Consumer Insights And Analysis:

Pete's Coffee

October 2012

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Executive Summary

iHub Research (Nairobi, Kenya) conducted a week long survey at the iHub between September 20th and 24th to understand the consumption habits and preferences of Pete's Coffee customers. These findings were to supplement a content analysis done on data collected from M-Payer, a business application developed by Zege Technologies, that Pete's Coffee uses to record daily transactions.

Key Research Findings

The major findings from this research are:

- General Consumption of Pete's Coffee products: The coffee products were the most purchased item from Pete's Coffee constituting 46% of the total items sold. Cold Beverages were the second most popular products from Pete's (13%), closely followed by baked goods (12%)

- Frequency of Purchase: While items like House coffee and tea are bought daily, most of the other items are mainly purchased on a weekly basis. Further, It seems that the sales of the cold beverages (Iced Lemonade) and Lemon, Honey and Ginger concoction sold daily were unaffected by weather patterns as most would expect.

- Coffee consumption: Most of Pete's customers have tried a house coffee and only a small percentage of the customers (28%) have ever tried more than one coffee product at Pete's. This could be a possible reason to the large number of sales house coffees have made in the past three months (60%).

- Customer preference: House coffees are the most preferred by the customers due to their affordability and taste. Most of these customers, however, have never tried another coffee product at Pete's Coffee. Most of Pete's coffee consumers surveyed prefer coffee of medium strength. An equal number of transactions were made from existing tabs and cash transactions.

- Customer satisfaction: Most customers are satisfied with Pete's Coffee experience and rate it better than other existing coffee in the market. Further, most of the customers rated the service delivery as good to best and stated that they would definitely recommend Pete's Coffee experience to their friends.

Challenges: While some inferences of trend consumption could be made from the data, It

was difficult to conclusive analyze all consumption as it was observed that not all trans-actions that took place in this period were entered in the M-payer system

Recommendations: Most respondents recommended to Pete to expand items featured on the menu, particularly, a wider variety of snacks (35%) and the introduction of regular hot lunches (23%). 65% of the respondents would also like it if Pete's Coffee experience could include a variety of coffee products from around the world.

Background

Pete's Coffee is a partner to the iHub, Nairobi's tech innovation hub. Located within the iHub, Pete's coffee has, for the past two years, served the tastes of the computer coders, creatives and entrepreneurs that call the iHub home. This unique experience has not only been limited to the resident techies within the space but has also been an attraction for visitors to the iHub and around Nairobi as well.

Pete's Kenya Blend is slowly becoming a household name and standing out as one of the best Kenyan coffee experiences coming highly recommended and rated by most who take it. Customers of Pete's Coffee are able to enjoy freshly ground and brewed coffee from selected and roasted beans. Further, the customer is also presented with a wide menu of coffee products, cold beverages and snacks that are served at the coffee shop.

The mobile device is steadily positioning itself as a convenient and affordable business tool. Indeed, with mobile money subscription at more than 19 million users in Kenya, entrepreneurs are looking into creating integrated mobile payment and services platforms as a viable business. M-payer, developed by Zege Technologies, is one such unique mobile solution that gives businesses the ability to manage their transactions. M-payer not only allows businesses to record cash transactions for offline and online payments but also mobile money payments in a quick, easy and transparent manner. Further, the solution comes with a comprehensive dashboard where businesses can draw analytical information about their historical transactions and finances.

Pete's Coffee has been using the M-payer dashboard on a pilot basis for the past three months to record their day-to-day transactions and payments from customers. The solution has enabled Pete's Coffee to manage tabs for regular customers, as well as cash payments for items sold

iHub Research in this study analyzes the content of the data collected by this deployment of M-payer in a bid to understand the trends of consumption for Pete's Coffee products while providing recommendations based on the findings and consumer insights.

The Partners

Zege Technologies

Zege Technologies is a software development firm that focuses on building financial solutions for daily living with mobile, web and money interaction. Whether is accepting mobile money, or building a financial system for savings groups in Kibera slums, Zege Technologies seeks to create relevant technology that leverage mobile technology, financial services and the internet.

*iHub_ Research

Findings on the participation of African researchers of ICTD in academic publications highlight emerging concern for African researchers and their low level of representation in formal academic literature. Dismayed by such low levels of research stemming from Africa, iHub—Nairobi's Tech Innovation Center—decided to develop a research arm to facilitate local research capacity building and to conduct local qualitative and quantitative research in Africa. iHub Research works from within the nerve center of Kenya's technology community. The organization has expertise in technology research and facilitates local ICT research capacity in the region. iHub Research brings information on technology and its uses to the technology community, enabling entrepreneurs and developers to make better decisions on what to build and how to build it!

Research Objectives

The main objectives of this research therefore were to investigate current consumption habits of Pete's Coffee's products and to provide recommendations for Pete's Coffee based on these consumer insights.

