

Export Feasibility Project – Japan

CoolRay's Coffee

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Executive Summary – Collin Bourland

CoolRay is a local roaster of coffee in Tulsa. They use the coffee from Topeca farms, located in El Salvador. They then roast the coffee in Tulsa and offer it to the public both whole and brewed, as well as with other food items. Their primary mode of business is a food truck that has garnered reasonable popularity. This paper is intended to look at the economic, cultural, financial, and marketing considerations in the decision to export CoolRay Coffee to Japan.

Coffee is on the rise in Japan, and as the aging population gives way to younger replacements in the massive industrial sectors of the Japanese economy there will be growing demand and money available to providers of the coffee they love. Although there are local businesses operated in Japan with great success there are still large numbers of people there who have an affinity for American goods. CoolRay coffee, marketed as a fine or luxury variety of coffee will be readily eaten up by the hungry markets for American coffee goods.

The demand for non-brewed coffee in Japan is growing but is currently small. The fast paced lifestyle of many working Japanese people lends them to the many varieties of canned coffee offered in vending machines throughout their cities. However, as mentioned multiple times herein, the Japanese have a strong desire for things that are specialized to a certain country. As with Swiss chocolate, or Mexican chilies, South American coffee roasted by a café in the United States will be a very hot item. The only other firm that directly competes with us is Starbucks. However, due to their size and broad franchising they have a difficult time positioning items as boutique. CoolRay coffee with its local allure, South American heritage, sleek Japanese style packaging, and good taste will surely sell well.

Our plan is to sell 1000-2000 pounds per month through local coffee shops and grocers directly through the public. The retailers will be rewarded for their sales with a 10% recommended margin over the cost of CoolRay coffee. This natural, affordable, and honest product is expected to do well in Japan.

Product Information – James Rogers

The subject of our exportation feasibility project is CoolRay Coffee, a local food truck that sells high quality coffee as well as specialty food items. CoolRay has proven to be quite popular in the local community due to their high standards and quality products. The product we are focusing on in particular is pre-roasted coffee beans, intended to be used at home to brew coffee for personal use. The beans are grown by the supplier, Topeca, in El Salvador on a farm that they personally own and run¹ and then roasted by CoolRay before exporting them to Japan. The beans undergo strict quality control to ensure that all product is up to their high standards. The four areas we will be analyzing are how well an American coffee bean export will work in Japan in terms of compatibility, complexity, divisibility, and communicability.

Compatibility for coffee beans has the potential to be very high among younger consumers. Japan is one of the largest consumers of coffee in the world and are undergoing a so called “coffee culture boom” at the moment. Café’s, vending machines, and convenience stores are all places that people flock to get their hands on a cup or can of coffee. Coffee has been around in Japan for over a century and thus is popular among all ages, though the older generation prefers the more traditional Japanese brands, as Japan has the tendency to take western products and make them into more distinctly Japanese ones. That is not to say that western brands are unpopular however, Starbucks is one of the brands that brought the American style café to Japan and helped to make the western style trendy.² The success of Starbucks and the popularity of coffee in Japan point to a high degree of compatibility with the market.

¹ "About." Topeca Coffee. N.p., n.d. Web. 08 Mar. 2017.

² Oakland, Mike. "Japan's Coffee Culture." Japan Today. N.p., n.d. Web. 08 Mar. 2017

At first glance one might think that a product like coffee beans are a relatively simple product in terms of complexity. However, when purchasing coffee beans, it is not so easy to turn them into a fresh cup. Coffee beans require brewing equipment to get any use out of them. Here in the west a personal coffee brewer can range from around \$16 to up to \$200-\$300.³ While it is possible to get a personal brewer relatively cheap, it also requires space to operate in as well as maintenance like cleaning and possible repairs for the more intricate machines. While as it is not complex as high tech products like computers, coffee beans are not the simple grab and go product they may appear to be.

Divisibility is defined as the extent to which a new product can be tested in a limited scale purchase. To put it in simple terms, how much can one innovate on the product? Coffee beans can be very diverse in nature due to the different flavors that come about from different types of beans as well as different brewing techniques. Some beans can have a stronger caffeine effect than others; while other can be completely decaffeinated. The wide range of deep and rich flavors that can be offered points to a moderately high degree of divisibility for this product.

Communicability or, how easy it is for the consumer to understand what the product is and what it is used for, is the final subject being discussed in this section of the report. As stated previously Japan is one of the biggest coffee consumers in the world. Along with their booming coffee culture they already have a grasp on what coffee is as a product and, more importantly, how it is made. Café's will often prepare coffee in plain view of customers so it is reasonable to assume that Japanese consumers understand that coffee beans are made into coffee using special brewing equipment. They are also likely familiar with the different types of coffee beans and

³ Halse, Kate. "Top 10 Best Single Serve Coffee Makers." Heavy.com. N.p., 01 July 2016. Web. 08 Mar. 2017.

how the different beans can create a wide variety of flavors. Even if they didn't it would be relatively simple to print the different flavorful hints of each type of bean on the package. Something akin to "Deep and rich, hints of tomato, etc." would be a good way to help people understand which type they may want to try. The only foreseeable problem would be that if consumers have the misconception that they need a \$10,000 commercial coffee brewer to enjoy the product. Without something like an ad that demonstrated brewing coffee with a personal brewer this may be difficult to clear up.

