PRELIMINARY STUDY INTO THE MARKETING MIX AND TARGET MARKET FOR KOFFIE FABRIEK AROMA

Matahari Kesadaran and Harimukti Wandebori
School of Business and Management
Institut Teknologi Bandung, Indonesia
matahari@sbm-itb.ac.id

Abstract - Koffie Fabriek Aroma is a family-owned coffee business in Bandung that has been in operation for more than 80 years. Koffie Fabriek Aroma currently focuses more on market dominance strategies, operations, and human resource instead segmenting, targeting, and positioning, or analyzing weaknesses in its marketing mix. Therefore, Koffie Fabriek Aroma is limited in its marketing tactics, which relies almost solely on word-of-mouth. Although Koffie Fabriek Aroma is popular among a niche market, there are still many people who have never heard of Koffie Fabriek Aroma, especially outside of the Bandung area, so it may further expand its business by using other differentiated targeting strategies, such as online marketing. Conducting marketing mix and market segmentation analysis may help Koffie Fabriek Aroma grow by allowing it to target customers and position itself more effectively. This study aims to find the market segment for Koffie Fabriek Aroma customers in terms of demographic, geographic, behavioral, and psychographic characteristics. It also aims to analyze the effectiveness of Koffie Fabriek Aroma's current marketing mix in terms of the 4 P's (product, price, promotion, and place). This study uses a mixed-method design which combines aspects of both quantitative and qualitative research. Quantitative data was collected through online questionnaires, which used purposive sampling in order to collect 107 respondents age 18 and older in the Greater Bandung (which includes Cimahi, and surrounding areas) and Greater Jakarta (which includes Bogor, Depok, Tangerang, Bekasi, and surrounding areas) metropolitan areas who have heard of Koffie Fabriek Aroma. The survey was distributed online via Google Forms from 22 June 2015 to 27 July 2015. Qualitative data was collected through observations conducted at the Koffie Fabriek Aroma store on Jalan Banceuy during Monday, 18 May 2015 at 12:00 PM and Wednesday 15 July 2015 at 11:00 AM for one hour each. The results from both sources of data were analyzed and compared to see if there was a convergence of evidence that would allow strong conclusions to be made. The study concluded that there may be a significant segment of Koffie Fabriek Aroma customers among males age 40-64, and that there may be a large proportion of smokers among its customers. 79.59% of regular coffee buyers in this sample are active on social media, indicating that there may be opportunities for online marketing. In terms of marketing mix, the study concluded that Koffie Fabriek Aroma had a good product, due to its strong flavor and unique taste, and good pricing, but poor promotion and distribution, because its main store is located in an unclean and crowded area in Jalan Banceuy, and it cannot be easily purchased elsewhere.

Introduction

Koffie Fabriek Aroma was established in 1930 by Tan Houw Sian. Mr. Sian had previously worked for a Dutch company, where he developed the expertise needed to start his own business. Today, Koffie Fabriek Aroma still uses the same old coffee processing machines used in 1930, which uses firewood from rubber trees instead of gas. This allows the coffee to roast more slowly and retain more of its original aroma. Koffie Fabriek Aroma uses only organic, high-quality coffee which has undergone an aging process. Raw arabica coffee is stored for 8 years, while robusta coffee is stored for 5. The business sources coffee from various regions around Indonesia, such as Java, Toraja, Aceh, Lampung, Medan, and Flores (Hilda, 2014).

Literature Review

Market Segmentation

Market segmentation divides customers into meaningful groups that share similar traits. There are five major types of market segmentation: geographic, demographic, psychographic, and behavioral (Kotler & Armstrong 2013). Hybrid segmentation consists of analyzing two or more different types of market segmentation, such as geo-demographic segmentation, geo-psychographic segmentation, and more.

Targeting

A target market is a specific group of customers that share certain traits that the company has the ability and desire to serve. Due to time and money constraints, companies cannot possibly appeal to all different types of customers in the same ways. Therefore, companies must choose the customers they can service best and most profitably by taking into consideration their staff, knowledge, equipment, capabilities, and brand. They must also take into consideration their competitor's ability to serve the same target market (Fleisher & Bensoussan 2003). In selecting target markets, the company must evaluate different segments to see which ones they could serve best and decide how many to choose.

Positioning

Positioning is the complex set of perceptions, impressions, and feelings that a customer has for a company's product compared to a competitor's product. In its simplest form, customers usually divide a product's basic values among two axes, high quality-low quality, and high price-low price. It is important for the company to actively cultivate a strong brand image in order to minimize the chance that customers will form their own negative perceptions about the brand (Neumeier 2004). This is done by creating an effective marketing mix, which includes product, price, place, promotion, and sales effort. The company must stress the product's values and uniqueness from its competitors in all of its communications (Porter 1996). There are three steps in the positioning process, choosing a positioning strategy, communicating the chosen position, and delivering the chosen position. Choosing a positioning strategy includes differentiation, meaning that the company's products, brand, packaging, service, channel, people, image, and symbols must be unique from its competitors (Clark 2011). It must then decide how many of these unique selling points to promote and which ones to promote. A unique selling proposition (USP) is the company's most competitive attribute which must be communicated to the public in order to increase the value of its brand. The USP can be formalized by writing a positioning statement – a single sentence that establishes the target segment and its needs, the company's brand, the brand's concept, and its point of difference from other brands (Kotler & Armstrong 2013).