Research Methodology

Specifically, this research aimed to address the following questions to determine the patterns of consumption and consumer preferences at Pete's Coffee.
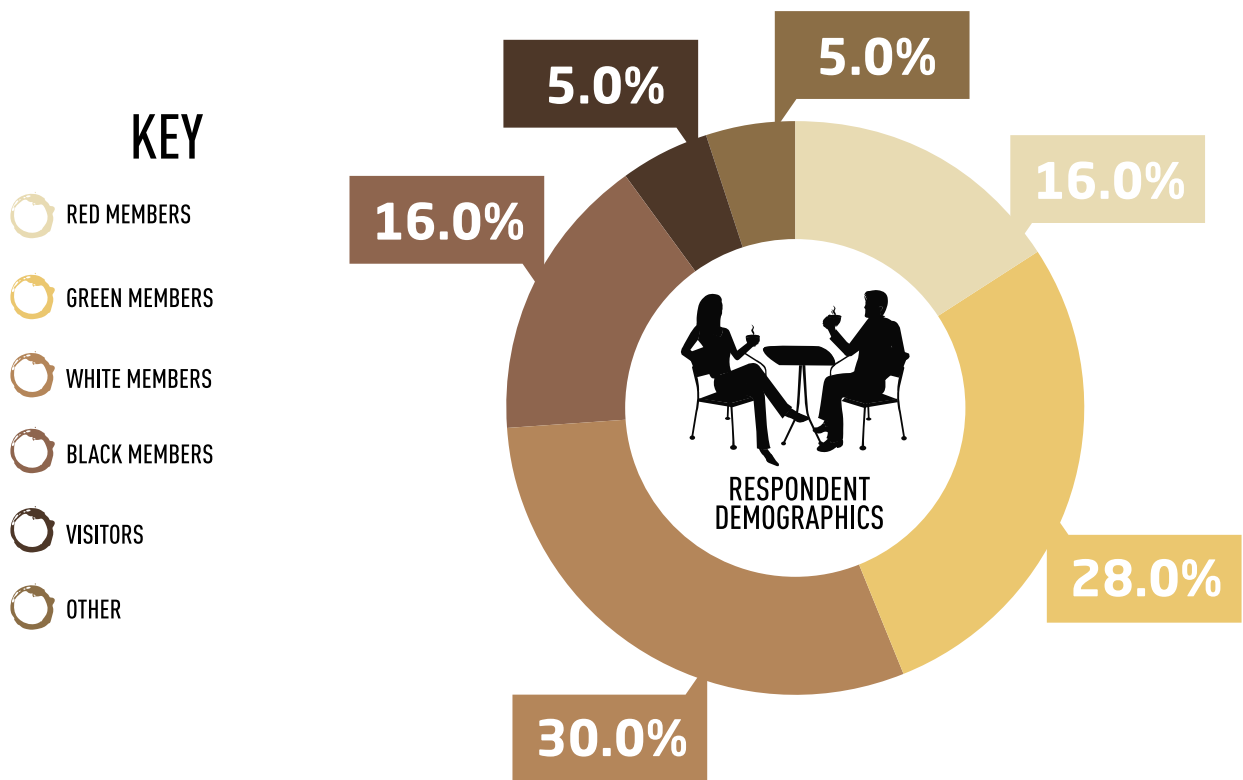
1. What are the daily current consumption and transactional trends of Pete's Coffee products?

2. Which are the most popular items consumed at Pete's Coffee?

3. What are the key preferences of Pete's Coffee consumers?

4. What is the consumer perception of Pete's service delivery?

5. What new products could be included in Pete's menu?

Research Methods

Mixed methods were used to conduct this research. Questionnaires were issued on a randomized basis to iHub community members who have at one time or other consumed products from Pete's coffee. Further, data was collected from the M-payer dashboard, an application developed by Zege Technologies that Pete's Coffee uses to record and monitor daily transactions.

Sample Design

A total of 43 respondents participated in the survey, conducted between 20th and 25th September 2012. There was near equal representation of the Green and White members, constituting 28% and 38% of the respondents respectively.

