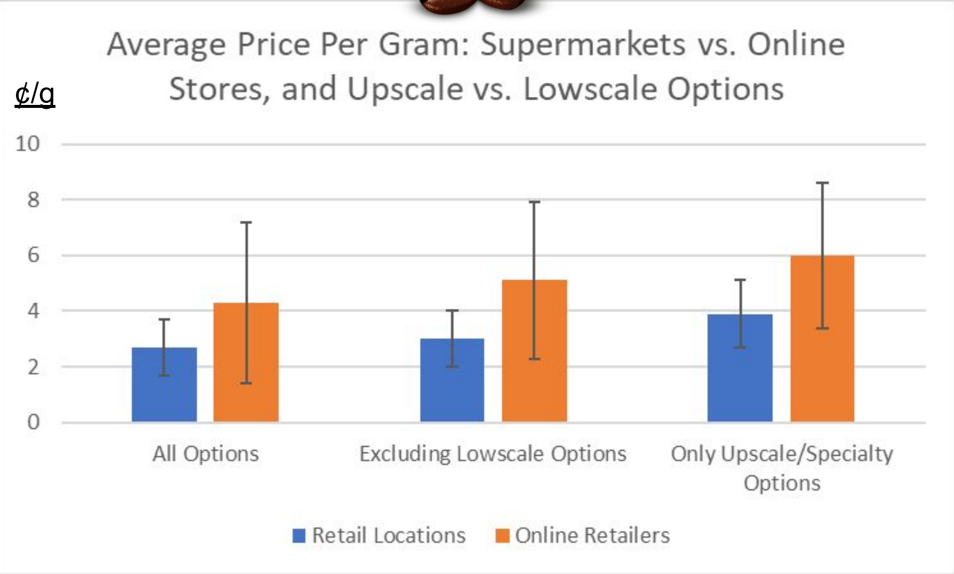
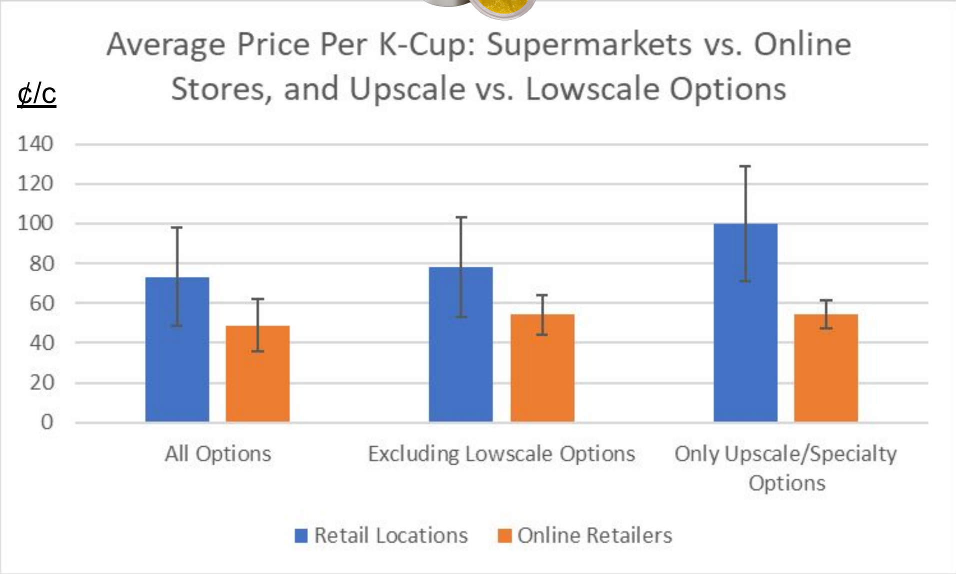
Coffee Types and Pricing

Roasted Coffee Price Analysis: Retailer Type and Quality Tier Segmentation

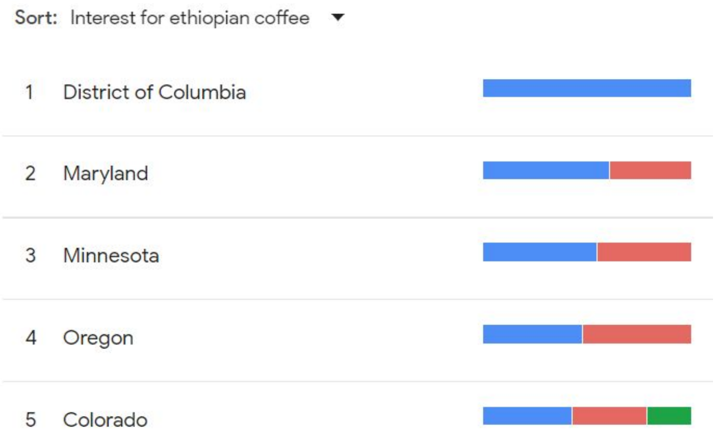


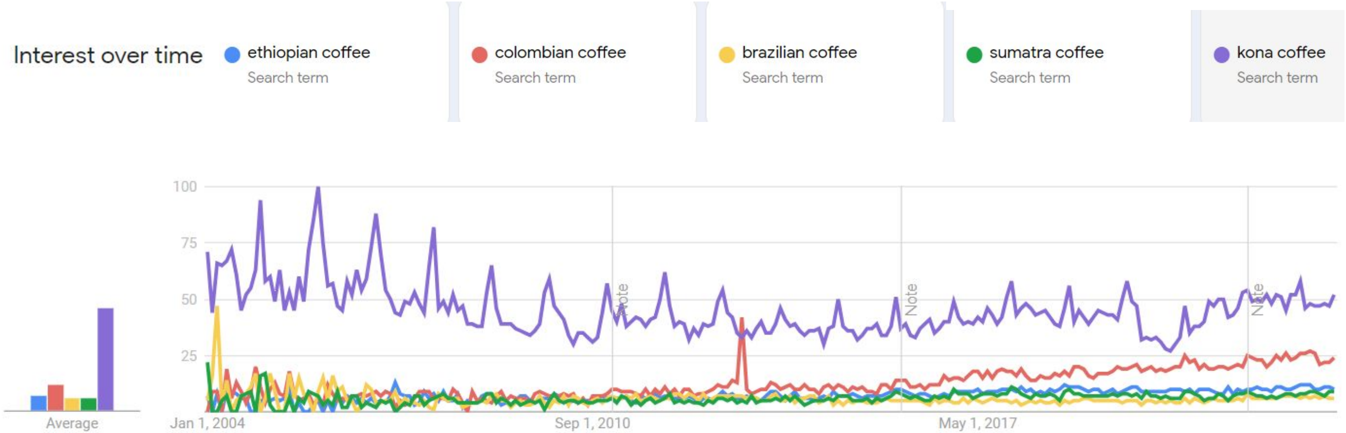


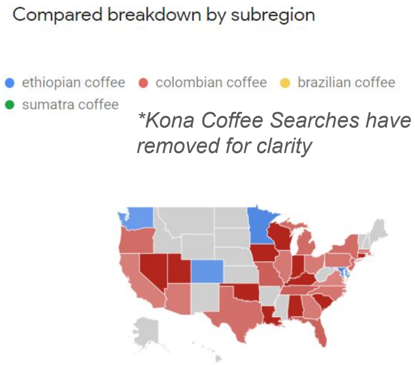
**Low Scale Options include Folgers, Maxwell House, generics or similar.*
**Upscale Options include Peet's, Stumptown, Kicking Horse or similar.*
**Error Bars Indicate Standard Deviation*

Search Trend Analysis: Origin (e.g. “Colombian”, “Ethiopian”, “Brazilian”)

- Interest in Colombian coffee has grown slowly yet steadily in recent years.
- Colombian coffee comprises the vast majority of searches when compared to Brazil, Ethiopia, and Sumatra.
- Searches for Kona coffee surpass that of all other coffee.
- The top states for Colombian coffee searches are Florida, New Jersey, and New York.

