

University of Economics, Prague
International Business



Brand Management of Tchibo

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Brand Management (Tchibo)“. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on

Marco Hodul

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Introduction

During my studies on VŠE, I have developed an interest in marketing, especially the brand management and all the activities connected with it. I was fascinated how company can create something, that will one day become inseparable part of people's life. Since my dream is to set up my own business, this topic is crucial for me to be analyzed. Brand management is very complex yet interesting process. I will do my best to provide relevant explanations for given issues in my thesis.

The aim of my bachelor thesis, is to take apart Brand Management, examine the most crucial criteria of Brand Management as well as the most important criteria from consumers point of view, which should definitely be considered and worth paying attention to. All this will be discussed in the theoretical part of my bachelor thesis. I will therefore apply part of them to Tchibo's business model, so that we can see how this process works in Tchibo.

In the second part, the practical one, I will focus on the „picture“ of Tchibo in the mind of young consumers.

I have chosen Tchibo, because it differs from its competitors, thanks to its unique business model, that I will talk about later. Also, the aim of this part, is to show that Tchibo does not only sell coffee, (since many people think Tchibo=Coffee), but it also sells different types of non-food seasonal merchandise, that creates every day's happiness and smiles on people's faces.

In my practical part, a marketing strategy analysis was applied to Tchibo business model with a comparison of main / direct competitors. The analysis was done mainly in terms of Coffee, since it is more relevant for my thesis than non-food products. After the analysis, the main objective was to find out whether the brand image of Tchibo corresponds to the responses of young consumers.

In addition to my practical part, I have done a short interview with marketing director of Tchibo, for Czech and Slovak republic. We have discussed the brand management of Tchibo in general, and focused on each chapter individually, to get even deeper

understanding of brand management of Tchibo. Thanks to this interview, I have gained valuable information, from within the organization.

Lastly, Tchibo's main target group has always been elders. However, recently, Tchibo started to focus on younger customer segment (where I belong), which is very interesting to observe.

That is basically the reason, why I had conducted a survey for my peers, since I want to know, how they perceive Tchibo now, after its efforts to gain interest in younger customer segment.

1. Brand Management

Nowadays, every organization needs to have a brand. Apart from FMCG brands, where the producers are competing head to head, branding has become a strategic issue in all sectors. All kinds of different businesses around the world are competing between each other, while the major key to success is the proper management of brand. Managing the brand efficiently and effectively determines whether the company's brand will survive in today's highly competitive environment or not. Every manager knows, that the best attribute that contributes the most to the performing of a specific brand is a Brand Loyalty. However, in order to build a strong brand, with solid, loyal consumer base, many aspects need to be taken into consideration. (Kapferer, 2012)

Managing a brand, is a very complex process, consisting of lots of strategic planning. Communication process for example, is undoubtedly very crucial, to build a brand that a consumer will like. The brand itself (along with its name and look) contains several points of contact with consumer. Those are: organization's stores, channels, products, positive experiences of clients etc. Therefore, all these aspects shall be properly managed. Starting with channel management, going through advertising and ending at word of mouth (helps to build up brand loyalty).

All these steps mentioned are basically the core, of building a good brand. (Kapferer, 2012)

1.2 Brand

What is a Brand? It is very tricky to come up with a one true definition of a brand, since there are several disagreements coming from various experts, regarding the definition of a brand. The matter of this problem is, that every expert comes with its own way of defining brand. I will therefore provide few definitions, which I personally like the most.

Apart from arguments of many experts, there have been made a definition of a brand by "The American Marketing Association (AMA) in 1960, which is in my opinion quite adequate.

“A name, term, sign, symbol, design or a combination of them which is intended to identify the goods or services of one seller or a group of sellers and to differentiate them from those of competitors”. (Tilde Heding, 2009, p.9/267)

Since there are so many definitions from so many experts, it might get a little bit confusing. Kapferer, in his book “The New Strategic Management” talks about Customer based definitions. He has made a very interesting point. Why are consumers willing to buy one brand over the other, even if it is more expensive?