KEY

- RED MEMBERS
- GREEN MEMBERS
- WHITE MEMBERS
- BLACK MEMBERS
- VISITORS
- OTHER

RESPONDENT DEMOGRAPHICS

5.0%

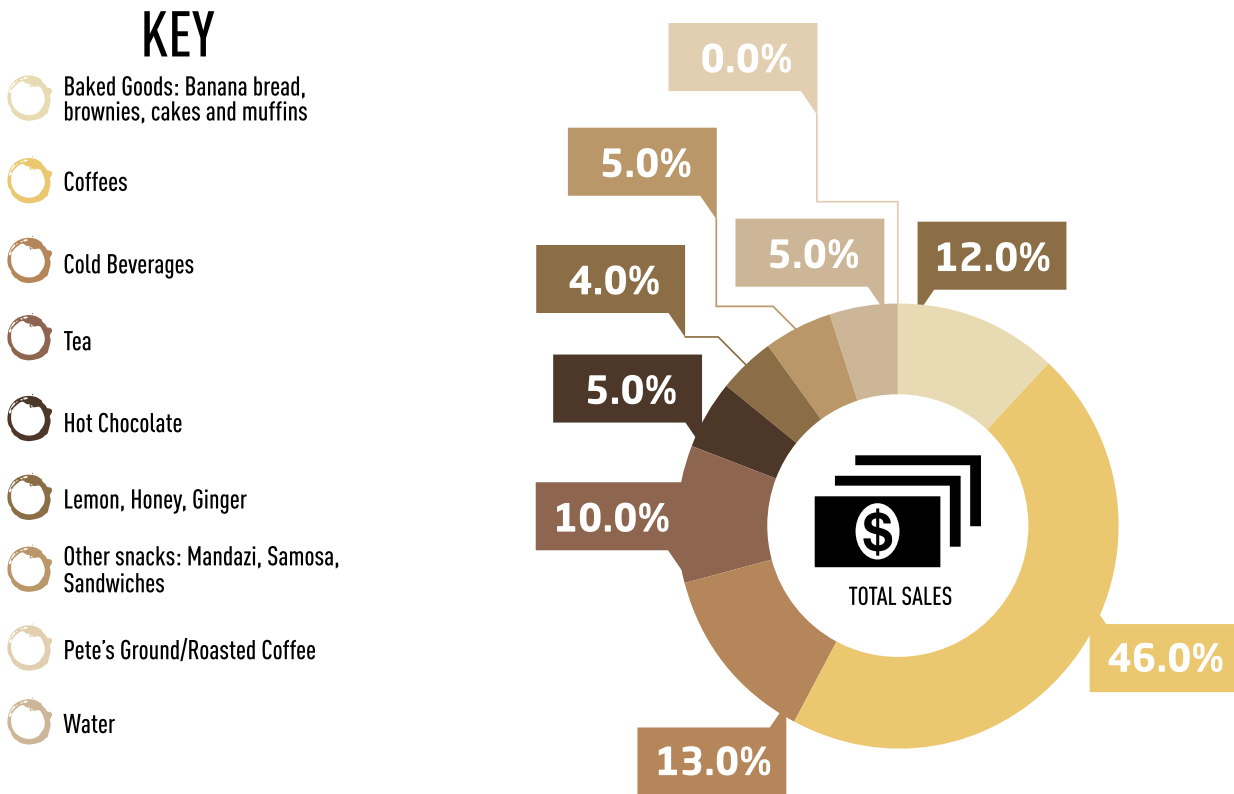5.0%

16.0%

16.0%

28.0%

30.0%

1332 transactions recorded between 25th July and 24th September in the M-Payer dashboard were also downloaded in an open access format (XLS) and analyzed.
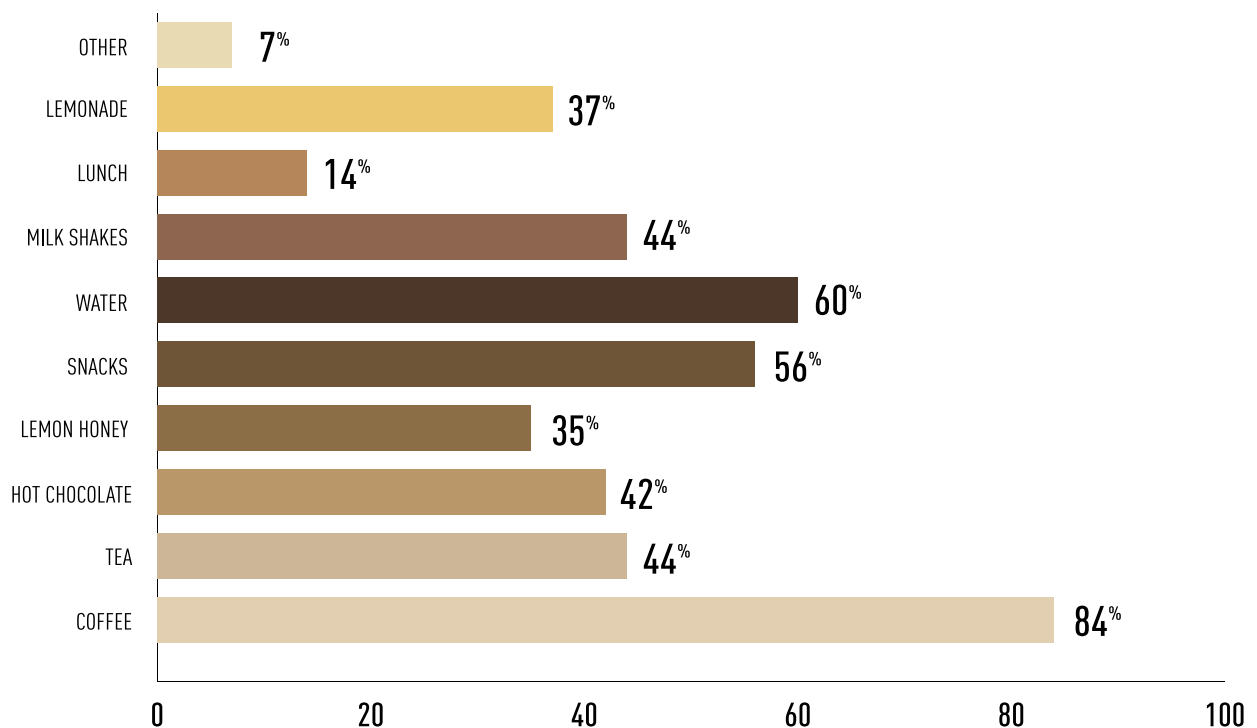
General Consumption Of Pete's Coffee Products