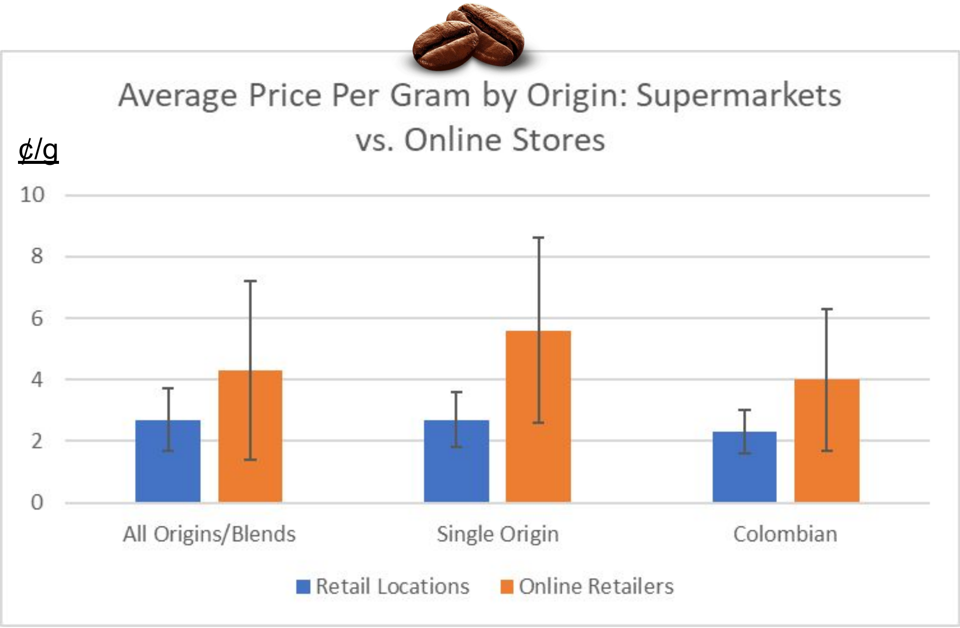


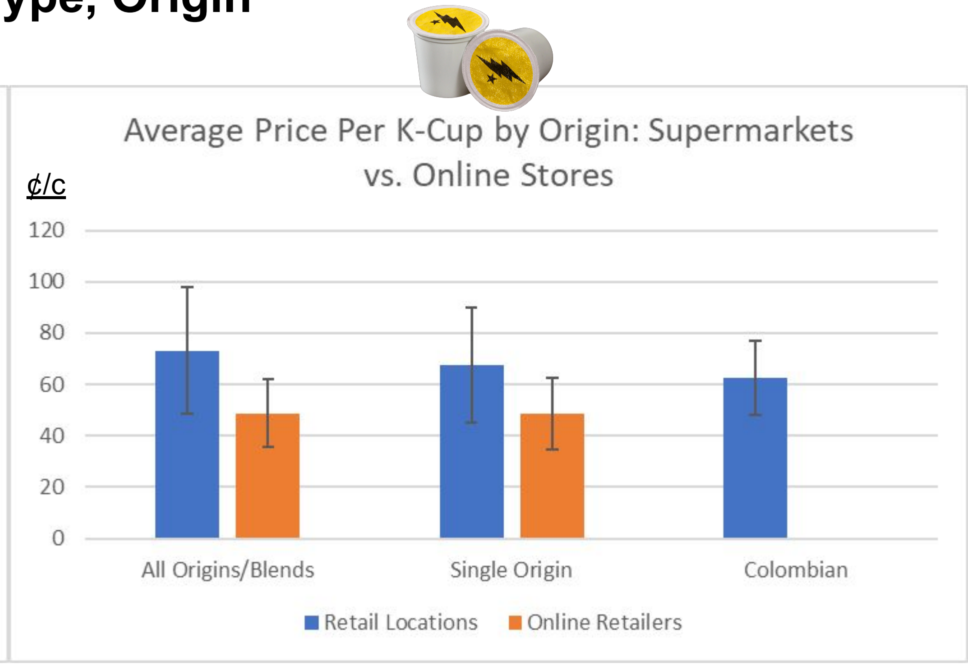




**Kona Coffee Searches have been removed for clarity*

Roasted Coffee Price Analysis: Retailer Type, Origin

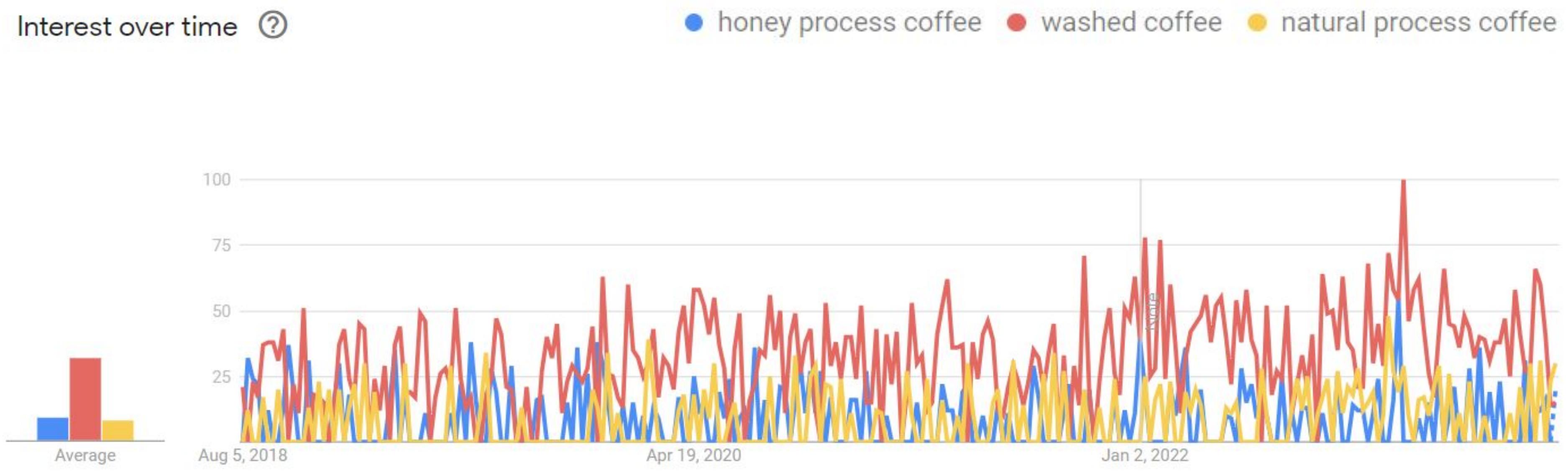




**Error Bars Indicate Standard Deviation*

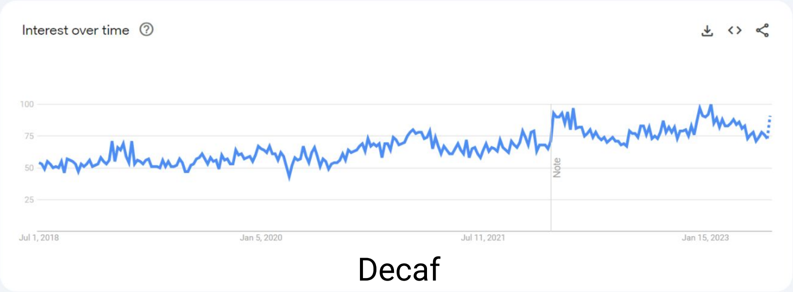
Search Trend Analysis: Process (e.g. “Washed”, “Natural”, “Honey”)

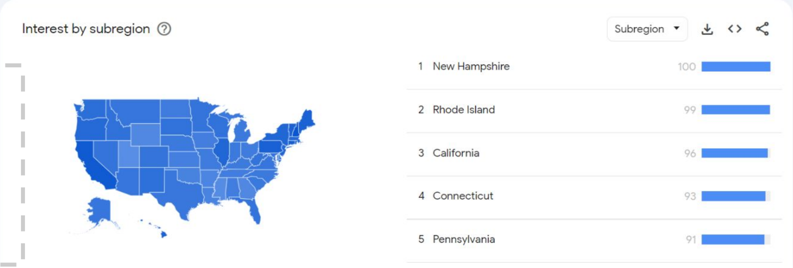
- Interest in washed coffee appears to be growing while interest in the natural and honey processes appears to be in decline.
- Washed coffee searches are highest in New York, Washington, and California.

