within few meters);
 4. Speed of service;
 5. Complementary products;

Group 3:

The following questions aim to test a new business concept of “coffee to go” to be implemented within the business district of Lisbon (Marquês de Pombal / Picoas / Saldanha). This concept consists of a mobile kiosk selling fair trade coffee.

Bearing this in mind please answer the following questions:

Only for “At home”:

- 1) Would you consider changing your consumption from home to this establishment?
1. Yes
 2. No;
- (Skip to: Group 4 if answer 1 = No)
- 2) Do you feel that your desires and necessities regarding coffee and its derivatives would be better fulfilled with this concept?
1. Yes;
 2. No;

- 3) How many **times a week** would you consider purchasing products from this establishment?
 1. Zero;
 2. Between 1 and 2 times;
 3. Between 3 and 4 times;
 4. 5 or more times a week;

- 4) Considering the products displayed on the images below what would be the price you would be willing to pay for them?
 1. Espresso
 2. Mocha
 3. Latte
 4. Cappuccino

- 5) Every recipient delivered with coffee will be manufactured using recycled materials along with napkins and coffee “spoons”. In your opinion do the fair trade coffee and the recycled material for the containers add value to the concept?
 1. Yes
 2. No

- 6) Would you be willing to pay more for these products?
 1. Yes
 2. No

- 7) How much? (Answer only if answer 5 = Yes)
 1. Less than 5% more;
 2. 5-10% more;
 3. 11-15% more;
 4. 16-20% more;
 5. Over 20% more;

Group 4:

- 1) Gender
 1. Male
 2. Female

- 2) Age

Open text.

- 3) Do you live, work or frequently (more than once a week) attend a space within the Lisbon business district (Av. Liberdade, Marquês de Pombal, Picoas and Saldanha)?
1. Yes
 2. No
- 4) What is your average net monthly income (free of taxes)?
1. Less than 800€;
 2. 801-1100€;
 3. 1101-1400€;
 4. 1401-1700€;
 5. Over 1700€;

Thank you very much for your time.

Appendix 2: Questionnaire Results

Do you drink coffee (or derivatives like cappuccino, mocha, others)?

#	Answer	%	Count
1	Yes	86.82%	257
2	No	13.18%	39
	Total	100%	296

On average, how many coffees (or derivatives like cappuccino, mocha, others) do you drink daily?

#	Answer	%	Count
2	One a day;	16.53%	41
3	Two a day;	45.56%	113
4	Three a day;	30.24%	75
5	Four or more a day;	7.66%	19
	Total	100%	248

On average, how much do you spend on coffee (or derivatives like cappuccino, mocha, others) daily?

#	Answer	%	Count
1	0€;	11.74%	29
2	Between 0€ and 1€;	51.82%	128
3	Between 1€ and 2€;	27.53%	68
4	Between 2€ and 3€;	6.88%	17
5	Over 3€;	2.02%	5
	Total	100%	247

Typically, where do you consume coffee during your workweek?

#	Answer	%	Count
1	At home;	5.26%	13
2	Out of home;	44.53%	110
3	Both;	50.20%	124
	Total	100%	247

Where do you usually drink coffee during your workweek?

#	Answer	%	Count
1	At work (capsules);	19.76%	100
2	At work (vending machine);	23.72%	120
3	At work (company's cafeteria);	10.08%	51
4	At a café/bar;	24.70%	125
5	At a street kiosk;	4.55%	23
6	At a restaurant;	15.42%	78
7	Other:	1.78%	9
	Total	100%	506

Please evaluate the following factors accordingly to their importance to your purchase decision.

Question	Not at all important	Slightly important	Moderately important	Very important	Extremely important	Total
Price	7.33%	18.97%	43.10%	25.00%	5.60%	232
Taste	0.43%	1.29%	15.95%	44.40%	37.93%	232
Speed of service	2.59%	8.62%	33.62%	44.40%	10.78%	232
Accessibility (product available within low distance)	1.72%	4.31%	16.38%	47.84%	29.74%	232
Complementary products (e.g. pasteis de nata)	51.29%	23.28%	17.67%	6.47%	1.29%	232

Do you agree with the following answers?

Question	Strongly disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Strongly agree	Total
I drink coffee because I enjoy it	1.59%	3.19%	5.58%	24.70%	64.94%	251
I drink coffee because it is an habit	5.58%	6.77%	12.35%	38.25%	37.05%	251
I drink coffee to have more energy	4.38%	9.96%	9.16%	42.23%	34.26%	251
I drink coffee to be focussed	12.35%	16.33%	18.73%	36.25%	16.33%	251

Would you consider changing your consumption from home to this establishment?

#	Answer	%	Count
1	Yes	53.85%	7
2	No	46.15%	6
	Total	100%	13

Do you feel that your desires and necessities regarding coffee and its derivatives would be better fulfilled with this concept?

#	Answer	%	Count
1	Yes	53.88%	125
2	No	46.12%	107
	Total	100%	232

How many times a week would you consider purchasing products from this establishment?

#	Answer	%	Count
1	Zero;	25.10%	60
2	Between 1 and 2 times;	50.63%	121
3	Between 3 and 4 times;	21.34%	51
4	5 or more times a week;	2.93%	7
	Total	100%	239

In your opinion do the fair trade coffee and the recycled material for the containers add value to the concept?