As is to be expected, the coffee products were the most purchased item from Pete's Coffee. Based on data from the three months period in M-payer, coffee items logged constituted 46% of the items sold. Cold Beverages were the second most popular products from Pete's (13%), closely followed by baked goods (12%). These results from the dash-

KEY

- Baked Goods: Banana bread, brownies, cakes and muffins
- Coffees
- Cold Beverages
- Tea
- Hot Chocolate
- Lemon, Honey, Ginger
- Other snacks: Mandazi, Samosa, Sandwiches
- Pete's Ground/Roasted Coffee
- Water

0.0%

5.0%

5.0%

12.0%

4.0%

5.0%

10.0%

TOTAL SALES

46.0%

13.0%

When these products are broken down further and analyzed as single items on the menu, House Coffee was found to be overwhelmingly the most popular item bought at Pete's Coffee. House coffee sales constituted 29% of all purchases in the period as compared to Kenyan Tea which followed with8% of the sales and Cappuccino at 7% while water and latte's both constituted 5% of the sales.

PURCHASED ITEMS RESPONSES

OTHER 7%
LEMONADE 37%
LUNCH 14%
MILK SHAKES 44%
WATER 60%
SNACKS 56%
LEMON HONEY 35%
HOT CHOCOLATE 42%
TEA 44%
COFFEE 84%

board analysis coincided with findings from the survey whereby 84% of respondents have bought house coffee from Pete's at least once. Water (60%) and snacks (56%) were popular with the respondents as well.
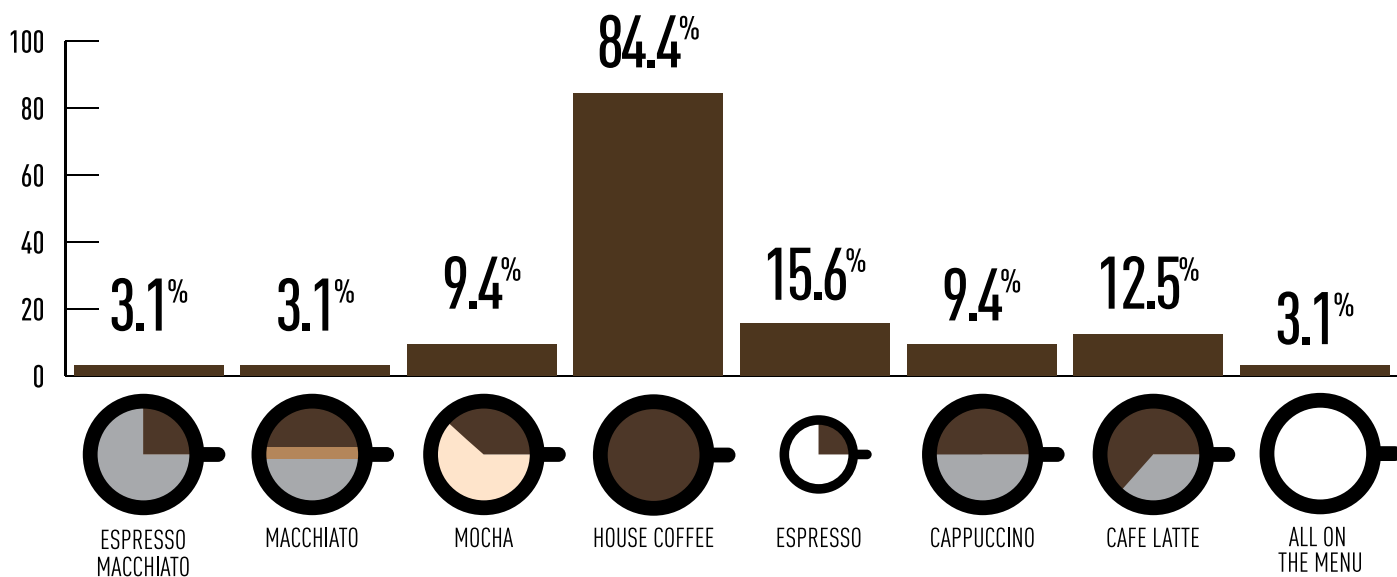
Frequency Of Purchase:

While items like House coffee and tea are bought daily, most of the other items are mainly purchased on a weekly basis. These results from the customer survey were corroborated by data from the dashboard, which shows popular coffee items such as House coffee, lattes and cappuccinos sold daily. Other non-coffee items sold daily include Tea, Iced Lemonade, Lemon Honey and Ginger, and Hot chocolate. It seems that the sales of the cold beverages and Lemon, Honey and Ginger concoction sold daily were unaffected by weather patterns as most would expect. Snacks were also not bought daily, subject to availability of these items. This observation also drew recommendations from the customers who requested for more snacks to be availed in the menu, as noted further below.

Most volume of purchases, as observed from the M-payer dashboard, are made during the week, mainly on Wednesdays and Thursdays. However, the largest amount of sales is made on the last and first weeks of the month.
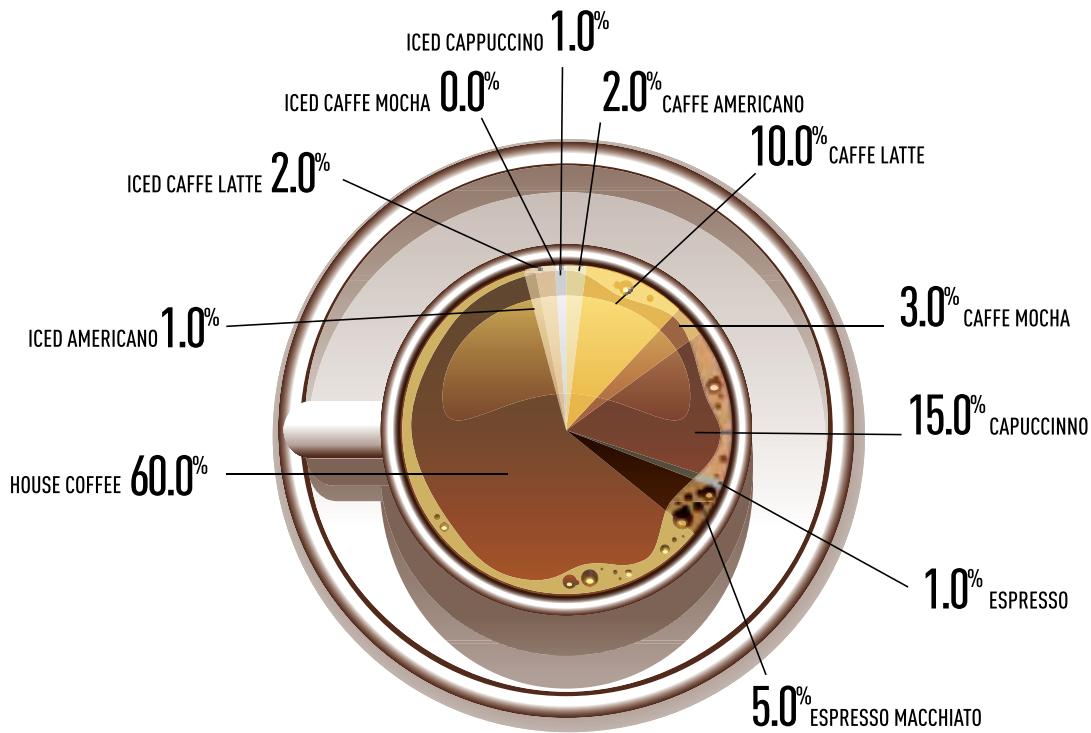
Coffee Consumption:

While Pete's Coffee menu is diverse, coffee products are dominant in the menu. We analyzed the consumption trends of the different coffee products sold. Based on the survey responses, most people (84%) have tried a house coffee before at Pete's Coffee and this could be a possible reason to its popularity in terms of sales. 15% of the respondents have tried an espresso before, 13% a café latte and 9% a cappuccino.