Marketing Mix

The marketing mix is a business tool which allows businesses to analyze the effectiveness of their marketing by breaking it down into its most basic components. Jerome E. McCarthy introduced the concept of the four P's in 1964 (McCarthy 1964), which divides the marketing mix into four parts, product, price, promotion, and place (distribution).

Methodology

Data Collection

This thesis is a preliminary study that aims to generate new insights into Koffie Aroma's marketing mix and market segmentation. As this thesis is a preliminary study, it does not aim to obtain a complete sampling frame, which would require contact information and participatory consent from the entire population of Koffie Aroma customers. Since probability sampling cannot be used, a multimethodology or "mixed-method" will be used that combines qualitative and quantitative approaches in order to address the weaknesses that each approach may have individually, and derive a stronger conclusion through consilience, or convergence of evidence.

Questionnaires provide the quantitative data in this mixed-method research. The questionnaire will consist of nominal-polytomous closed-ended questions, in which respondents have more than two unordered options. The questionnaire will also include Likert scale items, in which respondents specify their level of agreement to specific questions on a 1-5 scale, "1" being strongly disagree, "2" being disagree, "3" being neither agree or disagree, "4" being agree, and "5" being strongly agree. Multiple response questions are included, in which respondents can choose multiple answers from the options provided, or input their own answer. Finally, open-ended questions are included, in which respondents are free to write any answers they want. These answers are later coded into categories which could be inputted for statistical analysis. The questions were developed based on the advice of regular coffee buyers in regards to which questions would be relevant to ask in order to collect the appropriate market segmentation data, and were approved by the author's thesis advisor before the questionnaire was distributed online.

Slovin's formula ($n = N / (1 + Ne^2)$) will be used to determine sample size, where n = Number of samples, N = Total population and e = Error tolerance). The error tolerance will be 10%. Since the population is unknown, the sample has to be determined by calculating the limit of n as N approaches infinity, which equals 100 samples.

Purposive sampling will be used to collect respondents among people 18 years and older in the Greater Bandung (which includes Cimahi, and surrounding areas) and Greater Jakarta (which includes Bogor, Depok, Tangerang, Bekasi, and surrounding areas) metropolitan areas who have heard of Koffie Fabriek Aroma because the large majority of Koffie Aroma customers are concentrated in these two areas. The survey will be distributed online via Google Forms from 22 June 2015 to 27 July 2015.

Observation was conducted at the Koffie Fabriek Aroma store on Jalan Banceuy during Monday, 18 May 2015 at 12:00 PM and Wednesday, 15 July 2015 at 11:00 AM for one hour each to analyze Koffie Fabriek Aroma's marketing mix and potential market segment.

Data Analysis

The independent variable in this analysis is "Type of Customer" (regular or non-regular Koffie Aroma customer). When statistical analysis does not show a significant difference between these two categories, the categories "Regular Coffee Buyer" and "Non-Regular Coffee Buyer" will be analyzed to see if there are potential market segments among regular coffee buyers in general. Regular Koffie Fabriek Aroma customers are respondents who purchase at least 250 grams of Koffie Fabriek Aroma per month. Regular coffee buyers are those who purchase at least 250 grams of coffee per month in general.

The Pearson chi-square test will be used to compare two categorical variables in order to see if there is a difference between regular vs non-regular Koffie Fabriek Aroma customers or regular vs. non-regular coffee buyers when compared against different dependent categorical variables. Fisher's exact test when expected values are less than 5. A p-value of .05 or less is needed to prove

significance. The effect size will be calculated using Cramer's V. Since the independent variables are binomial, a Cramer's V score of .1, indicates a weak relationship, .3 indicates a moderate relationship, and .5 indicates a strong relationship.

Adjusted residuals will be used to calculate the degree to which individual categories differ from the expected counts. An adjusted residual of 1.96 or -1.96 means that the result is statistically significant. An adjusted residual which shows statistical significance indicates that one of the categories in the independent variable may be different from the other category in relation to the dependent variable category which it is tested against. (Agresti, 2002).

The Mann-Whitney U Test will be used to compare one independent categorical variable and one dependent ordinal variable in order to see if there is a difference between regular vs non-regular Koffie Fabriek Aroma customers or regular vs. non-regular coffee buyers when compared against different dependent ordinal variables. A p-value of .05 or less is needed to prove significance. The effect size will be calculated using the equation shown in figure 3.3, where r is the effect size, z is the z-score, and N is the sample size. An r value of .1 indicates a small relationship, .3 indicates a moderate relationship, and .5 indicates a strong relationship.

Frequency analysis will be used when analyzing multiple response sets, as these sets do not meet the requirements for independence of the row variables, and thus cannot be analyzed using chi-square or Mann-Whitney U test, as there would lead to inflated results.

As the survey uses non-probability samples, it alone cannot be used to make generalizations about the population. Therefore, the questionnaire results will be compared against data obtained through observation in order to see if the evidence converges. If results obtained from the questionnaire matches with the data obtained through observation, then the chance of the result being an error decreases, and stronger conclusions can be made (Wilson 1998).