It is called “Consumers Willingness to Buy” and it is mainly result of that. This willingness is linked with some kind of a bond in the mind of consumer with an exact brand. A consumer builds this bond after some time. All this happens in a consumers mind, and we can affect it with marketing strategies of the brand.

“Putting” the right assets into consumers mind is crucial element. The assets that are located in the minds of consumers are following: brand awareness, emotional bonding, and belief of exclusivity/superiority. These assets create a whole called “Financial Value” of the brand. (Kapferer, 2012)

Similar point of view is expressed in Keller’s traditional definition of a brand.

It states following:

“A brand is a set of mental associations, held by the consumer which add to the perceived value of a product or service.” (Keller, 1998) (Kapferer, 2012, p.7/494)

Nonetheless, Kapferer sees this definition as incorrect and incomplete. This definition perceives Brand Management mostly as a communication task -> what is according to Kapferer, incorrect. He claims, that Brand Management starts with a product and service is on the first place in matter of perceived value and communications comes second. Secondly, Keller’s definition is mostly focused on cognitions, which is not enough, because strong brands have intense emotional component. (Kapferer, 2012)

For now, this is the last definition. I am more inclined to this short and simple definition of a brand, by Keller:

“A brand is a network of associations in the minds of consumers”. (Keller,1998)
(Kapferer, 2012, p.130/494)

It might have been a good idea to ask one question. What must a good brand consist of, in order to gain market share and remain competitive? The brand must fulfill the following: Has to be – well communicated/distributed, unique, original, able to come up with an uncommon idea, available to consumers in a way it can create experience and must be stimulated by actions and behaviors. (Kapferer, 2012)

1.3 Brand Picture

In this chapter, I will discuss the difference between Brand Identity and Brand Image, it's relevance in consumer's minds, Brand Promise and Business Model.

1.4 Brand Identity VS Brand Image

In Brand Management, the key concept is not brand image or brand associations, but brand identity. Identity is an answer to a simple, but fundamental question : “What makes you You?” (Kapferer, 2012, p.40/494)

The thing is, that image questionnaires do not answer this question. They measure how much an attribute, benefit or value is attributed to a brand, but they do not measure, how necessary it is to the brand's own identity. (Kapferer, 2012)

Brand Identity

Refers to the identity of the brand. Once again, there are many definitions of Brand Identity. The simple definition could be the one from Aaker and Jaachinstahler :

“A set of associations the brand strategist seek to create or maintain” (Tilde Heding, 2009, p.12/267)

It is supposed to express the uniqueness and the vision of particular brand. Once all those requirements are met, the brand's solid base is created. (Tilde Heding, 2009)

“The design plays an important role in creating/building brand. It expresses emotion, context and essence. The attributes that matter the most to the consumers.” (Wheeler, 2012, p.4/326)

Basically, brand identity servers for being sorted out of other thousands of brands, the consumers are exposed to. We can tell that brand identity plays an essential role in Brand Management.

David Aaker divided brand identity into three levels : **Brand as a product**, **Brand value** and **Brand as a person** (so called Brand Personality). The purpose of this division is to get a better insight into brand identity and help the strategists implement the right decisions. It is recommended to consider these levels separately, in terms of building brand identity. However, sometimes it is enough to focus on only one particular level, depending on firm's brand management strategy. (Aaker, 2011)

In terms of **Brand as a product**, it is important to keep in mind three factors, which affects the identity of a brand. We are talking about: product attributes, product associations and quality. (Aaker, 2011)

Product attributes is one of the reasons, why would a consumer buy our product. This being said, it means that the attributes of our brand, offers either functional or emotional benefits for the consumer. These attributes are something that distinguishes our brand against the competitors, by providing either something special or at better quality.