3.1%	3.1%	9.4%	84.4%	15.6%	9.4%	12.5%	3.1%
ESPRESSO MACCHIATO	MACCHIATO	MOCHA	HOUSE COFFEE	ESPRESSO	CAPPUCCINO	CAFE LATTE	ALL ON THE MENU

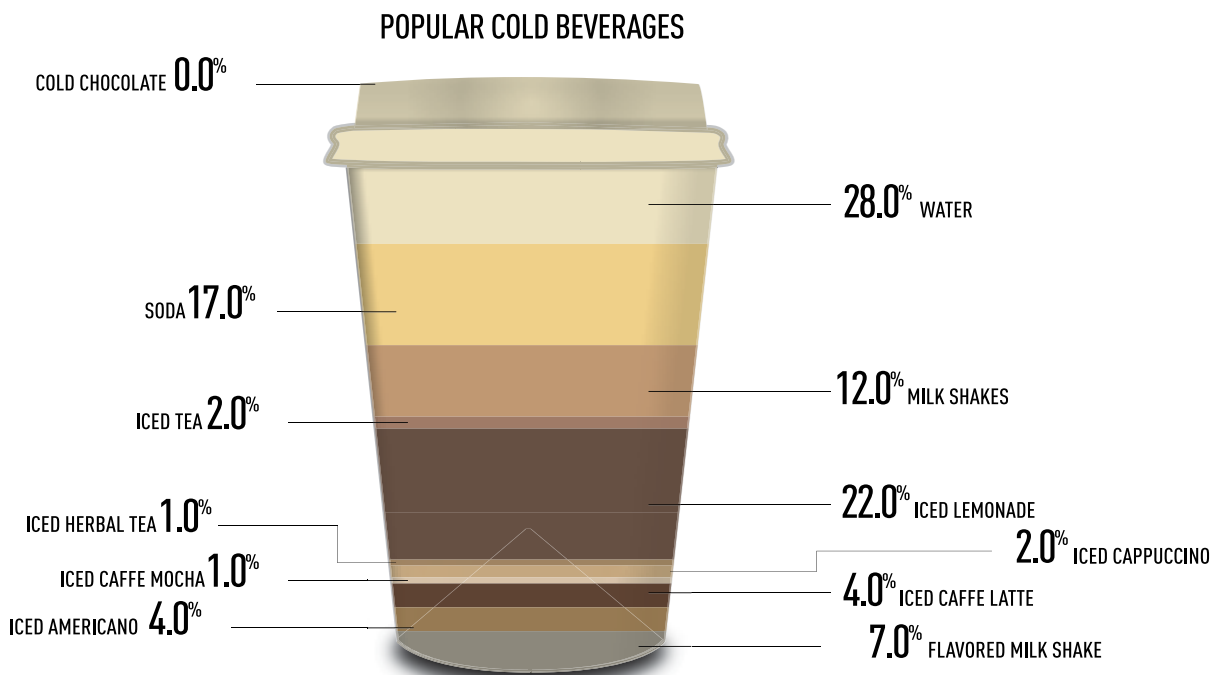### COFFEE PRODUCTS THAT CUSTOMERS HAVE TRIED BEFORE

28% of consumers who drink coffee have tried more than one coffee product at Pete's. Other than house coffee, these mentioned having taken at least once, the following products: Mocha, Espresso, Café latte, Cappuccino, Macchiato, Espresso macchiato. This low number of consumers who have tried other coffee products could possibly be due to pricing, low awareness of what the other coffee products are or an aversion to experiment. This is strengthened further below, as pricing was one of the main reasons for preference of a particular coffee product.

These results were similar to those obtained from the dashboard analysis where house coffee constituted 60% of the sales and was therefore, the most popular coffee product. Cappuccino and Lattes also made substantial sales of 15% and 10% of the coffee sales respectively.

ICED CAPPUCCINO 1.0%

ICED CAFFE MOCHA 0.0%

2.0% CAFFE AMERICANO

10.0% CAFFE LATTE

ICED CAFFE LATTE 2.0%

ICED AMERICANO 1.0%

3.0% CAFFE MOCHA

15.0% CAPUCCINNO

HOUSE COFFEE 60.0%

1.0% ESPRESSO

5.0% ESPRESSO MACCHIATO

COFFEE ITEMS SOLD

In both datasets, the most popular cold beverages were comparable and included water (28%), iced lemonade (22%), sodas (17%) and milkshakes (12%).

POPULAR COLD BEVERAGES

COLD CHOCOLATE 0.0%

28.0% WATER

SODA 17.0%

12.0% MILK SHAKES

ICED TEA 2.0%

22.0% ICED LEMONADE

ICED HERBAL TEA 1.0%

2.0% ICED CAPPUCCINO

ICED CAFFE MOCHA 1.0%

4.0% ICED CAFFE LATTE

ICED AMERICANO 4.0%

7.0% FLAVORED MILK SHAKE

Customer Preference:

Regardless, house coffees are the most preferred by the customers: 72% of the respondents stated that they prefer House Coffee most. The main reasons given for this preference include: It is affordable (50%) and it is tasty (43%). It was observed from the responses that 73% of those who preferred house coffee to other coffee products have never tried another coffee product at Pete's Coffee and this could possibly have influenced their preference for house coffee only.

About a half of the Pete's coffee consumers surveyed prefer coffee of medium strength.

