

Market Analysis

Steep Brew will focus on a single market segment—**Frugal Scholars**. Frugal Scholars are members of the University community that are looking for a nearby, low-cost refreshment environment that allows them to linger over their beverages while studying, using their laptop computer, or socializing.

Market Segmentation

Frugal Scholars are tied to a campus environment and often have limited means of transportation. The following table reflects the potential numbers of University students who might patronize Steep Brew and what growth can be expected in that market over the next five years. Statistically, 50% of college students are coffee drinkers.

Potential Customers	2001	2002	2003	2004	2005	CAGR
University Students	15,000	15,600	16,224	16,873	17,548	4.00%

Target Market Segment Strategy

Steep Brew's target market is the University student who often has more time than money. The college student is less concerned with the quality of the beverage than with affordability, and often has time to linger in a café between classes while studying or interacting with peers.

To penetrate this target market, Steep Brew will take advantage of its unique on-campus location and offer a low-cost beverage and an inviting environment. Steep Brew will advertise in campus publications and look for opportunities to tie-in with campus events. The comfortable, relaxed environment will encourage students to make multiple purchases while passing the time between classes.

Market Needs

Our market is made up of consumers who have disjointed schedules and a desire for affordability. As much as they would like the opportunity to sip a uniquely blended coffee beverage from an upscale coffeehouse, they simply don't have the money and are often discouraged from lingering in such establishments. However, they still have the desire for coffee and a spot to "hang out."

Market Opportunity

According to industry statistics, the consumption of coffee and flavored coffee products is growing rapidly. The largest national brand for retail coffee outlets achieved \$2.2 billion in sales in 2000 with 3,000 retail outlets. They are anticipating opening 7,000 more outlets in the next five years and increasing revenues to over \$6 billion. Nationally, the average coffee consumer spends \$5.00 per day on coffee beverages.

That is the coffee consumer market. The segment of that market we are targeting is the local university student and that number is increasing—over 17,500 in 2005. Statistically, at least 50% of students are coffee drinkers. That gives Steep Brew a significant daily target for its products--\$43,750 per day (8,750 consumers, spending \$5.00 per day). Those numbers are growing by 4% per year.

Competition and Buying Patterns

There are three general competitors in Steep Brew's market. They are the national specialty beverage chains, such as Starbucks, fast food restaurants, and convenience stores. There is a dramatic distinction among the patrons of each of these outlets.

Patrons to a Starbucks, or to one of the local cafes, are looking for the "experience" of the coffee house. They want the ability to "design" their coffee, smell the fresh pastry, listen to the soothing Italian music, and read the local paper or visit with an acquaintance. It is a relaxing, slow paced environment.

Patrons of the fast food restaurants or the convenience stores are just the opposite. They have no time for idle chatter and are willing to over-pay for whatever beverage the machine can spit out, as long as it's quick. They pay for their gas and they are back on the road to work. Although they have the desire and good taste to know good from bad, time is more valuable to them.

Main Competitors

There are three direct competitors in the University area. They include:

- **Gillian's**: a national specialty beverage chain
- **Caliente**: a fast food restaurant
- **Always Up**: a convenience store

Step Brew will be the first local café to open in the University area. However, there is still significant competition from the specialty coffee house and other retailers.

Patrons to a Gillian's are looking for the gourmet "experience" of the coffee house. They want the ability to "design" their coffee and smell the fresh pastry. They are not concerned about the price and are generally not looking to linger in the small, efficient environment.

Step Brew believes it has a significant competitive advantage over this chain because of the following benefits:

- Lower Price
- More Personalized Customer Service
- Relaxing, Slow-Paced Environment
- Community Involvement

Patrons of the fast food restaurant or the convenience store have no time for idle chatter and are willing to over-pay for whatever beverage the machine can spit out, as long as it's quick. They pay for their purchase and they are back on their way to class or the dorms. Although they have the desire and good taste to know good from bad, time is more valuable to them.

Step Brew believes it has a significant competitive advantage over this chain because of the following benefits:

- Higher Quality Product
- More Personalized Customer Service
- Relaxing, Slow-Paced Environment
- Community Involvement