#	Answer	%	Count
1	Yes	91.60%	218
2	No	8.40%	20
	Total	100%	238

Would you be willing to pay more (than the prices you selected before) for products with these characteristics? Consider a 10% increase in price.

#	Answer	%	Count
1	Yes	71.43%	170
2	No	28.57%	68
	Total	100%	238

According to the images displayed above please choose the price you would be willing for:

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Espresso	0.00	2.10	0.71	0.27	0.07	238
2	Latte/Mocha	0.00	3.00	1.22	0.49	0.24	238
3	Cappuccino	0.00	3.00	1.40	0.53	0.28	238

Do you feel that your desires and necessities regarding coffee and its derivatives would be better fulfilled with this concept?

#	Answer	%	Count
23	Yes	53.85%	7
24	No	46.15%	6
	Total	100%	13

Why not?

#	Answer	%	Count
1	I save money by consuming at home	25.00%	3
2	I prefer to drink coffee at home	50.00%	6
3	I don't have time to drink coffee outside	16.67%	2
4	Other:	8.33%	1
	Total	100%	12

When do you consume coffee?

#	Answer	%	Count
83	Morning	38.76%	231
84	After lunch	36.91%	220
85	Afternoon	15.60%	93
86	Evening	8.72%	52
	Total	100%	596

Gender

#	Answer	%	Count
1	Male	44.38%	150
2	Female	55.62%	188
	Total	100%	338

Age

#	Field	Minimum	Maximum	Mean	Std Deviation	Variance	Count
1	Age	18.00	100.00	28.36	9.43	88.92	337

Do you live, work or frequently (more than once a week) attend a space within the Lisbon business district (Av. Liberdade, Marquês de Pombal, Picoas and Saldanha)?

#	Answer	%	Count
1	Yes	68.16%	167
2	No	31.84%	78
	Total	100%	245

What is your average monthly income (before taxes)?

#	Answer	%	Count
1	Less than 700€;	19.94%	66
2	700-1000€;	22.96%	76
3	1001-1300€;	16.92%	56
4	1301-1600€;	11.78%	39
5	1601-1900€;	9.97%	33
6	More than 1900€;	18.43%	61
	Total	100%	331

Q31 - Do you live or work in Lisbon?

#	Answer	%	Count
30	Yes	84.14%	297
31	No	15.86%	56
	Total	100%	353

Figure 19 – Questionnaire Results

Appendix 3:

Territórios	Grupos etários																		
	Total	0-04	05-09	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85 ou mais
Município Lisboa	507 220	29 216	27 469	26 073	21 982	19 214	19 995	25 778	31 648	35 606	34 034	31 340	30 199	31 267	33 640	32 938	27 139	22 870	26 812

Table 13 - Lisbon age groups

Appendix 4:

Sales	2020	2021	2022
	125 503	138 053	144 956
Units sold	105 051	115 556	121 334
Growth rate	10%	10%	5%
Unit price	1,19	1,19	1,19
TOTAL SALES	125 503	138 053	144 956
SALES VAT	13,00%	16 315	17 947
		18 844	

Table 14 - Sales

Appendix 5:

	2020	2021	2022
Sales of products and services	125 503	138 053	144 956
COGS	31 376	34 513	36 239
External Supplies and Services	22 320	24 552	27 007
Staff Costs	59 638	60 746	61 877
Impairments (2%)	2 836	3 120	3 276
EBITDA	9 333	15 122	16 556
Depreciation and Amortization	2 788	2 788	2 788
EBIT	6 546	12 334	13 769
Interest			
Profit before tax	6 546	12 334	13 769
Tax	1 473	2 775	3 098
Profit	5 073	9 559	10 671

Table 15 - Profit and Loss Statement

Appendix 6:

	2020	2021	2022
Free Operational Cash Flow			
Operational income (EBIT) x (1-Tax)	5 073	9 559	10 671
Depreciation and Amortization	2 788	2 788	2 788
TOTAL	7 860	12 346	13 458
Working Capital	3 931	1 757	313
Operational Cash Flow	11 791	14 104	13 772
CAPEX investment			
Fixed Assets	-22 000		
Free cash-flow	-10 209	14 104	13 772
Cumulated CASH FLOW	-10 209	3 895	17 667

Table 16 - Cash Flow Statement

Appendix 7:

	2020	2021	2022
ASSETS			
Fixed Assets	19 213	16 425	13 638
Tangible fixed assets	19 213	16 425	13 638
Current Assets	17 700	33 150	47 268
Stock	436	479	503
Clients	-2 836	-5 956	-9 232
Cash & others	20 101	38 627	55 997
TOTAL ASSETS	36 912	49 575	60 906
EQUITY			
Shareholder's Equity	25 000	25 000	25 000
Retained Earnings		5 073	14 632
Profit	5 073	9 559	10 671
TOTAL EQUITY	30 073	39 632	50 303
LIABILITIES			
Current Liabilities	6 839	9 943	10 603
Suppliers	2 493	2 742	2 935
State	4 347	7 201	7 668
TOTAL LIABILITIES	6 839	9 943	10 603
TOTAL LIABILITIES + EQUITY	36 912	49 575	60 906

Table 17 - Balance Sheet

Appendix 8:

FINANCIAL INDICATORS	2020	2021	2022
Return On Investment (ROI)	14%	19%	18%
Asset profitability	18%	25%	23%
Asset rotation	340%	278%	238%
Equity profitability	17%	24%	21%

Table 18 - Financial Indicators