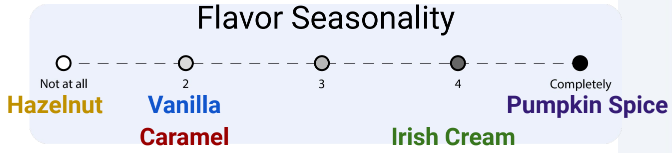


Search Trend and Retail Analysis: Alteration (e.g. “Decaf”, Artificial Flavorings)

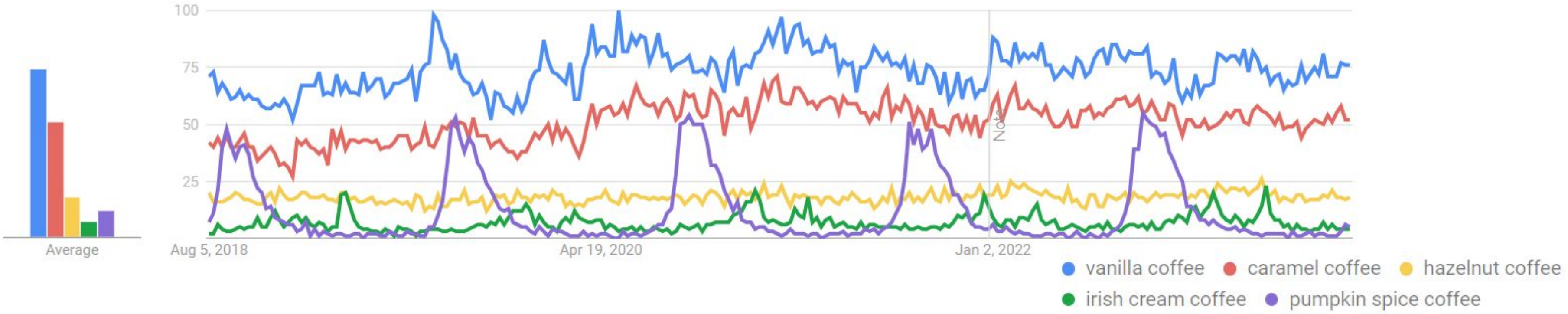
- Searches for flavored coffee have remained relatively constant.
- Searches for decaf coffee are steadily rising.
- New Hampshire, Iowa, and Maine have the most interest in flavored coffee.
- California, New Hampshire, and New York have the most interest in decaf coffee.
- In brick-and-mortar stores, decaf coffee comprises approximately 12.5% of all coffees being sold.
- Searches for “coffee” from online retailers yielded only 1.7% decaf results.





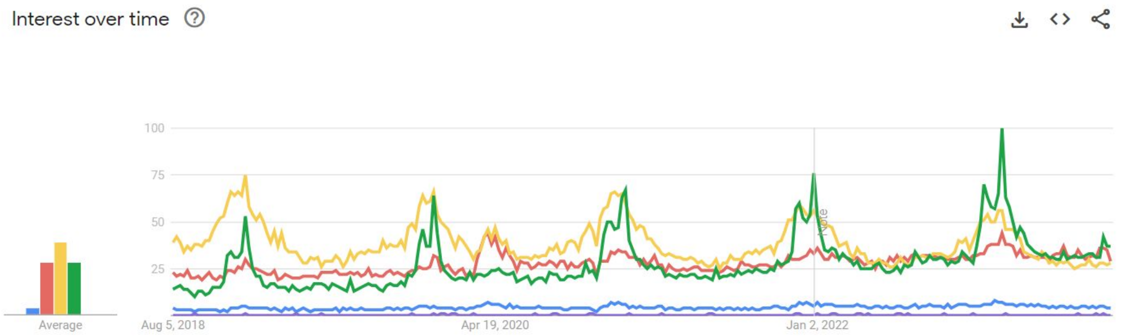


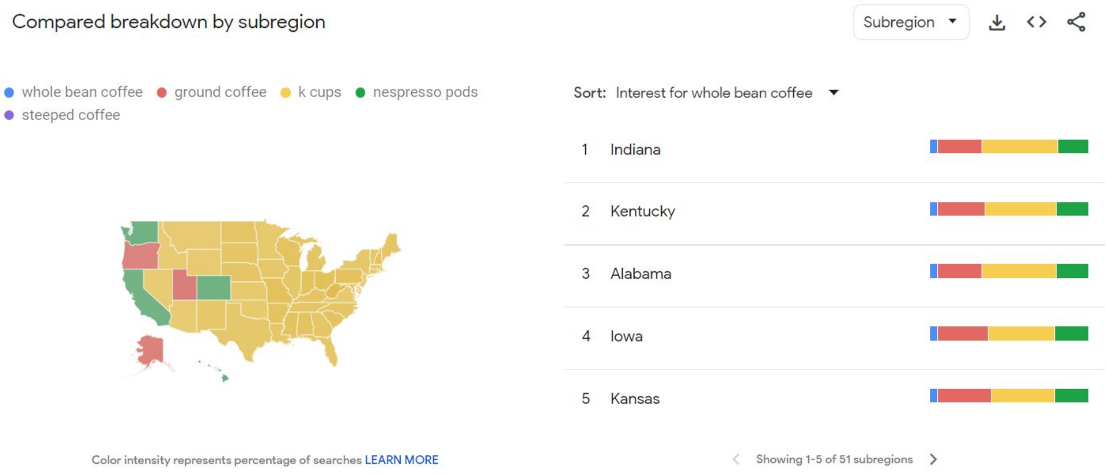
Interest over time

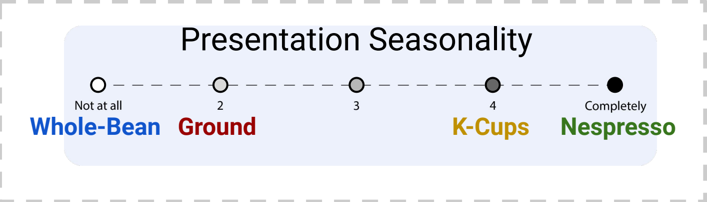


Search Trend Analysis: Presentation (e.g. “Whole-bean”, “K-Cups”, “Nespresso”)

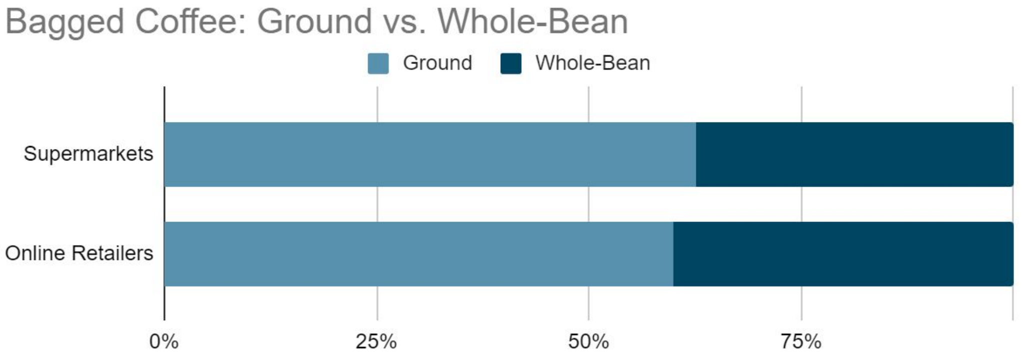
- Searches for Nespresso pods and ground coffee are rising while searches for K-Cups appear to be falling.
- Top states for whole-bean coffee searches: Virginia, Connecticut, and Illinois.
- Top states for ground coffee searches include New York, Hawaii, and Maine.
- Top states for K-Cup searches: New York, New Hampshire, and Pennsylvania.
- Top states for Nespresso pod searches: Hawaii, New Jersey, and California.
- Interest in coffee sachets is concentrated in California and New York.