Trialability refers to how easily the product can be tested in the market. This may prove to be somewhat difficult for this product. It may seem as simple as going to partnered café's or grocery stores and giving away free samples, but this is not enough. Coffee beans require more work than simply picking up a cup and drinking it. Once the consumer has the product it is on them to finish processing it into the final drinking product. This means that the optimal trail for consumers would be to rent out a personal brewer and walk potential customers through the process. It is doubtful that cafés would allow us to do this as it would steal from their business, so partnered grocers or possibly in a public park, with government permission of course, would be the only option for this. Even then it may prove difficult as the trail itself may seem intimidating, and the equipment may be hard to set up.

Market Environment – James Rogers

The economic connection to our product is plain to see, coffee beans are somewhat of a niche luxury item. If consumers do not have enough money after bills and necessities, then the odds of them setting money aside just to brew their own coffee at home when cans are readily available in vending machines is low at best. That said if Japan's economy is doing well or appears that it will be in the future, there is an opportunity to get in as a high-quality niche product and be successful due to Japan's affinity for coffee products⁹.

Japan's economy has been facing an economic downturn in the past decade, allegedly the worst since just after WWII.⁴ This has not gone unaddressed though, in 2013 Shinzo Abe, the Prime Minister of Japan, executed what he dubbed the "Three Arrows" economic revitalization effort through monetary easing, flexible fiscal policy, and structural reform. This led to a sharp uptick in the Japanese economy. The Japanese government has also approved a consumption tax increase to 10% by April 2017⁴. These efforts have led to progress to healing Japan's economy and a hopeful future for the country. This means that an opportunity to cash in on the rising economic conditions may be coming up soon, providing a good window to try exporting more luxury goods, like coffee beans.

Connecting the product of an American coffee import to Japan's political condition may seem tricky or even impossible, but there is one major political movement that the Japanese government is enacting that may affect how the product is received and how we may need to alter parts of it in order to meet certain political standards. That movement is Japan's increasing

⁴ The Japanese Consumer. N.p.: n.p., n.d. International Markets Bureau, 2010. Web. 8 Mar. 2017

focus on being eco-friendly. Tokyo, the capitol of Japan, is working on becoming the eco-friendliest mega city in the world.⁵ Japan is even giving tax breaks to citizens with low emission “green” cars.⁶ This means that in order to be successful it is important that the packaging and other materials that we use to prepare, ship, and handle the product with be as environmentally responsible as possible, it may even lead to tax breaks for us as well in the future, increasing the potential profit and reducing the risk of failure of exporting the product to Japan.

Japan’s culture is one of the oldest and most storied in the world, as well as one that many foreign peoples find quite intriguing. The Japanese are largely homogenous from a western perspective with roughly 98.5% of the population identifying as indigenous Japanese people⁴, though this gets a bit blurrier if you diffracted the Ainu, Ryukyuan and the main Japanese (Yamato) population.⁷ For simplicities sake, and due to the different ethnic groups all being largely integrated into traditional Japanese culture, we will simply refer to all these groups as a whole as Japanese. Now to relate this to our product we must also understand the different attitudes that the Japanese towards foreign products. Japan largely has an interest in western products and services. They have long been close economic allies of the United States since we helped rebuild their government and economy following WWII. However, it is not as simple as enjoying western products, Japan tends to take anything foreign product that finds popularity in Japan and make it into a more Japanese version of itself while trying to improve it over its

⁵ "Tokyo: Working Towards Becoming The World's Most Eco-Friendly City." Tokyo: Working Towards Becoming The World's Most Eco-Friendly City. N.p., n.d. Web. 08 Mar. 2017

⁶ "Japan Govt Plans Tax Breaks on Low-emission Cars from April 2017 - Sources." Reuters. Thomson Reuters, 09 Dec. 2015. Web. 08 Mar. 2017.

⁷ "Japanese Culture - Culture of Japan." Go Japan Go. N.p., n.d. Web. 08 Mar. 2017.

original western counterpart.⁸ This means that our product may find interest from consumers due to its western origin, but it will face stiff competition from the traditional Japanese brands. This does not mean that all interest is lost for foreign brands however, they have the ability to gain a competitive advantage with the Japanese for varying reasons. One reason that will apply directly to our product is that if a country is famous for a certain product the Japanese are more likely to show interest in it.⁹ An example of this would be Swiss chocolate, or in our case, coffee beans from South America and roasted by a café from the United States. Japanese people may also buy a product from a country to experience the lifestyle of that certain country through that product¹⁰. Because of the close ties between the U.S. and Japan and the westernization of Japan the Japanese have shown an interest in how the west lives. Part of this would include coffee, a staple of the modern western working class lifestyle as well as a class symbol for those who seek out higher quality brands. This would extend to the Japanese as well who wish to have and understand a western experience Japan also has a booming coffee culture that has been gaining more and more popularity since the 1970's. Cafés have become more and more popular and coffee has been more and more accepted as one of the finer drinks. Japan also has an abundance of vending machines around the country that can serve cans of coffee at the press of a button for merely a hundred or so Yen. While these vending machine coffee cans may be looked down upon by people who prefer the classier cafés it is important to note that drinking coffee is very mainstream in Japan. This means that even though someone may start out drinking simple black canned coffee they may one day graduate to a nicer form of consumption, such as home brewing foreign brands of coffee, a trend I have personally observed quite often.