Product associations are the connections of brand with either positive or negative emotions. The goal of company is to create such identity, that if the product class is mentioned, the particular brand will be recalled (E.g. Razors = Gillette, Fast Food = McDonalds, Printers = HP). Nonetheless, there is one threat than can affect brand identity. It would be in a way that consumers are not able to create a clear association with particular brand. The cause would be product extension. A case when the company starts to offer different types of particular product category. The consumers therefore have unclear vision of differences between these products (E.g. HP, besides offering printers, was offering fax machines, scanners and copiers). (Aaker, 2011)

Brand value is regarding quality / value of brand. Value is very closely related to the quality. It has a connection with price dimension – it affects the quality perception of a brand. We could look at brand value as a ration of quality and price. To my opinion, high quality for reasonable price is a good way how to build solid brand value. (Aaker, 2011)

Last level is **Brand personality**. Imagine brand as a person with characteristics like: friendly, intelligent, sympathetic, funny, reliable etc. These sets of human characteristics can be associated with a particular brand. As in the real life, people create relationships with other people, based on their personalities – the same works for brand and consumer relationship. Such attributes, creating good, trustworthy personality can help strengthen relations between consumer and brand. Secondly, positive brand personality can even serve as a tool to help consumers express their own personality (E.g. If I drink Tchibo coffee, I know I drink high-quality coffee, at a comfortable place with very polite staff, aware of a fact that Tchibo is very eco-friendly company) – I simply feel good about it. Lastly, brand personality can even help communicate the brand attributes to the consumers (E.g. Michelin brand – strong Michelin man = impression of durable tires) (Aaker, 2011)

Since I was talking about design at the beginning, I would like to go briefly, but little bit in depth of color impact on consumer. As an example, color is the crucial aspect for consumer decision-making. Color stimulates an emotion. In matter of fact, it speeds up the brand differentiation. It is proved that our brain detects color right after the shape, and before the content. In order to be sufficient in choosing the right color, understanding of so called “color theory” is necessary, as well as setting clear vision of supposed perception of particular brand by the specific audience. When choosing the right color or combination of colors, following points should be considered. Firstly, 60% of the decision making to purchase a product, depends on color recognition. We should be therefore aware of a fact that some colors have different meanings in different cultures. Secondly, a color is affected by various reproduction methods. The color shall be used to build brand equity and promote recognition. Those are just main-basic criteria. There are many more, unfortunately that would currently off topic and for longer discussion. (Wheeler, 2012)

To sum it up, we can never know enough of a color. It closely depends on the one's knowledge of color theory. Setting the right color might seem like a great challenge, but once we overcome this problem, it will pay off very well. As Gael Towey (Creative director of Martha Stewart Living Omnimedia) once said:

“Color creates emotion, triggers memory and gives sensation” (Wheeler, 2012, p.150/326)

As I have discussed in previous chapter, Brand Identity plays important role in consumer's purchasing decisions. But what about Brand Image? What is its role in Brand Management? That will be discussed in the following chapter.

Brand Image

Brand Image is the perception of brand by the consumers. It consists of multiple concepts, out of which the most important one is the brand perception. The “obstacle” is, that we cannot fully control it. It is based on individual judgments and individual experiences. What we can at least do, is to try influence it by controlling Brand Identity. Also, Word of Mouth significantly contributes to building a brand image in consumers mind. (Aaker, 2011)

To keep it clear, the main difference between Brand Identity and Brand Image is, that we have a control over identity, but not over image. Image is basically what people outside my company think about my brand.

1.5 Brand Promise

As a brand manager, you should have a clear vision of what your brand delivers to the consumer. Brand Promise, in other words, are the functions, features, rewards, values and personality of the brand. Brand is not a promise, but the words are. Therefore, if we promise our customers, that our brand delivers some particular utility, we should keep that promise. Usually, most of the brand promises are not kept completely. As an following example, is a case of reality VS advertisements. This results in a negative consumer experience. A similar case scenario could be Burger King's way of advertising one of their well-known burger “Whopper”. In their ad, they state that Whopper is the best burger in

the world. This seems a little bit exaggerated, since BK is a fast food chain. In reality, it is very unlikely that BK would keep this promise, since people can have better burger in any other restaurant around the corner. (Kapferer, 2012)

What is a lesson we can teach from this? Never give a promise, you cannot fully deliver, because there is nothing worse for a business, than unsatisfied customer.