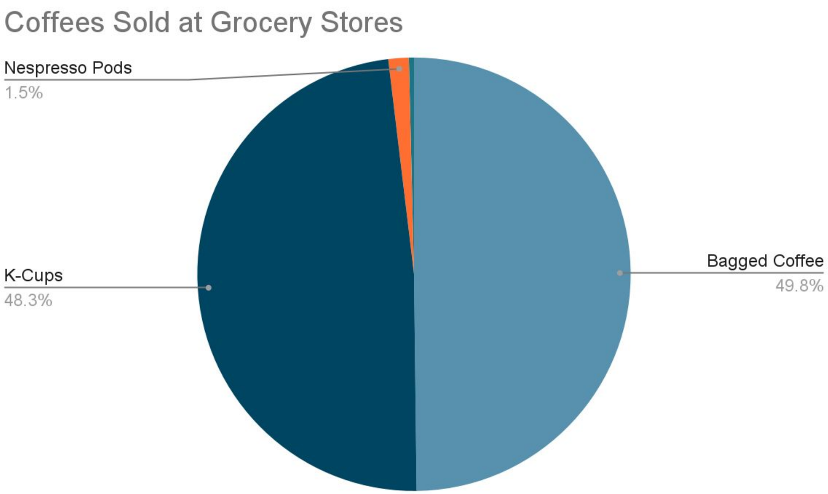


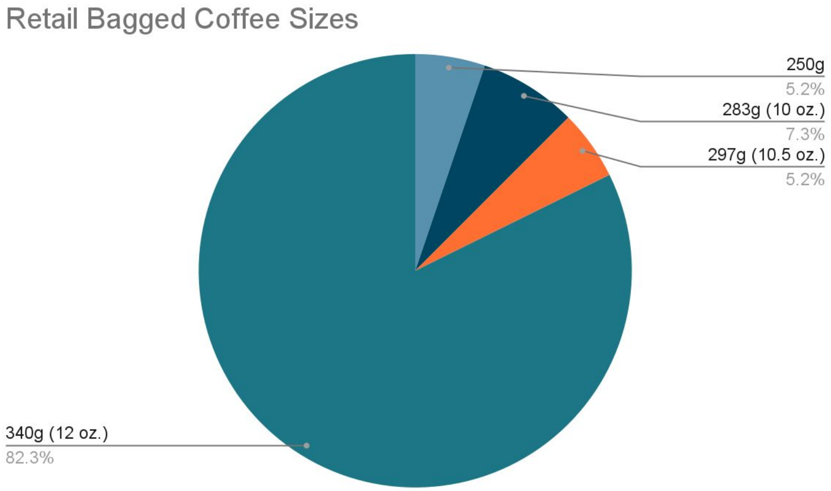


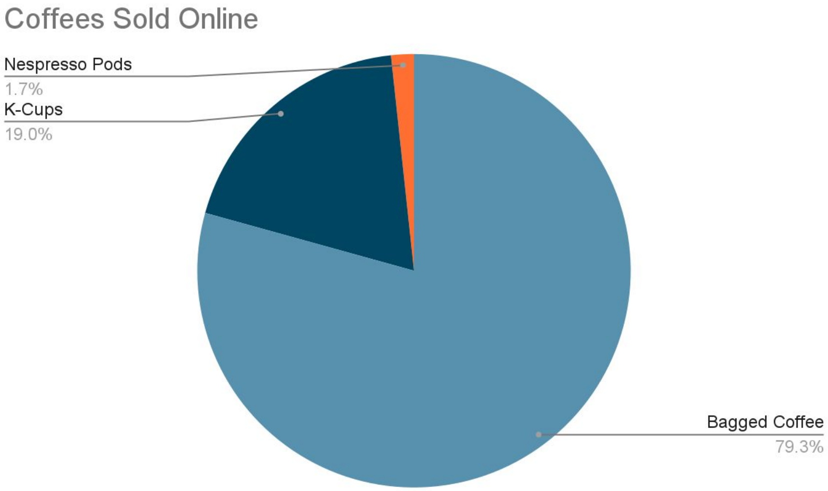


Retail Analysis: Presentation

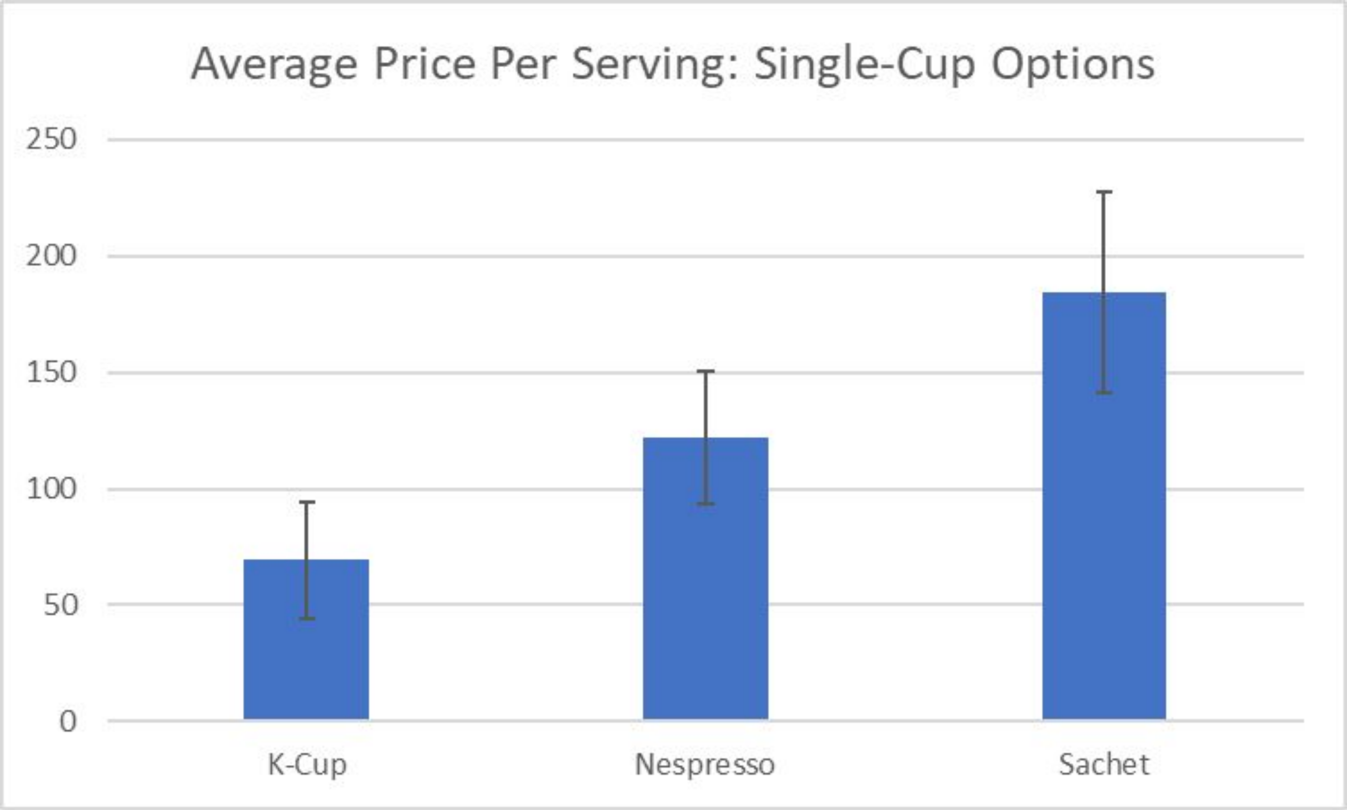








Price Analysis (Supermarkets and Online Retailers)



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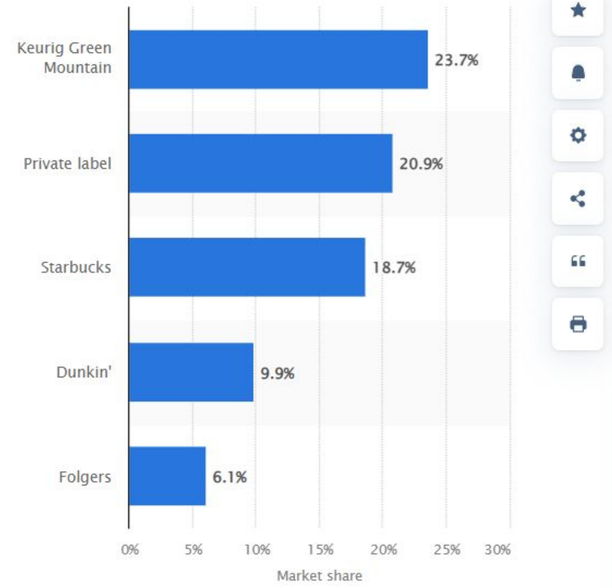
The Single-Serve Pod Market

- 2028 Projected Global Market Size: 37.43 Billion
- Sustainability efforts for biodegradable coffee capsules are growing.
- Keurig dominates the North American market with over 60% share, aided by partnerships with popular American brands (e.g., Starbucks, Dunkin Donuts).
- Nespresso offers a more limited selection of coffees than Keurig.
- Nestle (Nespresso) and JAB Holdings (Keurig) hold significant market shares due to their large distribution networks and supply chains.
- Nespresso's customer loyalty is attributed to its personalized buying experience, convenience, razor blade business model, and closed ecosystem that prompt repeat purchases.