⁸ Naoyuki, Takai. "Japan Brews Up a Rich Coffee Culture." Nippon.com. N.p., 23 June 2015. Web. 08 Mar. 2017

⁹Huysveld, Phillippe. "The Japanese Consumer Mindset." N.p., 22 Feb. 2015. Web. 8 Mar. 2017.

The Japanese also have a high standard of quality, and not just for the product but also for the service they received when purchasing it, the way the product is packaged, the speed of delivery, and even the quality of the ads¹⁰. Because of this it is not only important that we have a high-quality product, it needs to be portrayed as one as well. This would mean things like a sleek and simple package in order to help convey to the consumer that the product they are buying is well made. This is also important because the Japanese traditionally prefer not to be flashy or to stand out in any way so a more modest design would be best in this case¹⁰. In this same vein when it comes to luxury goods the Japanese prefer a lower-end selection rather than spending more money on a flashier high-end product. This means that for the most part while the Japanese have high quality standards, they also expect them to be met at a lower price. There is one caveat to this however, Japanese social status is a very important part of how they live and interact and will therefore sometimes buy the highest price/quality item available in order to gain the social prestige that comes along with making such a purchase¹⁰. This particularly applies to western imports that are seen as a prestigious brand or item and may be applied to our product as well.

The last point about Japanese culture that may affect their purchasing decision is that they are highly influenced by others in their personal community. That is as Philippe Huysveld put it “As they tend to agree with the opinion of people in their network, they are easily influenced by what their colleagues, friends, neighbors & relatives think, as well as sometimes by a salesman’s recommendation.” This means that if we provide enough incentive to the distributors that we are selling through we may gain a distinct advantage over other brands. This would be something like selling our product so a café at a cheaper price so that they can make a larger margin when selling our product. This would lead to salesmen to be more likely to recommend our product

over others.

Finally, in terms of legal obligations we may have to fill there are two major things that needs to be addressed. The first is that because are selling a food/drink product we are obligated to meet Japanese food health and safety laws. It is not enough that our food be safe for consumption here in America. Other countries have other health concerns that are affected by their culture and geographical location. This is apparent when travelers to places like Africa or southeast Asia must go through a series of shots in order to visit. Japan is also a very densely populated country where sickness can spread fast⁴. Because of this it is important to consider not just our own standards but those of Japan as well due to the differing circumstances they face when it comes to health. The second potential legal aspect that needs to be made known is ensuring that all materials used in our product are made and obtained legally and ethically. That is to ensure it is not obtained using any form of slavery or exploited workforce. Because we ship the raw beans in from out of country into America first to roast them we are under the bill, signed by president Obama in February 2016 that prohibits any importation of product derived by forced labor.¹⁰ This is not an issue for us personally, as currently the beans that we procure are all grown by our supplier on their own farm where they ensure all the local workers are treated properly with respect and go to great lengths to show thus.

¹⁰ Malo, Sebastien. "With New Law, U.S. Takes on Slavery by Banning Forced Labor Imports." Reuters. Thomson Reuters, 24 Feb. 2016. Web. 08 Mar. 2017.

Competition – Collin Bourland

Japan has a light history regarding coffee, but has been seeing more and more coffee drinkers in recent years. These drinkers can be easily segmented into 3 segments: Tradition Seeking, Convenience Seeking, and Quality Seeking. Tradition Seeking consumers tend to be older, with more resistance to American products. If they choose to drink coffee at all they will likely choose a very Japanese product. Convenience Seeking consumers are by far the largest demographic in Japan. These are working adults who desire the caffeine in coffee with an emphasis on Convenience. They are likely to be heavy users and will prefer canned coffees. Finally, Quality Seeking consumers represent the influx of American ideals, as opposed to convenience and efficiency these consumers desire luxury and flavor. They are likely to be younger, more welcoming of American influence and will represent our target market.

Given the prevalence of the current boom in coffee consumption in Japan, there are many products that seek to satisfy the needs of coffee drinkers. Although many of these products are ready-to-drink, and therefore do not directly compete with our coffee beans, some are more of a direct threat. There are three primary firms for coffee products in Japan: UCC, Boss, and Starbucks.