HOW CUSTOMERS LIKE THEIR COFFEE
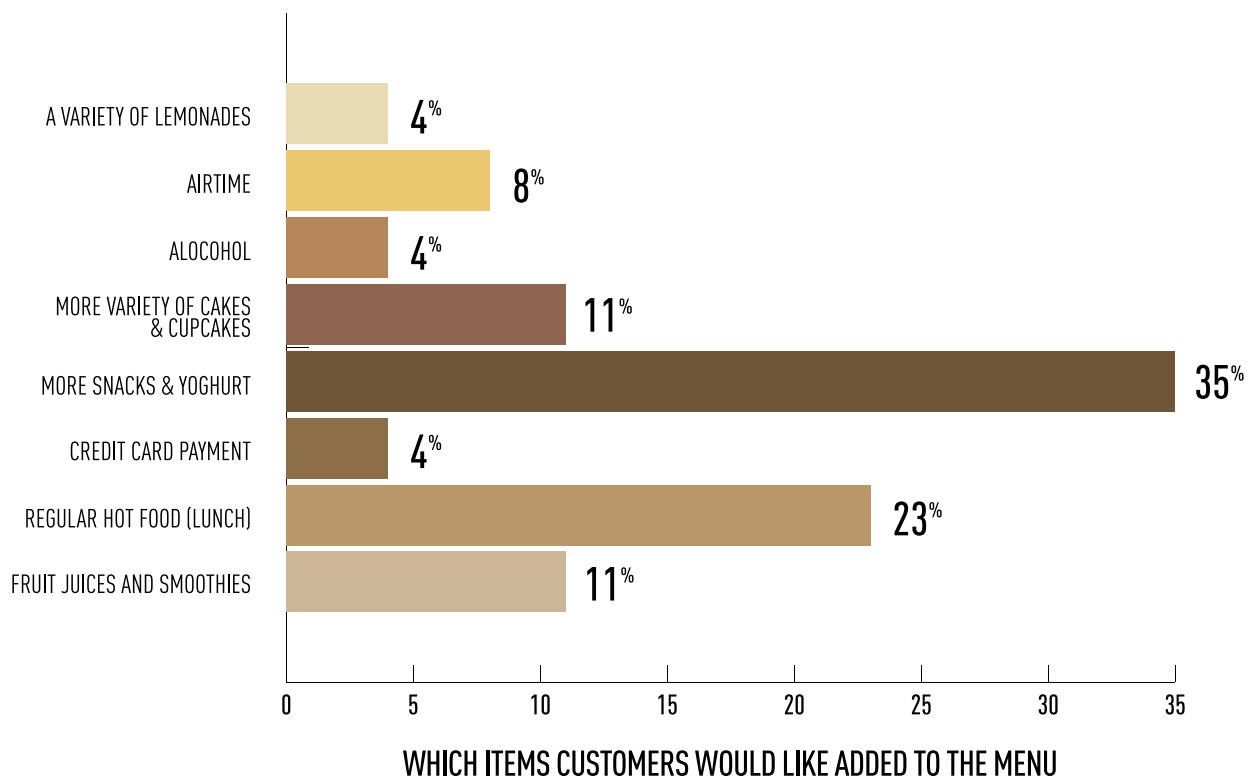
50%

MEDIUM

33%

MILD

17%
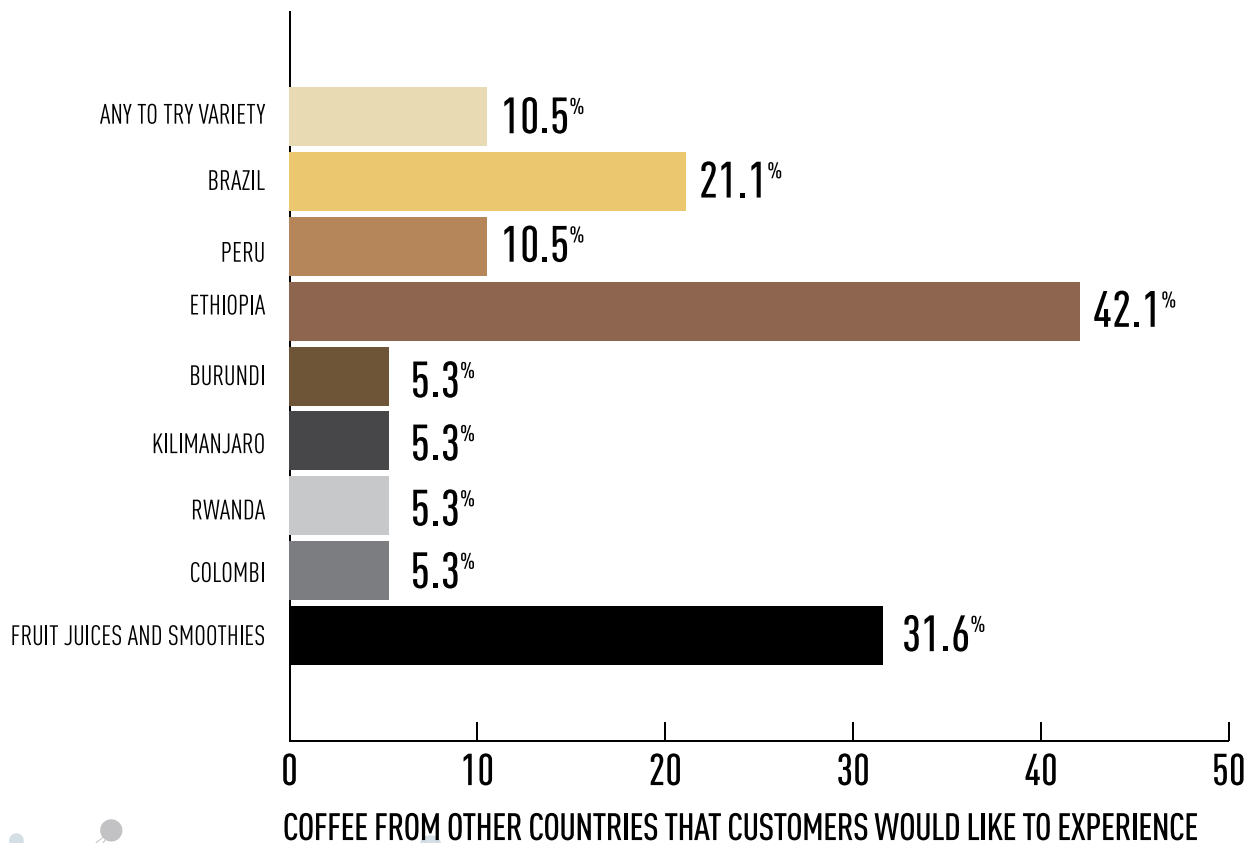
STRONG

Customer Satisfaction:

Almost all the survey respondents are satisfied with Pete's Coffee experience. In fact, 89% of the respondents rated Pete's Coffee better than other existing coffee in the market. On a scale of 1 to 5, with 1 being the absolute worst and 5 being the very best, a similar number of respondents (88%) also rated Pete's service delivery 4 points and better. Further, 98% of the respondents stated that they would definitely recommend Pete's Coffee experience to their friends.

Regardless of the positive response that Pete's coffee commanded from the respondents, there were some recommendations given by the respondents in order to improve Pete's Coffee experience further.

One of the major recommendations given was for Pete to expand items featured on the menu. Majority would like additional food items, and in particular, a wider variety of snacks (35%) and the introduction of regular hot lunches (23%)

WHICH ITEMS CUSTOMERS WOULD LIKE ADDED TO THE MENU

Item	Percentage
A VARIETY OF LEMONADES	4%
AIRTIME	8%
ALOCOHOL	4%
MORE VARIETY OF CAKES & CUPCAKES	11%
MORE SNACKS & YOGHURT	35%
CREDIT CARD PAYMENT	4%
REGULAR HOT FOOD (LUNCH)	23%
FRUIT JUICES AND SMOOTHIES	11%

65% of the respondents would also like it if Pete's Coffee experience could include a variety of coffee products from around the world. Of these respondents, most would like to see Ethiopian and Ugandan coffee included in the menu. The respondents also mentioned coffee from Brazil and Peru.