Validity & Reliability
Data cleansing is the process of removing invalid responses from the data set in order to maintain the accuracy of the research. A respondent may be excluded from the study if the respondent submits double responses, provides logically inconsistent answers (i.e. a respondent rates Koffie Fabriek Aroma's location highly when answering Likert scale items but writes in an open response that he/she has never visited the store), enters identical responses to all Likert scale items regardless of the question (i.e. all 3's), does not fulfill the criteria for this purposive sample, or show other signs of being an invalid respondent. Any responses which do not appear to be clean will be removed in order to maintain the accuracy of the study.

Construct validity tests refers to whether or an item in the survey accurately measures what it is supposed to measure, as tested through objective statistical analysis (Cronbach, 1955). There are two ways to determine construct validity: convergent validity and discriminant validity (Campell and Fiske, 1959).

Convergent validity is proven when two variables which should be related are statistically proven to correlate. The Pearson chi-square test for independence will be used to determine the convergent validity of independent categorical variables when tested against dependent categorical variables. Fisher's exact test will be used instead of the Pearson chi-square test when more than 20% of cells have expected counts less than 5. The Mann-Whitney U test will be used to determine the convergent validity of independent categorical variables when tested against dependent ordinal variables. A p-value of .05 or less is needed to indicate convergent validity.

Discriminant validity is proven when two variables which should not be related are not statistically proven to correlate. The Pearson correlation test will be used to test discriminant validity. A p-value

greater than .05, or a Pearson correlation value of less than .2 is needed to indicate discriminant validity.

Face validity tests refers to whether or an item in the survey accurately measures what it is supposed to measure according to the researcher's subjective judgement. An item may not have face validity if its results contradicts stronger sources of evidence, or does not help to answer the research questions.

Cronbach's alpha is a coefficient of reliability that measures whether or not items in group are closely related. It is used in this study to determine internal consistency reliability among Likert scales. A Cronbach's alpha score of .7 is needed for a Likert scale to be considered reliable and viable for analysis.

Data Analysis

Validity & Reliability
If the categories "Regular Koffie Fabriek Aroma Customer" and "Non-Regular Koffie Fabriek Aroma Customer" have convergent validity, the results should show that more regular Koffie Fabriek Aroma customers list Koffie Fabriek Aroma as their favorite brand compared to non-regular customers. The table below shows that this is indeed the case (p-value = .002).

Table 1. Chi-square test of the variables "Type of Customer" (regular vs non-regular Koffie Fabriek Aroma customers) and "Is Koffie Fabriek Aroma your favorite brand?"

Type of Customer * Is Koffie Aroma your favorite brand? Crosstabulation

			Is Koffie Aroma your favorite brand?		Total
			Yes	No	
Type of Customer	Regular Koffie Aroma Customer	Count	13	20	33
		Expected Count	6.8	26.2	33.0
		Adjusted Residual	3.2	-3.2	
	Non-Regular Koffie Aroma Customer	Count	9	65	74
		Expected Count	15.2	58.8	74.0
		Adjusted Residual	-3.2	3.2	
Total		Count	22	85	107
		Expected Count	22.0	85.0	107.0

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	10.362[a]	1	.001	.002	.002	
Continuity Correction[b]	8.762	1	.003			
Likelihood Ratio	9.696	1	.002	.003	.002	
Fisher's Exact Test				.003	.002	
Linear-by-Linear Association	10.265[c]	1	.001	.002	.002	.002
N of Valid Cases	107					

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.79.

b. Computed only for a 2x2 table

c. The standardized statistic is 3.204.

If these categories have discriminant validity, the results should not show that there is no correlation between the type of customer (regular vs non-regular Koffie Fabriek Aroma customer) and the order in which participants submitted their answers. Table 4.2 does not show any correlation between

these two variables (p-value > .05). Even if alpha is set at .01, a Pearson correlation value of .161 indicates no or negligible relationship. Therefore, the categories have discriminant validity.

Table 2. Pearson correlation test of the variables "Type of Customer" (regular vs non-regular Koffie Fabriek Aroma customer) and "Order of Submission"

Correlations

		Type of Customer	Order of Submission
Type of Customer	Pearson Correlation	1	.161
	Sig. (2-tailed)		.097
	N	107	107
Order of Submission	Pearson Correlation	.161	1
	Sig. (2-tailed)	.097	
	N	107	107

If the categories "Regular Coffee Buyer" and "Non-Regular Coffee Buyer" have convergent validity, the results are expected to show that regular coffee buyers have been coffee drinkers for a longer period of time than non-regular coffee buyers. Table 4.3 shows that this is indeed the case (p-value = .000). Descriptive statistics show that median regular coffee buyers have been coffee drinkers for 10 or more years, while median non-regular coffee buyers have only been coffee drinkers for 3-5 years.

Table 3. Mann-Whitney U test of the variables "Type of Customer" (regular vs non-regular coffee buyer) and "How long have you been a coffee drinker?"

Ranks

	Type of Customer	N	Mean Rank	Sum of Ranks
How long have you been a coffee drinker?	Regular Coffee Buyer	56	63.62	3562.50
	Non-Regular Coffee Buyer	51	43.44	2215.50
	Total	107		

Test Statistics[a]

	How long have you been a coffee drinker?
Mann-Whitney U	889.500
Wilcoxon W	2215.500
Z	-3.546
Asymp. Sig. (2-tailed)	.000
Exact Sig. (2-tailed)	.000
Exact Sig. (1-tailed)	.000
Point Probability	.000

a. Grouping Variable: Type of Customer

Furthermore, if these categories have convergent validity, the results should show that regular coffee buyers drink more coffee per day than non-regular coffee buyers. The table below shows that this is indeed the case (p-value = .000). Descriptive statistics show that median regular coffee buyers

drink 2 times per day, while median non-regular coffee buyers do not drink coffee every day. Therefore, these categories have convergent validity.