UCC coffee is a very popular Japanese coffee and tea manufacturer. Started in 1933 under the name Ueshima Tadao Shoten by Tadao Ueshima, it has enjoyed widespread success. Ueshima himself has even been credited as the “Father of Coffee in Japan.” From there UCC has brought about the advent of canned coffee, earned popularity in the anime community, and started multiple regional offices in Asia.¹ They primarily compete with the other firm Boss in the

canned coffee market. Their primary distribution method is through vending machines and convenience stores. The prevalence of vending machines in Japan leads UCC to be massively successful. They do not have a massive ¹¹need for distribution. A driving cultural trend in Japan is that of tradition, and UCC's 84-year presence in Japanese markets makes them a household name. The price for a can of their "Classic Coffee and Milk" runs roughly \$1.69 or about 192 yen.

The next competitor is Boss coffee. Initially offered in 1993, it is a Strategic Business Unit of Suntory Holdings Ltd. Boss has since become a very diverse and powerful product in the Japanese Coffee marketplace. They share the same target market of UCC coffee: people who only seek caffeine and convenience. Their distribution channels are the same as UCC. Their canned coffee comes in a wider set of flavors than UCC, with more of an emphasis on quality and specialization of each person's beverage while still remaining fairly uniform. Their promotion is fairly small considering their wide popularity. Cans of Boss coffee tend to run \$2.20, or 250 Yen. This is a marked increase over UCC, justified primarily by the increase in variety and perceived quality.

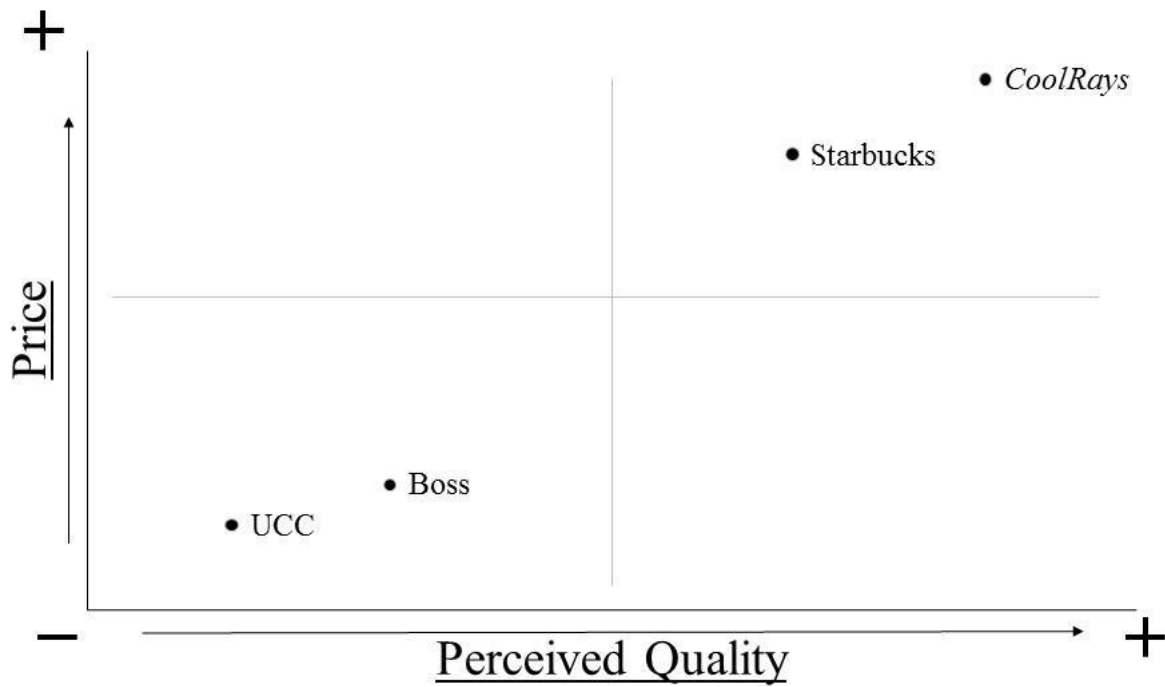
The third and most potent competitor is Starbucks. Many younger people, especially high school and college students, enjoy Starbucks on a regular basis. Through their storefronts and supermarkets they offer prepared drinks, canned/bottled drinks, as well as their own roasted coffee. Their promotion is primarily through online commercials, as they seek to attract younger and more café-minded customers. Coffee beans in Japanese Starbucks cost roughly 1200 Yen