Pods/K-Cups: Top Brands

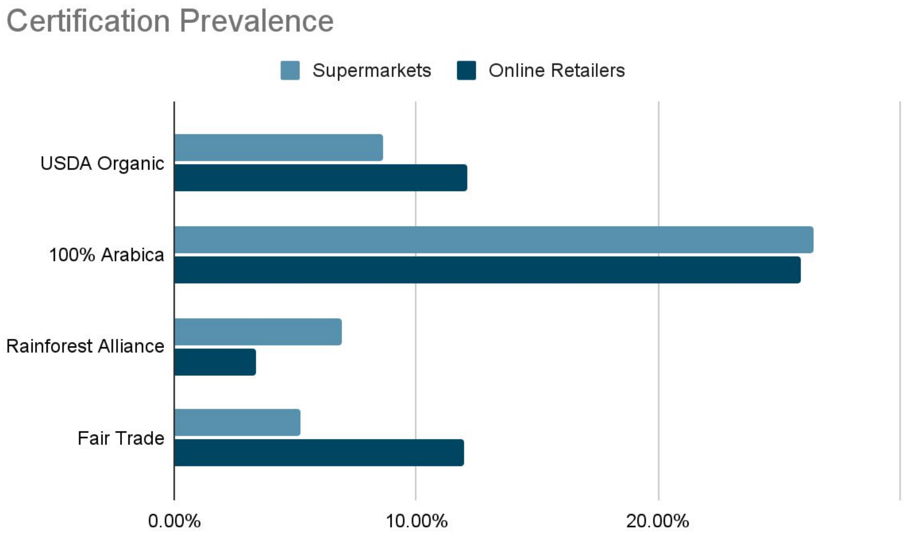


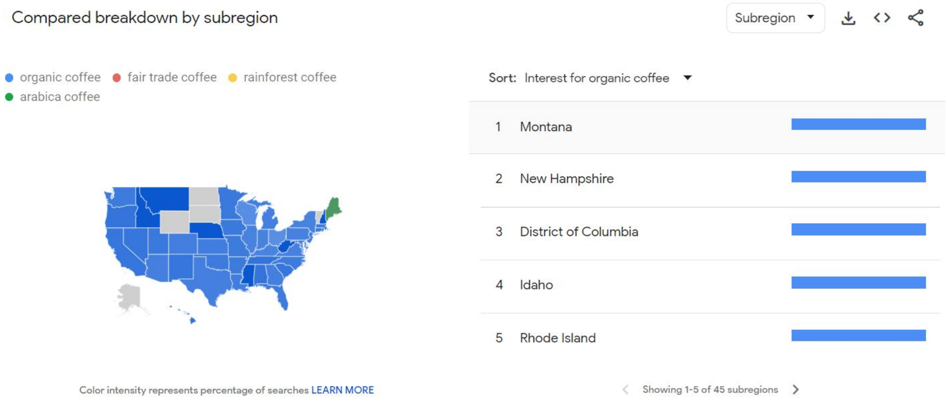
The Coffee Sachet Market

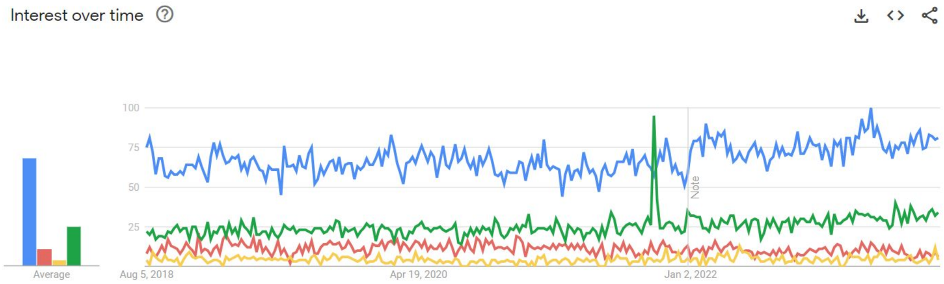
- Steeped Coffee is the dominant player in the coffee sachet market on store shelves.
- Other players like Chamberlain Coffee, CRU Kafe, and Counter Culture Cafe have a notable presence in the online market.
- Steeped Coffee significantly outperforms its competitors on Amazon, with four times more reviews.
- Even established coffee brands like Folgers offer their version of "coffee singles" in the sachet format.

Search Trend and Retail Analysis: Certification (e.g. "Organic", "Fair Trade", "Rainforest Alliance")

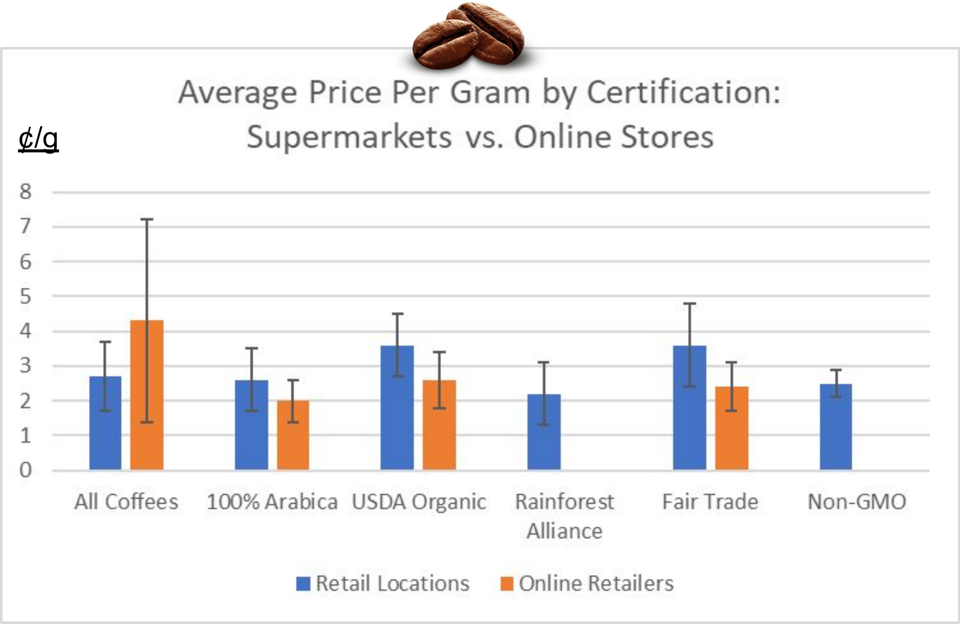
- Organic coffee was the most popular search of all the certifications in every state except Maine.
- Wisconsin led by a wide margin for interest in Fair Trade coffee.
- Searches for rainforest coffee were concentrated in Texas, Florida, California, and New York.
- Interest in organic coffee is concentrated in New York, Idaho, and Montana.