Table 4. Mann-Whitney U test of the variables "Type of Customer" (regular vs non-regular coffee buyer) and "How often do you drink coffee per day on average?"

Ranks

	Type of Customer	N	Mean Rank	Sum of Ranks
How often do you drink coffee per day on average?	Regular Coffee Buyer	56	63.82	3574.00
	Non-Regular Coffee Buyer	49	40.63	1991.00
	Total	105		

Test Statistics[a]

	How often do you drink coffee per day on average?
Mann-Whitney U	766.000
Wilcoxon W	1991.000
Z	-4.180
Asymp. Sig. (2-tailed)	.000
Exact Sig. (2-tailed)	.000
Exact Sig. (1-tailed)	.000
Point Probability	.000

a. Grouping Variable: Type of Customer

If these categories have discriminant validity, the results should not show that there is no correlation between the type of customer (regular vs non-regular coffee buyer) and the order in which participants submitted their answers. Table 4.5 does not show any correlation between these two variables (p-value > .05). Therefore, the variables have discriminant validity.

Table 5. Pearson correlation test of the variables "Type of Customer" (regular vs non-regular coffee buyer) and "Order of Submission"

Correlations

		Type of Customer	Order of Submission
Type of Customer	Pearson Correlation	1	.126
	Sig. (2-tailed)		.196
	N	107	107
Order of Submission	Pearson Correlation	.126	1
	Sig. (2-tailed)	.196	
	N	107	107

Results from Likert scales were not used in this analysis because only one scale had a Cronbach's alpha value greater than 7. This scale, which measured the quality of Koffie Fabriek Aroma's distribution, was found not to have face validity because the mean and mode on most items were 3 (neither agree or disagree), thus, judgements about the quality of Koffie Fabriek Aroma's

distribution cannot be derived from this scale. However, the quality of Koffie Fabriek Aroma's distribution (along with all other aspects of the marketing mix) will be assessed via the open responses analyzed later in this chapter.

Profile of Respondents
Out of 150 respondents that completed the questionnaire, 107 respondents were judged to be valid, and were included in the study. Most of the respondents were age 26-40 (40.19%), followed by 40-64 (29.91%), 18-21 (17.76%), and 22-25 (12.15%). The proportion of male and female respondents were approximately even. 54 were male and 53 were female. Most respondents have a bachelor's degree (47.66%), followed by respondents that have master's degrees (33.64%), doctorate degrees (7.48%), associate's degrees and high school degrees (5.61%) Most respondents were students (25.2%), followed by private employees (21.50%), self-employed (19.6%), civil servants (9.3%), and professors (8.4%).

Most respondents were from Bandung (56.07%). 19.63% were from Jakarta, and 7.48% were from Tangerang. The median monthly expenditure among respondents is 3-4 million Rupiah. Koffie Fabriek Aroma was the most favored brand in this survey (20.56%), followed by Starbucks (15.89%), Kapal Api (14.95%), and Luwak White Koffie (6.54%). Espresso was the most favored coffee preparation method in this survey (31.76%), followed by "kopi tubruk" (25.23%), instant coffee (18.69%), French press (9.35%), and boiled coffee (6.54%). Manual drip (4.67%) and machine drip (3.74%) are the least favorite coffee preparation methods. Instant coffee was the most popular coffee preparation method at home (46.73%), followed by "kopi tubruk" (28.97%), espresso (6.54%), French press (6.54%), manual drip (5.61%), boiled coffee (3.74%), and machine drip (1.87%).

Demographic & Geographic Segmentation
The chi-square test failed to prove that there was a significant difference between regular Koffie Fabriek Aroma customers and non-regular Koffie Fabriek Aroma customers in terms of age. However, the chi-square test did prove (p-value = .029) that there was a difference in age levels between regular coffee buyers and non-regular coffee buyers. There is a small relationship between age and type of coffee buyer (Cramer's V = .290). An adjusted residual value of -2.5 indicates that the proportion of 18-21 year olds among regular coffee buyers was significantly less than it should be if there was no difference between the two groups. Furthermore, 44.64% of regular coffee buyers are ages 26-40, while 37.5% are ages 40-64.

The chi-square test could not prove with 95% confidence that there was a significant difference between regular and non-regular Koffie Fabriek Aroma customers in terms of sex. However, the test did prove that there was a significant difference in sex between regular and non-regular coffee buyers (p-value = .034), although the relationship between type of customer and sex is small (Cramer's V = .215). The adjusted residual values show that there was a significantly higher proportion of males (2.2) and a significantly lower proportion of females (-2.2) among regular coffee buyers compared to non-regular coffee buyers.

The chi-square test was unable to prove that there was a significant difference between regular and non-regular Koffie Fabriek Aroma customers in terms of occupation. However, the test did prove that there was a significant difference in occupation between regular and non-regular coffee buyers (p-value = .003). The Cramer's V score (.468) indicates that there is a medium (almost strong) relationship between type of customer and occupation. The adjusted residual values show that there is a significantly lower proportion of students (-3.6) and a significantly higher proportion of self-employed workers among regular coffee buyers (2.4).