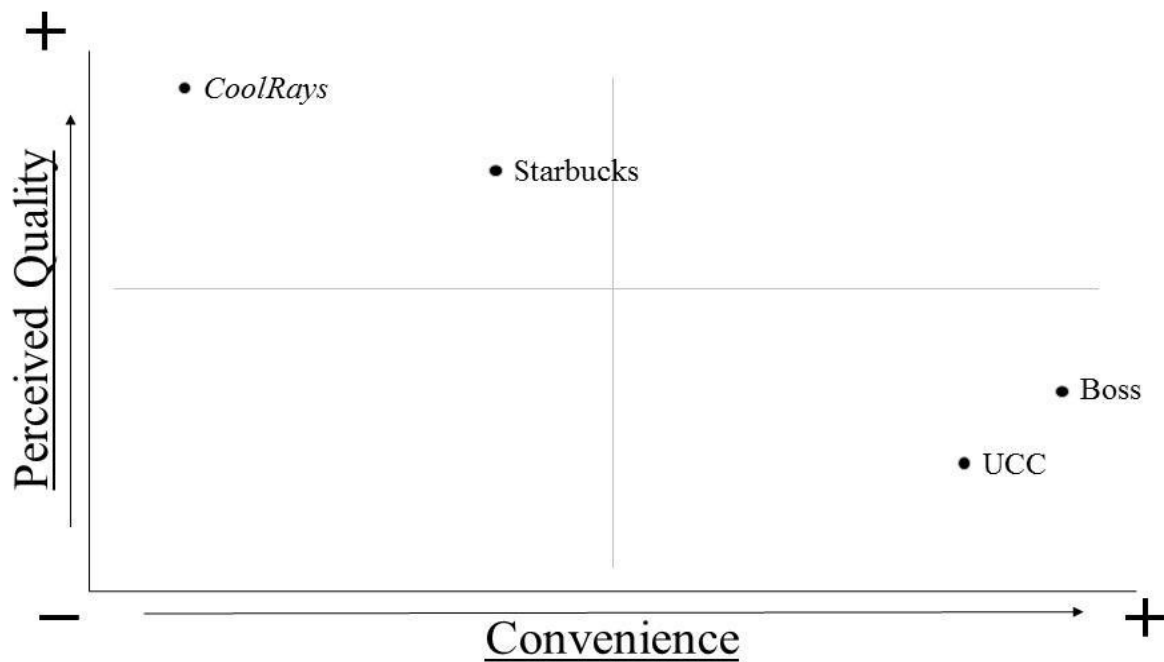
¹¹"History of UCC." UCC Ueshima Coffee Co.,Ltd. N.p., n.d. Web. 08 Mar. 2017.

(\$10.50) for a half-pound bag.

These competitors each have a representative core competency. UCC boasts its storied history in Japan and its appeal to the Japanese love for tradition; their target market is a coffee drinker who desires tradition and convenience, ours is a coffee drinker who desires taste and luxury, therefore they are a secondary competitor of CoolRays coffee. Boss coffee is similar to UCC in their drive for convenience, which makes them another secondary competitor of CoolRays. However, they are a larger threat to CoolRays coffee than UCC due to their emphasis on quality and appeal to American culture. Being as Starbucks is an American company that sells their own branded coffee beans, they are a direct competitor with CoolRay. Although we cannot afford a cheaper price per pound, we will be positioned as much more of a luxury product.

These core competencies can be summarized in the following perceptual maps which compare the qualities of Boss, UCC, Starbucks and CoolRays intended position with regard to Perceived Quality v Convenience and Perceived Quality v Price.

Perceptual Maps:



Buyer Behavior – Chloe Naylor

CoolRay Coffee Café specializes in their own house-brewed roast that they sell to their consumers through an untraditional method of service, a food truck.¹² With where we are attempting to export CoolRay Gourmet Coffee Beans understanding how the typical Japanese consumer behaves when purchasing products is of the utmost importance. There are three main competitors that this analysis will be focusing on: Suntory Boss Coffee, UCC Ueshima Coffee, and Starbucks Coffee. Japan has been fascinated with vending machines for decades making it nearly impossible to walk down the streets of Tokyo without running into two or three along the side of the road. Given this, all of the products in these vending machines are canned for convenience including coffee drinks from these three competitors. In our competition section, we

¹² "CoolRay Coffee Cafe - About | Facebook." CoolRay Coffee Cafe - About | Facebook. Facebook, n.d. Web. 08 Mar. 2017.

discussed that canned coffee competitors could make it rather difficult to sell our product in Japan because of Japanese consumers' obsession with product convenience. The Japanese do not just care for the convenience of a product, but also the quality and nutritional value of what they intend to purchase. Japanese society is steadily becoming more westernized making a healthy lifestyle much more difficult but even more detrimental in modern day Japan.¹⁴ As Japan is beginning to draw closer to the coffee culture they are also realizing the health benefits one can obtain from purchasing coffee products. Physical fitness is also on the rise in Japan highlighting the increased popularity of coffee including buying coffee beans and making coffee at home that ultimately cuts out any additives to the coffee products found in vending machines or at convenience stores.¹³

CoolRay Gourmet Coffee Beans can be a great success in Japan if the typical consumer behavior of Japanese buyers is considered when it comes to imports and high quality goods and services. The Japanese are well known to be a novelty seeking society in where new products are constantly being introduced into the market and purchased just as quickly as they appear.¹⁵ The actual price of the product matters very little if the product meets the expectations of the consumer in terms of its quality and that makes imported goods much more desirable to the Japanese. Even though Japan's population is gradually declining and their economy is in a recession, imported goods, especially those from western countries, are constantly in demand. The race to find the most luxurious imported goods is a way to maintain social status with one's peers.¹⁵ The Japanese are always on the lookout for products from the United States and any other western country and this goes for most of the population but much more of the luxury