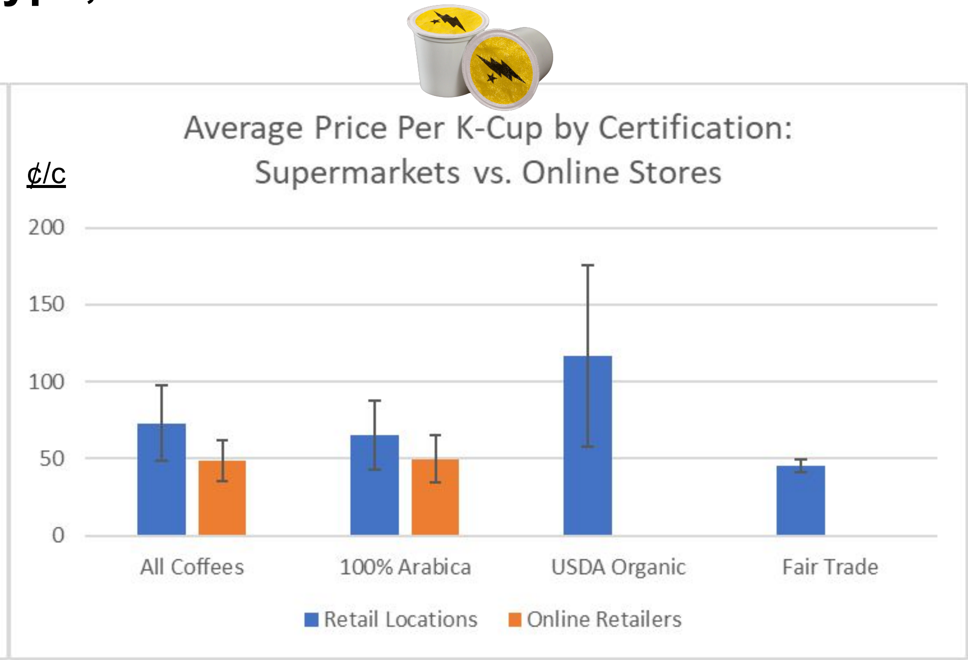






Roasted Coffee Price Analysis: Retailer Type, Certification





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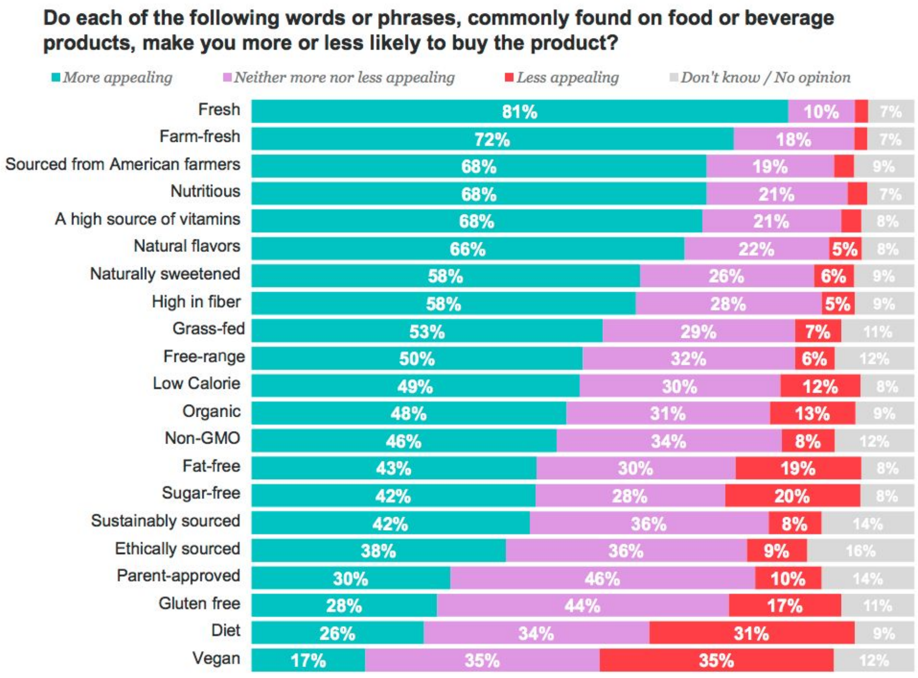
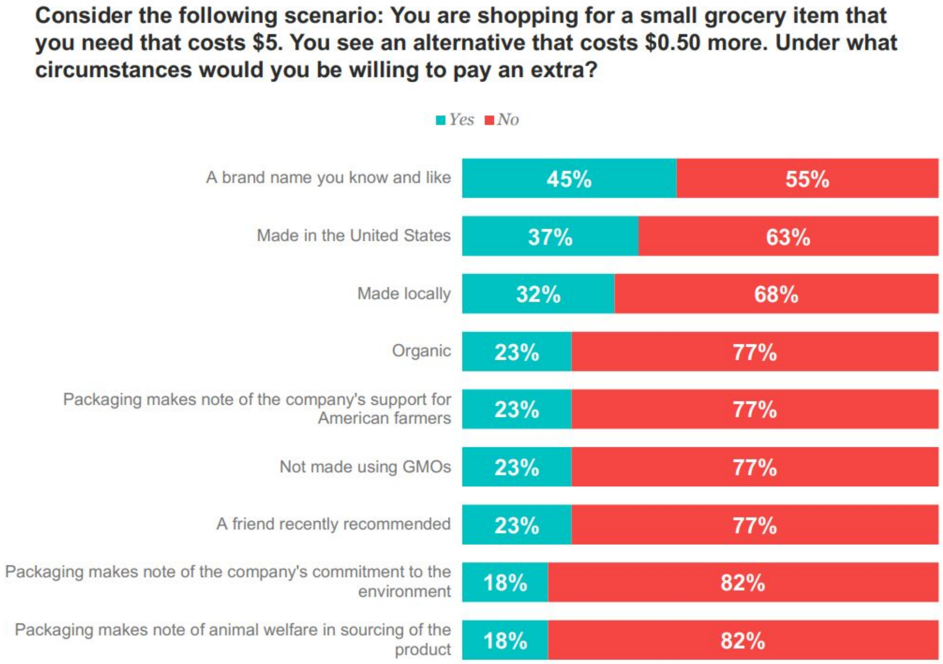
Certification Premiums: Consumer Willingness to Pay





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Green Coffee Price Analysis

A "Specialty Blend" includes no Castillo or Colombia.
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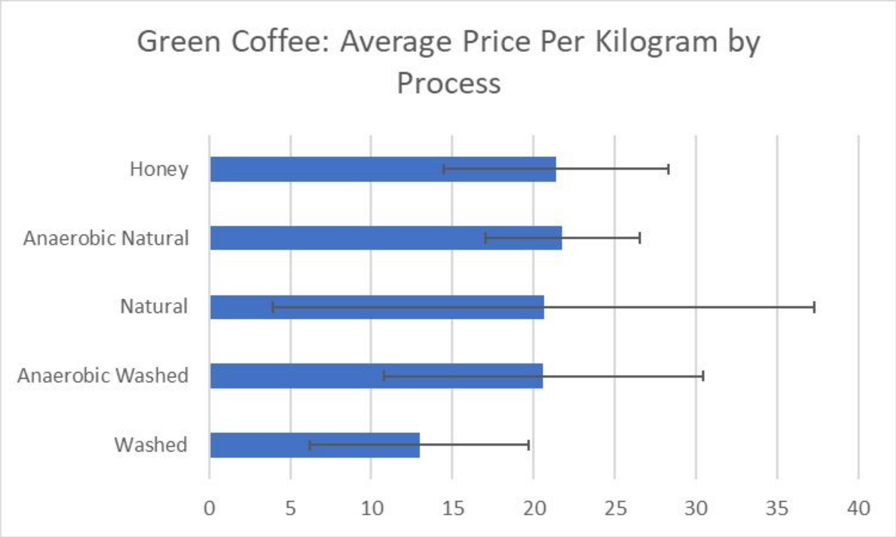
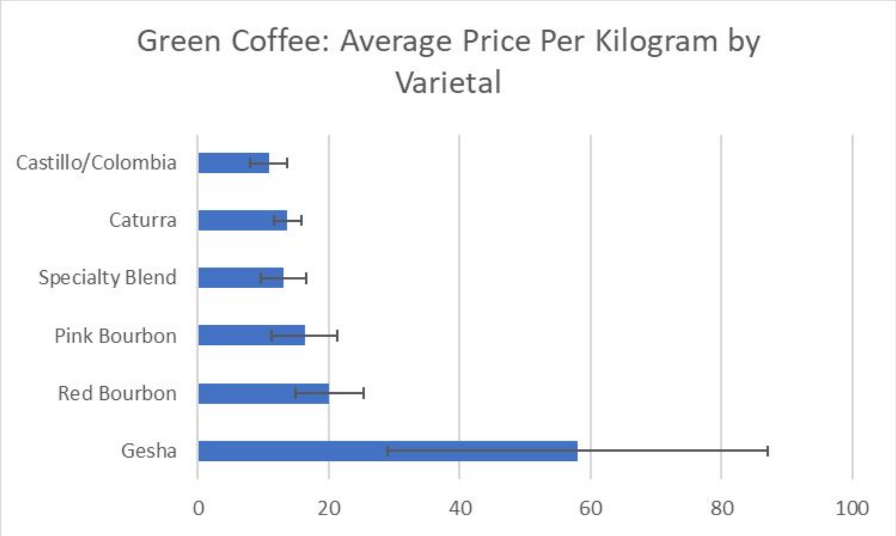
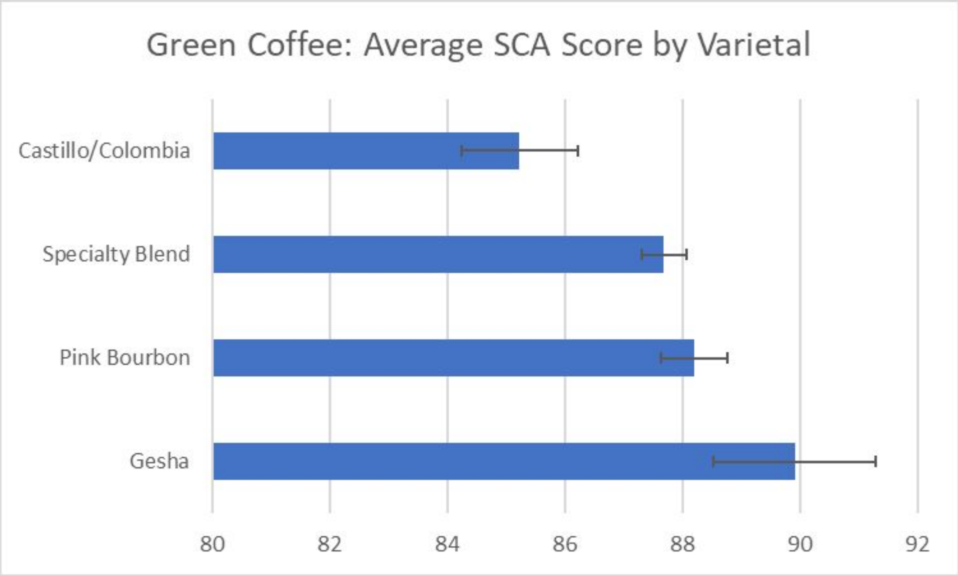
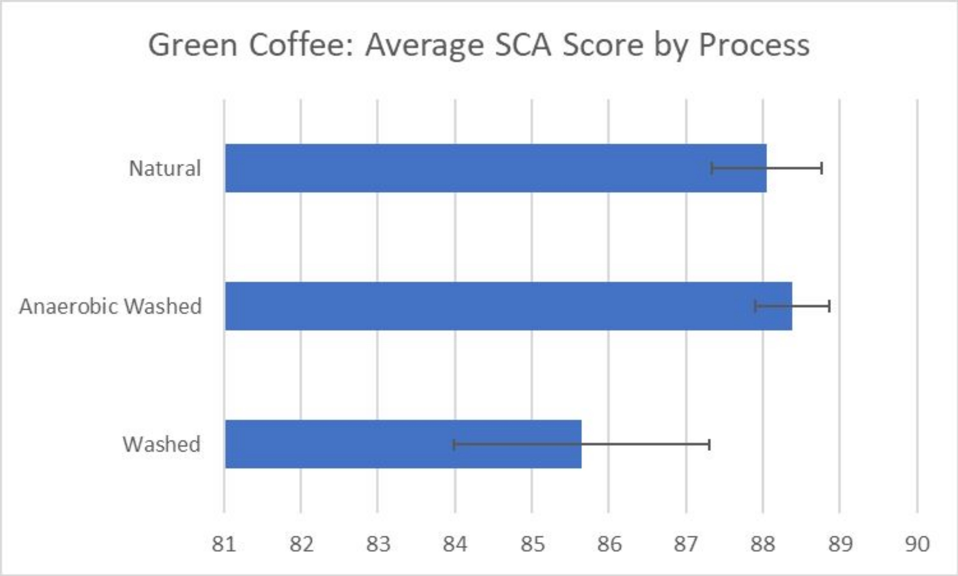