The chi-square test could not prove that there was a significant difference between regular and non-regular Koffie Fabriek Aroma customers in terms of education. The test was also unable to prove

that there was a significant difference between regular and non-regular coffee buyers in terms of education.

The Mann-Whitney U test did not prove that there was a significant difference in monthly expenditure between regular and non-regular Koffie Fabriek Aroma customers. However, the test did show that there was a significant difference (p-value = .039) in monthly expenditure between regular and non-regular coffee buyers. The median monthly expenditure among regular coffee buyers was 4-5 million Rupiah, while the median monthly expenditure among non-regular coffee buyers was 2-3 million Rupiah. The effect size was calculated to be .2, meaning that there is a small relationship between type of customer and monthly expenditure.

The chi-square test was unable to prove that there was a significant difference between regular and non-regular Koffie Fabriek Aroma customers in terms of city of residence. The test was also unable to find a significant difference between regular and non-regular coffee buyers in terms of city of residence.

Behavioral Segmentation
The chi-square test was unable to prove that there was a significant difference between regular and non-regular Koffie Fabriek Aroma customers in terms of their favorite coffee preparation method overall. This chi-square test was also unable to prove that there was a significant difference between regular and non-regular coffee buyers in terms of favorite coffee preparation method overall.

The chi-square test was able to prove that there was a significant difference between regular and non-regular Koffie Fabriek Aroma customers in terms of favorite coffee preparation method at home. A Cramer's V value of .364 indicates that the relationship between type of customer and favorite coffee preparation method at home is moderate. The adjusted residuals show that there is significantly less (-3.1) respondents who favor instant coffee and significantly more (2.4) respondents who favor French press among regular Koffie Fabriek Aroma customers.

This multiple response set indicates that regular Koffie Fabriek Aroma customer drink coffee most often in the morning (63.6%) and the afternoon (42.4%). Results show that regular coffee buyers also drink coffee most often in the morning (75%) and the afternoon (41.1%). Non-regular coffee buyers, on the other hand, drink coffee most often at night (35.3%).

Regular Koffie Fabriek Aroma customers most prefer to consume coffee with snacks (66.7%), followed by cigarettes (33.3%). Regular coffee buyers also prefer to consume coffee with snacks (67.9%) and cigarettes (30.4%). Non-regular coffee buyers prefer to consume coffee with snacks (54.9%), but few prefer to consume coffee with cigarettes (only 9.8%).

Regular Koffie Fabriek Aroma customers prefer to drink coffee alone (84.8%) or with friends (63.6%). Regular coffee buyers also prefer to drink coffee alone (83.9%) or with friends (57.1%). Non-regular coffee buyers likewise prefer to drink coffee alone (62.7%) or with friends (60.8%).

Regular Koffie Fabriek Aroma customers most often purchase coffee for themselves (81.8%), followed by their family (45.5%). Regular coffee buyers also purchase coffee for themselves most frequently (82.1%), followed by for their family (42.9%). Non-regular coffee customers likewise purchase coffee for themselves most frequently (80.4%), followed by for their family (41.2%).

Most regular Koffie Fabriek Aroma customers use the computer (57.6%), have conversations (51.5%), and read (45.5%) when drinking coffee. Most regular coffee buyers also use the computer (55.4%), have conversations (48.2%), or read (37.5%) when drinking coffee. Most non-regular coffee buyers have conversations (51%), use the computer (47.1%) or do office work (35.3%) when drinking coffee.

Aside from regular coffee, regular Koffie Fabriek Aroma customers prefer Mocha flavor (30.3%) the most. Caramel (24.2%), hazelnut (24.2%), ginger (21.2%), and vanilla (21.2%) are also preferred. Regular coffee buyers also prefer mocha (26.8%), hazelnut (25%), caramel (21.4%), and ginger (21.4%), although less prefer vanilla (17.9%) and 21.4% prefer no flavoring at all. Non-regular coffee buyers prefer caramel (37.3%), mocha (35.3%), hazelnut (31.4%), and vanilla (27.5%).

Psychographic Segmentation
The chi-square test failed to prove that there was a significant difference in favorite movie genre between regular and non-regular Koffie Fabriek Aroma customers. The test also failed to show that there was a significant difference between regular and non-regular coffee buyers in terms of favorite movie genre.

The chi-square test indicates that there was a significant difference between regular and non-regular Koffie Fabriek Aroma customers in terms of favorite reading genre (p-value = .041). A Cramer's V value of .417 indicates that there is a medium relationship between type of customer and favorite reading genre. The adjusted residuals show that Koffie Fabriek Aroma customers are more likely to read politics (2.8) and other novels (3.1).

Promotion & Distribution
The large majority of respondents learned about Koffie Fabriek Aroma from friends or family (83.2%). Only a small minority learned about it through the internet (14%), television (9.3%), or newspapers (8.4%). The large majority of respondents purchased Koffie Fabriek Aroma from the main store in Jalan Banceuy (68.2%). There are only a few other locations where Koffie Fabriek Aroma may be bought, including supermarkets in Setiabudhi and Riau.