1.6 Business Model

The word business model is nowadays frequently used. We hear it everyday and everywhere, but there is still a confusion about what exactly business model is. As in the case of business model definitions, a lot of experts offered various definitions. However, none of them appears to be generally accepted. In the past, business model was perceived as some kind of “how to” step-by-step, model. If followed properly, it promised great profits to the company. The companies simply did not need any special strategy. As the time went by, business models have been taken more seriously. (Jansen, 2007)

Each definition differs a bit from the other one. It cannot be explained in one way, that fits everything. A business model could reflect : how organization creates/captures value, who it servers, what sets it apart, relationships, key resources it depends on, delivery channels, how it generates revenue, it's cost structure and much more..). It has been even found, that multiple combinations of business models are applied in practice and are working. This makes it impossible to create a one “true” definition. (Jansen, 2007)

To sum it up, each brand needs a profitable business model. Many people say that brands are everything, but the opposite is true. Brands need to be supported either by a product or service. Inseparable part of successful brand is the right business model and strategy. Each company has its own business strategy that works well for it. The business model #1, that works for company A, will not work the same for company B. That is why there is no definition, which could cover whole business model thing. Nevertheless, there are few pre-requisites that need to be fulfilled before we can build a strong brand. They consist of various things that need to be properly managed: Price, Product, Place, People and Communication. (Kapferer, 2012)

2. Brand Management Strategy

The strategies we can find in books usually provide a “one suits all” strategy. As I have already mentioned in previous chapter, it is believed that each brand needs it’s own, somehow unique strategy. Brand strategy provides a build up for external and internal opportunities of a brand. The right strategy should be strategic and have a vision. Therefore, brand identity and brand vision are inseparable parts in this process. Supervised by brand managers, the focus should be rather long-term than short-term.

Additionally, to ensure that the brand strategy will work, it is important to “evolve it” together with business strategy. These two strategies should simply be developed simultaneously. The next step would be choosing one of the several branding strategies. (Tilde Heding, 2009)

Branding Strategies

Co-branding – in this case, two or more companies collaborate together on campaigns/projects, chasing the goal of branding together. The advantage of this approach is that the companies involved, can benefit from each other’s customer infrastructure. (E.g. Google co-branded with Samsung, Oreo co-branded with Milka chocolate, ice-creams) (Boundless, 2016)

Multi-product branding – This strategy allows huge companies to focus consumer loyalty on the broader parent brand. The investments can improve the brand across other product spheres. There are pros and cons of this approach. The positive thing is, that this strategy creates efficiency in promoting the brand. Negative side is, that it ties the single brand with all the risks and positioning.

As a good example, I have picked Unilever. Due to their brand strategy, they are able to sell products ranging from cosmetics to food products (see the figure below) (Boundless, 2016)

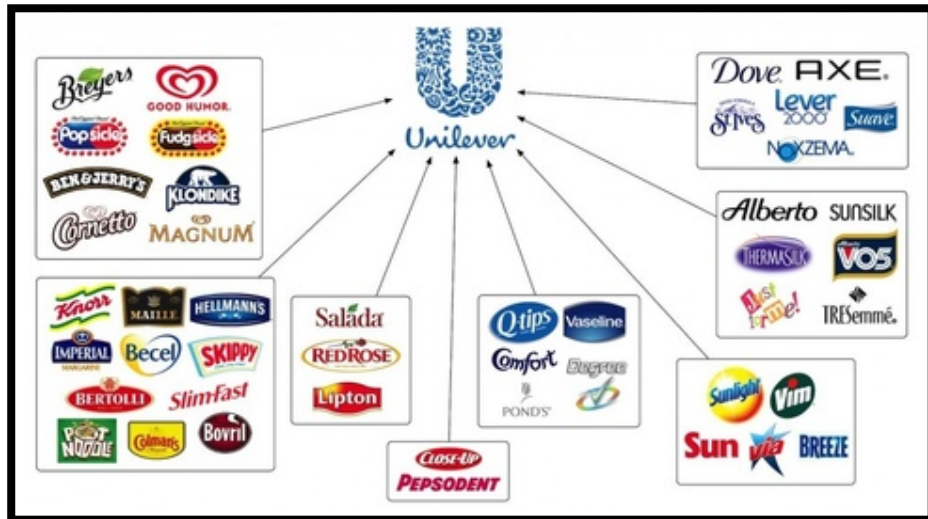


Figure 1 (Unilever Multi Brand Strategy) - <http://inevitablesteps.com/marketing/multi-brand-strategy/>