Green Coffee SCA Score Analysis





**A "Specialty Blend" includes no Castillo or Colombia.*
**Error Bars Indicate Standard Deviation*

Social Media and Specialty Coffee Marketing

How Does Specialty Coffee Fit Into The Broader Coffee Industry?

Broader Industry Social Media Posts…	“Specialty Coffee” Social Media Posts…
• Frequently featured latte art or different ways to flavor or prepare coffee. • Could generally be categorized into either making or consuming coffee. • Included the recurring words “lattes”, “espresso”, “love”, and “shop”. • Rarely discussed specialty coffee.	• Were associated with a coffee shop atmosphere and specific preparation methods (e.g., pour overs and espresso machines). • Scarcely captured the production-side, and rarely featured cherries, farms, or green coffee. Production-side posts received less engagement compared to their consumption-focused counterparts. ○ Posts from the hashtag “#directtradecoffee” generally placed more emphasis on the picking of cherries and the processes that the beans underwent prior to roasting (e.g., honey process, fermentation, etc…). These processes were explained and the stories pertaining to coffee were frequently expressed. • Few posts featured sugary drinks.

**On traditional retail websites, the “specialty” descriptor was frequently applied to artificially flavoured coffee.*

⇒ <u>Specialty coffee represents a very small niche of the broader coffee industry on Instagram.</u>
⇒ <u>The “specialty” label has no singular meaning — on social media, it is associated with advanced/expensive preparation methods. In stores, it implies a unique added flavoring.</u>

Social Media Themes and Formats in the Specialty Coffee Industry

Experimentation:

Trying out different brew techniques, roasting methods, or flavor combinations generates high engagement. Often involves testing common or traditional brew techniques.

Divisiveness:

Some posts evoke divisive opinions in the comments section, indicating that certain topics or approaches may spark debates among followers.

Informative:

General explanations of brew methods, coffee culture, coffee branding in conjunction to flavor profiling, and data related to coffee production and consumption.

Reviews and Comparisons:

Focuses on specific coffee types, origins, roasting, and processing; describes how different coffees taste. Lower engagement than other topics.

Budget Options:

Comparing coffee products across different price ranges by exploring budget options.

Sustainability and Ethics:

Addresses the sustainability and ethical aspects of the coffee industry, often from a critical perspective, shedding light on deceptive practices or information hidden from consumers.

Health and Wellbeing:

Explores the health benefits of coffee through studies or promotes mindfulness by emphasizing the ritualistic aspects of the coffee preparation process.

Describing Specialty Coffee:
How are Roasters and Retailers describing their Coffee?

(ONYX)

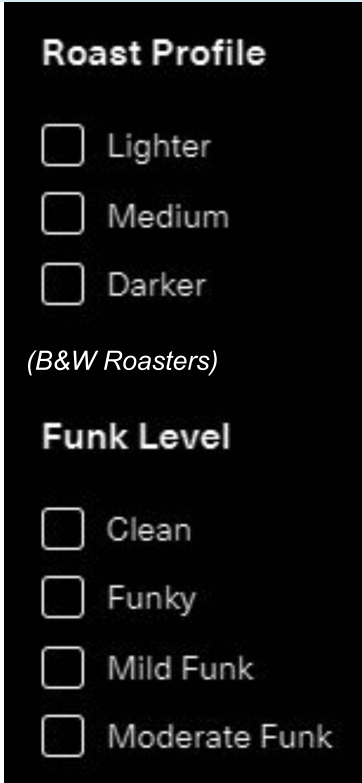
(Steeped)

Values:

- Produced by women
- Promote community building
- Support individuals
- Veteran-owned
- Supports sustainability
- Black-owned Business
- Celebration of Diversity and Unity

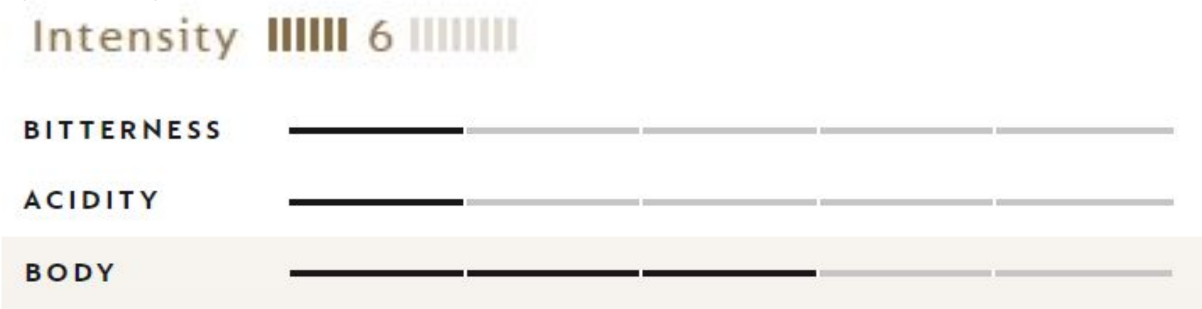
Words to Describe Flavor Profile:

- Complex vs. Clean
- Delicate vs. Bold
- Refreshing vs. Hearty
- Silky mouthfeel vs. Full-bodied



(B&W Roasters)

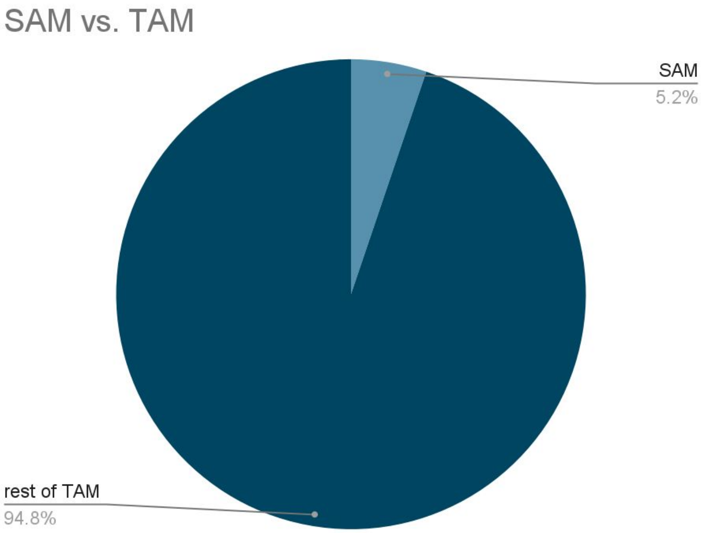
(Nespresso)



U.S. TAM & SAM

Cafe/Coffee Shop TAM

Based on an approximation of five different sources, this is my predicted range for the total number of cafes/coffee shops in the United States: 48,962 - 68,773.