Comments about Koffie Fabriek Aroma
The most frequent positive comment about Koffie Fabriek Aroma among respondents is that it is delicious (36.4%), fragrant (21.5%), and traditional (16.8%). It is also seen as renowned (10.3%), affordable (8.4%), and not acidic (8.4%). The most frequent negative comments about Koffie Fabriek Aroma include poor distribution (19.6%), promotion (10.3%), store design (6.5%), and location (5.6%).

Observation
The author visited the Koffie Fabriek Aroma main store on Jalan Banceuy on Monday, 18 May 2015 at 12:00 PM via motorcycle in order to conduct observation. The author noticed that the roads leading to and from Jalan Banceuy were extremely crowded, especially around the Pasar Baru area. There was a lot of dust in the air, and trash littered the side of the roads. Some of the buildings were dilapidated. There was heavy traffic, even at this hour. There is a small road across Pasar Baru that could be used as a shortcut to get to Koffie Fabriek Aroma, but traffic regulations were not enforced here, and navigating through it was challenging, as it was filled with food carts, street merchants, and vehicles driving on the wrong side of the lane. The area around the Koffie Fabriek Aroma store itself lacked parking spots. The parking spots which were available were controlled by "preman," or peddlers, so customers have to pay for parking.
When the author visited the store, the waiting line was very long. It took roughly 15 minutes to purchase coffee from the store. The author listened to other customers in line and learned that Koffie Fabriek Aroma could only currently be purchased in Jalan Banceuy, or in supermarkets in Riau and Setiabudhi. However, the customers chose to purchase the coffee at Jalan Banceuy because they claimed it was fresher. Most of the customers were middle-aged males around 40-60 years of age.

The store itself lacked space, furniture, and decorations. The store mainly consisted of a purchasing counter located 3 meters away from the curb. There were large sacks of coffee behind the counter,

along with a few scales and tables. Employees work behind the counter to carry out customer orders and other tasks given by the owner. Customers would wait in line on the curb until it was their turn to approach the counter. The employee manning the counter would then ask for their orders. Coffee would then be scooped from the sack, weighted on a scale, and bagged. Afterwards, the customer would complete the purchase and leave. The owner, Mr. Widyapratama, his wife, and his daughters work at the store and help with day-to-day operations. They are fairly visible and sometimes even carry out customer orders themselves.

When the author visited the Koffie Fabriek Aroma store again on 15 July 2015 at 11:00 AM, the area was much less crowded. A Korean businessman visited the store and ordered several crates of coffee to take back to Korea. The store closed at 12:00 PM on this day, instead of 3:00 PM like it usually does. However, this visit took place the day before Eid-ul-Fitr Holiday, which may explain these discrepancies.

In observing conversations among Koffie Fabriek Aroma customers, the author learned that Koffie Fabriek Aroma Arabika had a unique, slightly chocolate-like flavor which other coffees did not have, a strong aroma, and low acidity. However, Koffie Fabriek Aroma Robusta was more acidic and was not as chocolate-like as the Arabika variety. Koffie Fabriek Aroma appeared to have a loyal following as many customers were willing to wait through large waiting lines and heavy traffic in order to purchase this specific brand of coffee.

Conclusion

Segmenting, Targeting, and Positioning
Based on this research, the market segment for regular coffee buyers are males 26 years and older. There is a high concentration of self-employed workers among regular coffee buyers. The research found that regular coffee buyers have a higher monthly expenditure than non-regular coffee buyers, and that the median monthly expenditure for regular coffee buyers is 4-5 million Rupiah. In terms of psychographics, regular Koffie Fabriek Aroma customers prefer to read novels and political books, although the author is reluctant to make inferences based on this data as the related chi-square analysis have low expected counts. Regular Koffie Fabriek Aroma customer also prefer to prepare their coffee via French press or "kopi tubruk" while at home, and tend not to drink instant coffee as frequently as other people. Both regular Koffie Fabriek Aroma customers and other regular coffee buyers drink coffee most frequently in the morning, followed by the afternoon. Regular Koffie Fabriek Aroma customers and other regular coffee buyers also prefer to drink coffee accompanied by snacks or cigarettes. These groups drink coffee alone most frequently, although many also like to drink coffee accompanied by friends. Regular Koffie Fabriek Aroma customers and other regular coffee buyers purchase coffee for themselves most frequently, followed by for their families. Regular Koffie Fabriek Aroma customers and other regular coffee buyers often use the computer when drinking coffee, although having conversations and reading are also popular activities. Mocha, caramel, and hazelnut are the most popular alternative coffee flavors among regular Koffie Fabriek Aroma customers and other regular coffee buyers.

The author suggests that Koffie Fabriek Aroma target regular coffee buyers among males ages 40-64. This decision is supported by observational data and crosstable analysis which shows with about 93% confidence that there is a greater proportion of 40-64 year olds among regular coffee buyers compared to non-regular coffee buyers. Koffie Fabriek Aroma may also choose to target smokers as there is a large proportion of smokers among regular Koffie Fabriek Aroma customers and other regular coffee buyers in general (over 30%). Online marketing may also be a viable option as many regular Koffie Fabriek Aroma customers (57.6%) and other regular coffee buyers (55.4%) often use the computer while drinking coffee. This indicates that Koffie Fabriek Aroma customer are generally computer literate, although this sample does suffer from self-selection bias as the survey was conducted online. Because Koffie Fabriek Aroma is relatively affordable, there is no need to target

customers based on monthly expenditure or income. Koffie Fabriek Aroma's distribution is currently still limited to Bandung, so targeting should initially focus on customers in the Bandung area. Recommendations on psychographic targeting cannot be made with confidence based on the reasons outlined in the previous section. However, a respectable marketing plan can still be created based on demographic, geographic and behavioral targeting.