¹³ "The Japanese Consumer." Gov.mb. Agriculture and Agri-Food Canada, Mar. 2010. Web. 7 Mar. 2017.

spending is seen from the 18-50 age group. Although a large portion of consumers that purchase coffee products range from teens to people in their late 30s, teen consumers have little discretionary income compared to those in their 20s or 30s. There are also general characteristics of Japanese consumers that influence their buyer behavior such as they have smaller, average sized households of approximately 2.6 persons, the mindset of these Japanese consumers decreases the amount they spend on food, and that they tend to have higher levels of education.¹⁴

Due to the economic recession of 2008, Japanese consumers have broken out of their natural purchasing habits.¹⁵ Typically, a Japanese consumer would buy a product based on either two uses: personal or face. Cheaper products tend to be used for personal purposes, but much more costly items such as CoolRay's Gourmet Coffee Beans would be used in order to keep face. Japan is an extremely prideful country with even more prideful citizens that often buy expensive goods to keep their social status within their friend groups and work environment. The tides have changed lately where Japanese consumers are consuming and spending less on even relatively higher priced products because of the economic downturn. Prices on products will steadily decline if consumption decreases and with this mindset the average Japanese consumer can predict that if they wait to purchase a product then it will eventually become cheaper. This new buying behavior adversely affects the economy and that is why Japan is still in that continued recession. When exporting to Japan, CoolRay Gourmet Coffee Beans must accommodate this negative buyer behavior and be priced fairly, have benefits that strike Japanese consumers with excitement, and live up to the expectations of its perceived quality.

¹⁴ "The Japanese Consumer Mindset." *LinkedIn*. N.p., 22 Feb. 2015. Web. 6 Mar. 2017.

Problems and Opportunities – Collin Bourland

CoolRay's Coffee in Japan will have many cultural obstacles. These primarily include the aging population that typically does not like American culture and influence. Many of the older people in Japan hold resentment towards the United States for the occupation and general rowdy disrespect attributed to Americans: especially servicemen. Another limiting factor to success is the generally low level of personal disposable income for our target market. The average amount of discretionary income per month in Japan is ¥557,000, or about \$4800.¹⁵ Young people in Japan are not allowed to have jobs outside of school. This will be a significant drawback, considering that the main target market is younger people.

The opportunities that are present in Japan are strong and emerging. The younger generation of Japanese citizens are growing, getting jobs, and increasing their incomes. The largest creator of GDP in Japan is Industrial, comprising about 20% of their ¥539,000,000 GDP. Another massive section is private consumption, which amounts to about 50% of GDP.¹⁶ All of these sections, which are potentially beneficial are on the rise: .7% increase in private consumption, and 1.4% increase in industrial production and jobs are forecasted for the upcoming year.¹⁷

Paired with this increase in money going toward the younger generations as they mature

¹⁵ "Japan Disposable Personal Income | 1963-2017 | Data | Chart | Calendar." Japan Disposable Personal Income | 1963-2017 | Data | Chart | Calendar. N.p., n.d. Web. 08 Mar. 2017.

¹⁶ "Japan Gross Domestic Product." Japanmacroadvisors.com. Japan Macro Advisors, n.d. Web. 08 Mar. 2017.

¹⁷ Solutions, EIU Digital. "Japan." Japan Economy, Politics and GDP Growth Summary - The Economist Intelligence Unit. N.p., n.d. Web. 08 Mar. 2017.

into employment are cultural forces that will potentially benefit the export of CoolRays. There is a massive push in Japan of café culture. As many younger and middle aged people are becoming more interested in western culture, the demand for products similar to and including CoolRays'.

Problems	Opportunities
• Older population has a distaste for American Influence • High school age population cannot work	• Growing café culture and demand for finer coffee goods • Young population is beginning to take jobs in the growing Japanese work economy. • Decent availability of discretionary income in average Japanese Households

Marketing Strategy – Chloe Naylor

A successful marketing strategy is one that is both realistic and can be efficiently implemented within that specific market. CoolRay Gourmet Coffee Beans' success will be determined by how well it is integrated into the market and how the consumers react to the imported coffee bean product as well. Even though there is a large emerging market for coffee products, CoolRay Gourmet Coffee Beans is a step above all other competitors in that it is a luxury coffee bean produced in the United States while most other popular coffee brands are manufactured in Japan. CoolRay Gourmet Coffee Beans would be entering a niche market, a more segmented market for specialized products and in which the target market would be any Japanese citizen with refined tastes in need of a quality, luxury coffee brand. CoolRay Gourmet Coffee Beans will ultimately appeal to those that have a strong interest in purchasing and consuming a unique, quality gourmet coffee bean product. The segmentation profile is broken down into three primary segments: the older Japanese generation, the Japanese working class, and the younger Japanese generation. The older Japanese generation will definitely be more inclined to purchase from those traditional Japanese coffee producers such as UCC due to their view of coffee as untraditional versus Japan's already historical tea culture. The Japanese working class, with their busy daily schedules and job efficiency oriented lifestyle, will desire caffeinated products as well as how convenient it is to obtain those products. The Japanese working class are repeated heavy users of coffee products and are likely to frequent vending machines and purchase competitor coffee brands. The younger Japanese generation is much more in tune with the modern day coffee culture and are influenced by Western ideals. This segment strongly desires caffeine and coffee products in social settings rather than for

maintaining energy for business activities. The young Japanese generation is CoolRay's main target segment because they are light to heavy users, prefer luxury over utility, and are most likely to brew their own coffee at home. The four P's of the marketing mix for CoolRay Gourmet Coffee Beans will be explained in further detail in the following sections.