Cafe/Coffee Shop SAM Criteria (what, why, and how)

- Cafes must not belong to a major franchise or brand that already has a vertically integrated supply chain. Therefore, the franchise or brand of a SAM company must not have more than 100 physical locations.
- International shipping is usually slower than domestic shipping. Cafes and coffee shops need to have empirical data to predict demand and work around a longer order fulfillment time, hence a SAM company will have been in business for 5+ years.
- Cafes and coffee shops have to be willing to pay a premium for better coffee in order to be serviceable by TCP. Thus, a SAM company will likely fall under the specialty coffee umbrella.
- International shipping has a greater economy of scale than domestic shipping. Cafes and coffee shops will likely need to be ordering in bulk in order for an international supplier to be economical. Therefore, a SAM company will have a high revenue, at approximately 500K a year.
- Cafes that need roasted beans: here we only examine the market for roasted coffee beans. Hence, we will limit the scope of our SAM to cafes and coffee shops that do not roast their own beans.

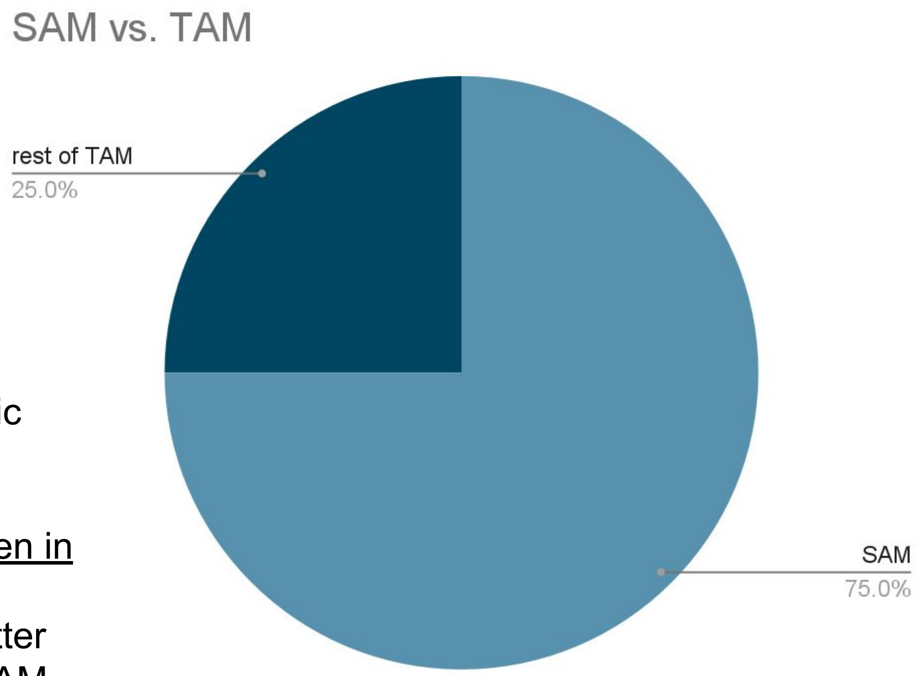
Calculated SAM: 1,497 - 4,623 Cafes/Coffee Shops or 109 - 337 Companies/Retailers

Roaster TAM

Based on an approximation of three different sources, this is my predicted range for the total number of coffee roasteries in the United States: 2,000 - 3,212.

Roaster SAM Criteria (what, why, and how)

- International shipping is usually slower than domestic shipping. Roasters need to have empirical data to predict demand and work around a longer order fulfillment time, hence <u>a SAM company will have been in business for 5+ years.</u>
- Roasters have to be willing to pay a premium for better coffee in order to be serviceable by TCP. Thus, <u>a SAM company will likely fall under the specialty coffee umbrella.</u>

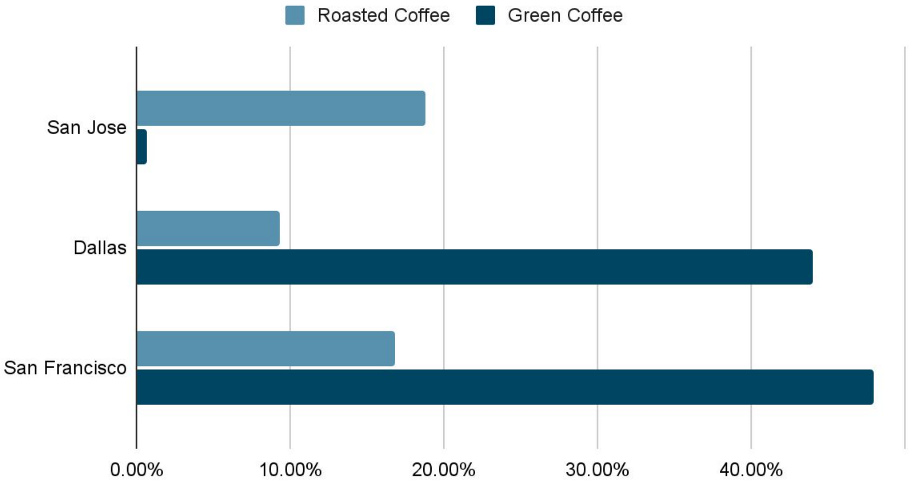


<u>Calculated SAM: 1,500 - 2,409 Roasters/Roasting Companies</u>

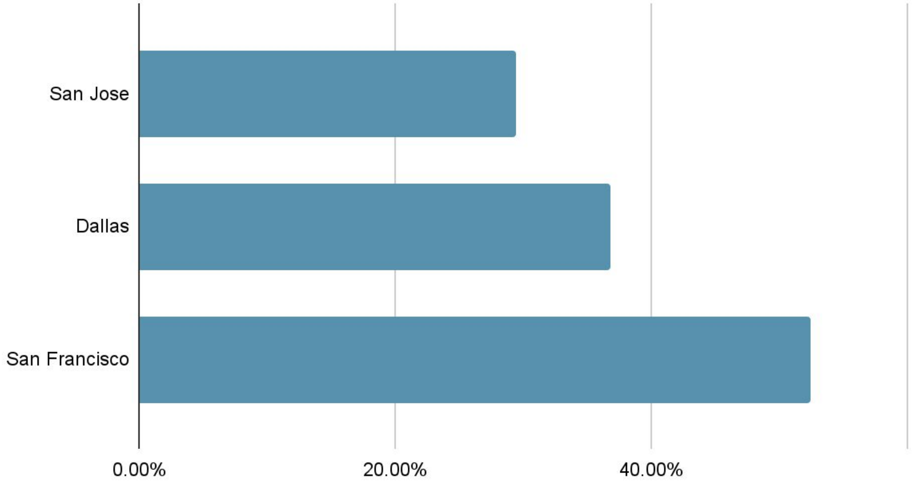
Secondary Markets: At a Glance

San Jose, Dallas, and San Francisco are high-population secondary markets that fulfill specific demographic criteria, including a substantial total population, a significant middle-aged demographic, and elevated Hispanic/Asian populations — factors closely linked to specialty coffee consumption.

SAM as a Percent of TAM: Cafes/Coffee Shops



SAM as a Percent of TAM: Roasteries



Secondary Markets: Demographic Factors in Cafe/Coffee Shop Location

	Dallas	San Francisco
Population Density	Moderate Correlation: while there are a large number of locations in downtown, most other locations are located in more sparsely populated zones.	High Correlation: most locations are concentrated around high-density regions, but there are exceptions.
Median Income	High Correlation: almost all locations are located in or border a zone with high or above-average household income.	Low Correlation: most low-income zones were near just as many (if not more) locations than their higher-income counterparts, with the exception of Tenderloin.
Median Age	Low Correlation: most locations can be found in or near regions with middle-aged median populations, but there are exceptions.	Low Correlation: some zones with older median populations have the highest concentration of locations while others had no locations.
Race Demographics	High Correlation: locations can consistently be found in majority-white zones and sometimes near majority-Hispanic zones. Notably absent are majority-Asian zones, and without the ability to control for income, it remains unclear whether race truly plays a role in determining who purchases specialty coffee.	Moderate Correlation: locations can generally be found bordering or in majority-Asian and majority-Hispanic zones, but there are exceptions.

**Data for San Jose was too limited to include*