Koffie Fabriek Aroma should position itself as a brand that produces world-class, traditional Indonesian coffee based on classical methods and equipment. It may even choose to emphasize a higher degree of secrecy around its production method in order to give the brand a greater aura of exclusivity. It should position itself as a brand for genuine, experienced coffee connoisseurs who can tell the difference between authentic, high-class coffee and lesser-quality commercial imitators. This is already the image customers have about Koffie Fabriek Aroma, so a promotional campaign only needs to accentuate these qualities.

Marketing Mix
This research indicates that Koffie Fabriek Aroma produces a very high-quality product that is unique from its competitors. The author recommends that Koffie Fabriek Aroma use better quality packaging with more aesthetically appealing graphics, as the current packaging is made out of thin paper and has a poor design. On the other hand, its use of colonial-era spelling accentuates the brand's traditional qualities. The author suggests the brand retains its paper packaging, as this is more environmentally friendly and makes the brand unique from competitors that use plastic packaging. However, thicker paper should be used, and graphic designers should be hired to design a more attractive design, while still maintaining its traditional aesthetics. In addition, Koffie Fabriek Aroma may choose to introduce more flavors, specifically caramel and hazelnut, as these flavors are popular among regular coffee buyers.

The research indicates that Koffie Fabriek Aroma is reasonably priced as there has been no negative comments about its price, and some respondents have commented that it was, in fact, affordable. Koffie Fabriek Aroma is also less expensive than other competitors in the premium ground coffee group, such as JJ Royal. Based on these sources of evidence, the author recommends that Koffie Fabriek Aroma maintains its current price.
Koffie Fabriek Aroma needs to improve its promotion as it currently only relies on word of mouth. The author does not recommend expensive, non-discriminate targeting tactics as Koffie Fabriek Aroma is a relatively small business, despite its renown.

Online marketing using differentiated targeting may be a viable option, as it can be very cost effective. Among regular coffee buyers who provided information about their social media behavior in this survey, 79.59% agreed or strongly agreed that they used social media often. Regular coffee buyers are most active on Facebook (73.5%), Line (42.9%), and Instagram (38.8%), and are most active on Saturday (81.6%), Sunday (79.5%), and Friday (71.4%). Regular coffee buyers are most active on social media between 19:00 - 21:59. 38.8% of respondents are active between 19:00 - 19:59, 42.9% active between 20:00 - 20:59, and 40.8% are active between 21:00 - 21:59. 36.7% are also active between 12-12:59, supposedly during lunch break. These results correlates with the author's observation, which provides the data with face validity.

This data allows efficient, differentiated targeting advertising campaigns to be planned via Facebook. The campaign should be run Friday to Sunday from 19:00 to 22:00. Facebook's tools allows the campaign to specifically target 40-64 year old males from Bandung that are interested in coffee and cigarettes. Because this segment is very specific, this advertising campaign should be very cost-effective compared to other methods. Similar advertising campaigns may be run via Google Ads.

In addition to advertisements on Facebook and Google, Koffie Fabriek Aroma may also choose to advertise on Detik.com, as it is fairly popular among regular coffee buyers (37% list it as their favorite website). Aside from paid advertisements, Koffie Fabriek Aroma should also be active on Instagram and Line, and regularly post interesting materials which will appeal to their target market. Posts do not always have to be related coffee. Any posts that will create interest among the target market can create interest in Koffie Fabriek Aroma due to positive association, so posts about lifestyle, interesting facts, or current events may also be appropriate as long as it is relatable to 40-64 year old male coffee drinkers in Bandung.

Koffie Fabriek Aroma can begin to explore other marketing strategies once it has successfully conquered its target market in Bandung (i.e. targeting other age groups & cities).

Based on the results of this research, place (distribution) the part of the marketing mix which Koffie Fabriek Aroma needs to improve the most. Right now, Koffie Fabriek Aroma is located in a bad location which regularly suffers from heavy traffic, crowdedness, a lack of cleanliness and organization, few parking spaces, and more. Furthermore, the store design is very basic and does not feature much decoration or any other features which may attract customers and make them feel comfortable. Koffie Fabriek Aroma also suffers from a lack of distribution, as it can only be bought in three places in Bandung: Jalan Banceuy, which suffers from all of the problems previously mentioned, Riau, and Setiabudhi.

Professor Harimukti Wandebori from Bandung Institute of Technology's School of Business and Management has recommended that Koffie Fabriek Aroma relocate to Jalan L.L.R.E. Martadinata (Riau). Riau is a clean, attractive, popular area that features many restaurants and factory outlets, and is ideally located in the center of Bandung.