The strategy to set CoolRay Gourmet Coffee Beans apart from the rest of the Japanese competitors is to focus on the specific and unique product features that will be included with every bag of coffee beans. Coffee beans from CoolRay Coffee Café are sourced from Topeca Coffee Roasters in Tulsa, Oklahoma and are harvested within Nicaragua in Central America. CoolRay Coffee Café's coffee beans are very unique in that they lie between a light and dark roast where they are naturally dried with the hull still on the whole bean making it just the perfect blend of deep, roasted flavor. These gourmet coffee beans are pure, finely roasted Nicaraguan coffee beans that are in accordance with Fair Trade Coffee USA which encompasses issues regarding unlawful slave labor to harvest coffee beans, environmental wastes, and unfair practices that are associated with its production.¹⁸ Hundreds of coffee bean suppliers source their coffee beans from countries where slave labor is often encouraged as well as other harmful practices to increase production and cut labor costs, but CoolRay Coffee Café guarantees that every bag of CoolRay Gourmet Coffee Beans is sourced from legitimate, safe, and environmentally friendly coffee bean sources. This ensures quality and freshness for our customers without the worry that they may be contributing to one of the industry's largest and most alarming problems.

¹⁸ "Coffee the Environment and Labor." Coffee the Environment and Labor. Organic Consumers Association, n.d. Web. 07 Mar. 2017.

Japan has an exemplary way of marketing its products to consumers unlike that of the rest of the world, but it is such a successful technique that no Japanese marketer or advertiser has seen a reason to change it. The packaging is what sets Japanese products apart from the rest because even though they may be targeting a specific audience the product packaging itself still maintains a whimsical, bubbly appearance. What American consumers are used to is a more mature, simpler packaging design that exemplifies the quality and seriousness of the product. For the product packaging of CoolRay Gourmet Coffee Beans, we intend to demonstrate this level of maturity and seriousness of the product while still maintaining the characteristics of typical Japanese marketing techniques. The package design will incorporate a sleek, dark appearance that defines the products quality and freshness with a custom made, clever coffee bean mascot that portrays the lighter, more friendly side of the product. As a way to further identify CoolRay Gourmet Coffee Beans as an imported, quality product we will have most of the packaging in English with the necessities written in Japanese such as nutrition labels and the company history. This ultimately appeals to those seeking a finer, luxury style coffee brand, but also those consumers that look for a product that is aesthetically pleasing for gift giving and to the consumers of a younger age group such as those in high school or university. Japanese consumers expect high quality products and services and in turn expect the product packaging design to also be of a higher quality material which is why we decided to include glossy, satin finishes to the packaging. Not only do Japanese consumers focus on the quality and presentation of the product they also deeply care about the environmental aspects of the product as well. To acclimate to society's environmental and recycling policies as well its inclination towards smaller portions and a healthy lifestyle, CoolRay Gourmet Coffee Beans will be distributed in

smaller packages than that of its American counterpart. If successful, the product size will likely increase to accommodate larger orders, but smaller sizes will be opportune for efficiently penetrating the Japanese coffee bean market and incurring a profit.

When exporting to the Japanese consumer, CoolRay Gourmet Coffee Beans must take into account that the typical Japanese buyer will not want to pay a huge premium for the coffee beans and is usually of a younger age or is middle aged so income can vary widely between those two groups. The overall expected sales of CoolRay Gourmet Coffee Beans would be floating around 1,000-2,000 pounds of coffee beans every month. Starbucks has a huge cult following in Japan due to the major western influence sweeping the younger generations and a bag of their own coffee beans is priced at 2,400¥. The expected price of the final product will be only 400¥ more expensive than Starbucks' with CoolRay Gourmet Coffee Beans coming in at 2800¥ after tariffs, shipping, and other fees that must be included. Starting off without risk is the best solution for CoolRay in order to penetrate the market successfully and still make enough of a profit to continue operations in Japan, so 1,000-2,000 pounds of coffee beans is a relatively fair amount and is also more realistic than other alternatives.