COFFEE FROM OTHER COUNTRIES THAT CUSTOMERS WOULD LIKE TO EXPERIENCE

Country	Percentage
ANY TO TRY VARIETY	10.5%
BRAZIL	21.1%
PERU	10.5%
ETHIOPIA	42.1%
BURUNDI	5.3%
KILIMANJARO	5.3%
RWANDA	5.3%
COLOMBI	5.3%
FRUIT JUICES AND SMOOTHIES	31.6%

Should Pete introduce Coffee master classes, 73% of the respondents stated that they would attend. Most interesting is that 45% of these have only ever tried a house coffee at Pete's and it could be deduced that their knowledge of other coffee based products is limited.

Challenges:

As the data was analyzed, it was observed that the data was inconsistent with observation and survey responses. An example includes transactions as few as 4 logged during a weekday, which indicates that only four purchases were made on such a day. However, based on experience from the iHub and from survey responses, this could is not necessarily a true statement.

Such inconsistencies have therefore impeded the researchers from making conclusive statements on the consumption of Pete's Coffee products. In particular, it was not possible to accurately calculate average daily purchases from Pete's coffee.

Moreover, majority of insights from the dashboard data relate to transactional values, which we are restricted from publishing in this public report due to the sensitive nature of such business records. However it should be noted that these datasets do provide great insight into business positions and a basis for recommendations for improved sales for Pete's Coffee.

pete's coffee
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