Sub-branding – in this case, the product group stays the same and the company creates somewhat large variety of sub brands. This allows the company to provide customers with the same product/service, available in various price levels. (See the FedEx sub-branding strategy below) (Boundless, 2016)

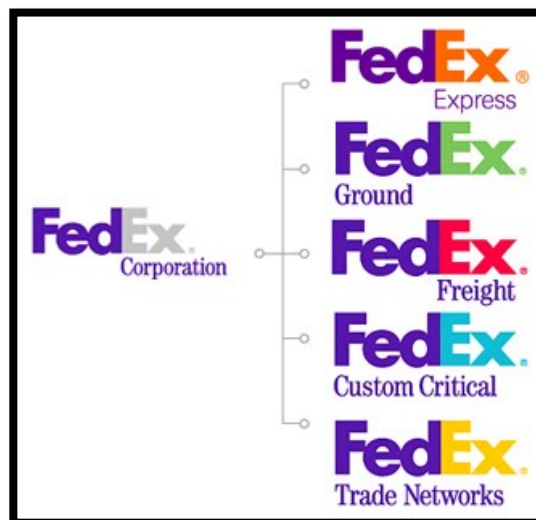


Figure 2 (FedEx Sub Brands) - <http://brogan.com/blog/pros-and-cons-sub-branding-and-brand-extension>

Individual branding - is something between multi-branding and sub-branding. The company is using different brand names for different products. Procter & Gamble is a good example for this case. P&G owns a huge assortment of products out of which each of them is a different brand. This even allows the products owned by P&G to compete between each other, minimizing the risk of parent company being affected by brand damage. (Boundless, 2016)



Figure 3 (Unilever Products) - <http://marketing.risdall.com/blog/building-higher-education-brand-strength-with-a-brand-hierarchy>

Iconic branding – differs a bit from other strategies mentioned before and is more complex in achieving the goal of becoming “iconic brand”. Having an iconic brand means that people care about the brand since it is a part of their everyday life. Iconic brands have the strongest customer loyalty as well as brand loyalty. People love and respect those brands. Reaching “iconic brand” status is extremely difficult and challenging. However, being an iconic brand ensures very strong brand loyalty. Here are some iconic brands: Apple, Coca-Cola, McDonalds, and Nike). The consumers feel good while using/consuming the brand. Like in case of Nike’s sport mentality, who use its well-known slogan “Just Do It”, to promote healthier way of lifestyle and somehow encourage people to do sport activities. (Boundless, 2016)

2.1 Brand Positioning

In brief and simple explanation, it is the process of getting into consumers minds and trying to remain there. But since brand positioning is very crucial, I will provide more in depth definitions. The aim of brand positioning is to differentiate the brand in consumer's mind. We emphasize the characteristics of our brand that makes us different from other competitors. Four following questions must be considered while positioning in the minds of consumers. (Kapferer, 2012, p.152/494)

1. What is the benefit of our brand for the customer? We want to convince our customer, that our product is better than competitor's, while providing a reasonable brand promise. Keeping the brand promise is especially important here. What do we have, that competitors do not? - USP

2. Who is our target group? What is the "audience" we want to offer our product to? It is important to clarify this, since positioning in the minds of teenagers is totally different than in adults.

3. Why are we promoting/offering particular brand? Is it because it is eco-friendly, biodegradable or healthy? Does it have something that other competitor lack?

4. Against Who are we competing? In today's competitive environment, we should be aware of "where are we stepping" before we actually step there. With this being said, we should look for the biggest competitors and adjust our strategy accordingly.

Simply to know, who is also "serving" our target consumers and therefore trying to capture that group. (Kapferer, 2012)

Since all the consumer decisions are based mainly on comparison of other brands, brand positioning plays a crucial role. The consumers always compare, before making final decision. This is the time, when implementation of right positioning method decides whether our brand will capture the consumer, or the competitor's.