Promotion strategies for CoolRay Gourmet Coffee Beans involve a simple producer to retailer approach. A push strategy will be implemented to distribute the products to the ultimate consumer by "pushing" the products through to the retailer and having them "push" through to the consumer. From there the retailers will advertise and use other forms of promotion to sell CoolRay Gourmet Coffee Beans to the consumer. The push strategy will be used to "push" the coffee beans through specialty shops that offer a wide variety of imported and domestic coffee beans, cafés that serve coffee products, and Japanese grocery stores that regularly stock coffee

beans. CoolRay Gourmet Coffee Beans would be positioning itself uniquely to avoid competition density (see perceptual maps, page 16) and such a direct line to the Japanese consumer will be the best and most efficient method of promotion to obtain customers. This is a luxury, refined product and in order to win out over the competition CoolRay must present itself to the consumer in the most unique, efficient, and nontraditional way to meet with the perceived luxury quality that the consumers will have within their perceptual maps.

Sales and Costs, Profits and Budget Estimates – Collin Bourland

The quantity of coffee we expect to sell in the short run is approximately 1000 pounds per month. This can be had very easily, due to the rising number and present popularity of coffee shops. The strategy is to sell to local coffee shops and grocers in large towns such as Okinawa or Tokyo. This is beneficial as contact is easily had with these companies and the level of usable capital is usually higher than smaller businesses and locations.

The coffee to supply this run will be bought from the usual farms at the normal price of \$9 per pound. The usual packaging will be replaced with smaller packages to satisfy the usual desire for convenience and environmental consciousness. These packages will cost \$2 per 4 bags, or \$2 per pound. Shipping for the 100lb box has been averaged between Okinawa and Tokyo to cost roughly \$770. The Japanese also enforce a tariff on roasted, caffeinated coffee beans of 20% of domestic value. With the shipping and tariff the cost per pound of Cool Ray's coffee in Japan is \$20.90. Our pricing strategy comprises a 10% return over total costs for us, and another 10% return over total costs for the retailer. This ensures that easily figured profits can be made by both parties, and the suggested retail price is still very reasonable. At the price of \$25.29 (¥2890) per pound we are not far over the Starbucks price of ¥2400. An illustration of the price and costs associated with production, shipping, retailing and profiting are shown in the spreadsheet below.

Costs Per Pound			Price Per Pound/Package		
Coffee	\$ 9.00		Cost Per Pound		\$ 20.90
Packaging	\$ 2.00		Cool Rays Margin (10%)	\$ 2.09	22.99
Total Domestic Cost	\$ 11.00	\$ 11.00	Retailer Margin (10%)	\$ 2.30	
Shipping (\$770/100lb)	\$ 7.70		Price With Margins	\$ 4.39	\$ 25.29
Tariff [\$11(20%)]	\$ 2.20		Price Per 1/4lb Pack		\$ 6.32
Total Foreign Cost	\$ 9.90	\$ 20.90	Price Per 1/4lb Pack in Yen		¥722.50

Each monthly run of Cool Ray's coffee is proposed to be a 1000 pound shipment, with initial costs needed to ship of \$20,900. These costs can be covered by the exporting firm or negotiated with individual businesses based on their order size. This cost would be immediately recovered as grocers and coffee shops purchase the coffee. The immediate profits realized after selling to these retailers would be \$2,090 (22990 price to retailer – 20900 cost = 2090 profit). They would then sell the coffee at a profit margin of \$2.30 per pound sold.

There are not any marketing costs, as the product would be carried in currently standing stores. The budgetary concerns with this export project would be the need for capital to initially purchase, package and ship the coffee to the retailers. These costs could be reduced by limiting the run to less than the projected ton. The shipment size can also be scaled up to maximize profits by the reduction of the average shipping price. Revenues would come approximately 1-2 weeks after the shipment: 5-10 days for shipping, with 2-3 days to process payment from retailers.

With an average overall roasted coffee import market size (by weight) of 6300 metric tons over the past 4 years, the 5.4 metric tons (12,000 lbs) imported by CoolRay will represent

only .01% of the entire coffee market in Japan.¹⁹ This modest start will help ensure our ability for fulfill sales goals as well as avoid unwanted attention from larger producers such as Starbucks. Our profit/loss statement for an overall pursuance of 3 years exporting to Japan would be sales of 36,000 pounds. This would represent sales revenue of \$827,640, production and shipping costs of \$752,400. Therefore over a span of 3 years with 1000lbs/month in sales CoolRays coffee can realize a gross export product profit of \$75,240.

Recommendations – Collin Bourland

Overall our recommendations are that CoolRay's pursue the aforementioned export strategy in Japan. The rise of café culture will lend demand to luxury coffee items such as CoolRay's. The simultaneous rise in the desire for healthy living will bring more people to brew their own coffee as opposed to canned coffee with potentially harmful additives. As more and more students and young adults move on to better paying jobs, especially industrial and manufacturing sectors, the coffee lovers' discretionary income will rise over time. The already open coffee market is uninhabited by American manufacturers save Starbucks. The untapped market for coffee beans that CoolRay could penetrate is considerable and expanding. The main obstacle to entry is the large need for capital to make shipments efficiently, as well as the fear that its small representative market share will not be able to be realized. Aside from these dubious concerns and if this capital can be obtained, there is a very reasonable and optimistic expectation of 10% profits.

¹⁹ "Coffee Market in Japan." AJCA (2011): 2-6. Ajca.or.jp. Web. 20 Apr. 2017.

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