The author recommends that further recommends that Koffie Fabriek Aroma expands its concept from merely being a coffee store to becoming an attractive café and a center of culture in Bandung. In the past, traditional coffeehouses in Europe and the Middle East were centers of social life where adult males would gather to discuss news, politics, and play games such as chess. The concept of a classical coffeehouse would synergize well with Koffie Fabriek Aroma's brand image as a producer of traditional coffee. The store could feature newsstands so customers could read newspapers and magazines while drinking coffee, and flat screen televisions tuned to cable news. It could also feature a playing room where chessboards could be set up so people could play chess while drinking coffee and enjoying nice conversations. Modern drinks like espresso could be served alongside more traditional coffee drinks, such as Turkish coffee. Cigars and hookah could also be sold for customers who smoke. A wooden interior and some nice art, perhaps depicting Indonesia in colonial times or other times in past, should be implemented in order to accentuate the café's traditional image.

The author does not recommend that Koffie Fabriek Aroma distribute its coffee in supermarkets as it may poorly affect its brand image and cause the brand to lose its perceived exclusivity. Instead, it should work to increase the reputation of its store/café and eventually create more stores in Bandung and throughout Indonesia.

In conclusion, Koffie Fabriek Aroma has plenty of strengths that support its business. It has a reputation for producing one of the best tasting coffees in Indonesia at an affordable price. Its coffees have unique qualities which rivals have a hard time replicating, like its strong aroma, low acidity, or the natural chocolate or caramel-like notes present in its Arabica coffee. It's renowned among Indonesian coffee connoisseurs as a legendary coffee producer that has been established for a very long time. On the other hand, it also has glaring weaknesses which hurt its growth prospects. It is located in an unattractive location that is hard to access. It also has an unappealing store design. Its distribution is currently very limited, and you can only purchase it in three places in Bandung. It does not sell its coffee outside of Bandung. Koffie Fabriek Aroma only comes in two varieties,

arabica and robusta. It is not a café, so potential customers may instead prefer rivals that can serve pre-made drinks, especially customers that prefer espresso, because espresso cannot be easily created at home.

Koffie Fabriek Aroma faces threats from more popular brands such as Starbucks, which have more attractive locations and better promotion. It also faces threats from supermarket brands such as JJ Royal, which have a similar quality to Koffie Fabriek Aroma, but is more easily obtained. However, Koffie Fabriek Aroma has many opportunities for growth and expansion. If it can create attractive stores in convenient locations, and carry out successful promotional campaigns, it has the potential to grow very rapidly as it has a strong brand image and many untapped markets throughout Indonesia.

Limitations, Implications & Further Research

This study used non-probability sampling because it was not feasible to conduct random sampling. Non-probability sampling is often used in social science and marketing research, and can be used to strengthen conclusions when combined with other sources of evidence. However, it alone cannot be used to make generalizations about the whole population. One implication from this research is how important it is for businesses to cultivate word-of-mouth marketing. This type of marketing is often overlooked in business when compared to marketing via other mediums, such as the internet, newspapers, magazines, or television. This study has revealed that Koffie Fabriek Aroma has many weaknesses in promotion. However, Koffie Fabriek Aroma has relied almost purely on word-of-mouth marketing since the 1930s, and despite its promotional faults, has become surprisingly renowned. Businesses can take lessons from this example on the importance of reputation and customer loyalty. Further research should be conducted to see whether there are any significant segments of Koffie Fabriek Aroma customers in regards to psychographic makeup and type of occupation. This study indicates that such segments may exist, but lacks supporting evidence to make a clear conclusion.

References

Agresti, A 2002, *Categorical Data Analysis*, 2nd edn, John Wiley & Sons, New York.

Campell, DT & Fiske, DW 1959, 'Convergent and discriminant validation by the multitrait-multimethod matrix', *Psychological Bulletin*, vol. 56, pp. 81-105.

Clark, D. 'Reinventing Your Personal Brand', *Harvard Business Review*, March.

Cohen, J 1988, *Statistical analysis for the behavioral sciences*, 2nd edn, Lawrence Erlbaum Associates, Hillsdale, N.J.

Field, A 2005, *Discovering statistics using SPSS*, 2nd edn, Sage Publications Ltd, London.

Fleisher, C & Bensoussan, B 2003, *Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition*, Prentice Hall, Upper Saddle River, N.J.

George, D & Mallery, P 2003, *SPSS for Windows step by step: A simple guide and reference. 11.0 update*, 4th edn. Allyn & Bacon, Boston

Hilda 2014, 'Competitive Strategy and Fundamental Resources for Aroma Coffee to Prepare For Individual Segment in Bandung in the Future', *SBM-ITB*.

Humphrey, A 2005, 'SWOT Analysis for Management Consulting', *SRI Alumni Newsletter*, December.

Kotler, P & Armstrong, G 2013, *Principles of Marketing.* Prentice Hall, Upper Saddle River, N.J.

Kotler, P & Keller, KL 2011. *Marketing Management*, 14th edn, Prentice Hall, Upper Saddle River, N.J.

McCarthy, JE 1964, *Basic Marketing. A Managerial Approach*, Irwin, Homewood, I.L.

Neumeier, M 2004, *The Dictionary of Brand*, AIGA Center for Brand Experience, New York, pp.20.

Porter, M 1996, 'What Is Strategy?', *Harvard Business Review*, November.

Porter, M 2008, 'The Five Competitive Forces That Shape Strategy', *Harvard Business Review*, January.

Wilson, EO 1998, *Consilience: The Unity of Knowledge*, Knopf, New York.