At this stage of consumer decision process, a consumer would prioritize one brand over the other simply because " Brand X will have this utility for me, while brand Y would not have it ".

Lastly, we shall not forget to put ourselves into mind of consumers. Is our brand able to strongly identify itself from other hundreds of brands and gain the interest of consumer? (Kapferer, 2012)

To summarize this chapter, a standard positioning formula has been made to help us achieve brand positioning.

“ **For** (definition of target group) + **Brand X is** (definition of competitive attributes) + **Which gives the most** (promise or benefit) + **Because of** (reason to believe)” (Kapferer, 2012, p.155/494)

2.3 Brand Extension

“Brand can be extended into new product categories. Brand extensions are usually necessary due to adapting to changes in environment. Extensions provide many benefits. In the past, extensions were mainly used as a strategic tools to enter new markets” (Tilde Heding, 2009, p.12/267)

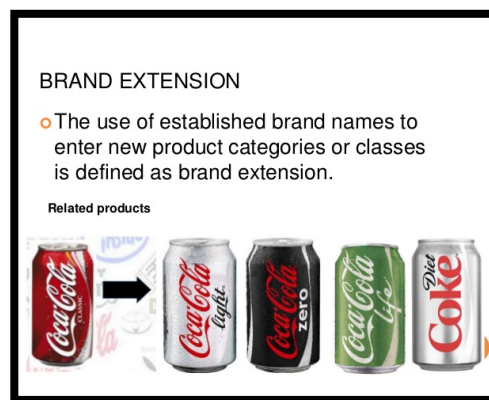


Figure 4 (Coca-Cola Brand Extension) - <https://www.slideshare.net/khushbu07/challenges-opprtunities-in-brand-extensions-53772336>

In case of adaptation to environmental changes, the aim is to create a change fulfilling consumer's needs. As an example, McDonald's was forced to choose one of the brand extension strategies. It was a result of increasing trend of "healthy lifestyle". One of such extensions is McSalad. However, creating a extension to fit current market needs is not always as easy as it seem like at first glance. In this scenario, McDonald's, as a brand is perceived among people as a fast-food chain offering tasty food on one hand but unhealthy food on the other. That is basically why people were unsure about accepting such product category. McDonald's also came up with many other extensions like grilled chicken, salad

shakers, McPizza and the list goes on and on. Some of them were “accepted” by the consumers and some of them were not, so McDonald’s had to take it down from sales.

From this example, we can notice that the brand associations can sometimes cause problems together with introduction of new extensions. Lastly, keeping a brand promise showed up being difficult as well. (Aaker, 2010)

The brand extension does not necessary needs to come in form of a brand new product or sub-category. One of the several solutions could be innovation, rather than creating something new. (Aaker, 2010)

E.g. putting new features or even removing some. Apple for example, removed a headphone jack on iPhone 7. An attribute, that we were used to, ever since first modern mobile phones had come to existence. Obviously, this move caused a lot of attention to iPhone 7 as well as dissatisfaction among Apple customers. (My own observation)

Some companies on the other hand, may go for a completely different approach. They would ignore the new trend (in our case healthy living), since the company believes that the trend would not take over everything. The company will afterwards focus on keeping stable segment and delivering better and better core promise. (Aaker, 2010)

I have discussed several reasons why to do brand extensions. Let’s sum up the benefits now. From economical point of view, range extensions equal fixed costs of maintaining brand name, which can be spread across different businesses.

Secondly, range brands might have an advantage compared to a single brand. It is because of fact, that range brands support each other, so the investment in one would help the other one. Also, supporting a brand nowadays is extremely costly (due to high advertising costs). Lastly, being a company that offers good quality products in different segments, gives the impression, that the company is competent and capable of operating in different areas at once. This also positively affects the brand visibility. (Aaker, 2011)

2.4 Communication Strategy

As a company, it is in your interest to create brand awareness and communicate/inform your target consumers about the benefits your product has to offer. That is, what communication strategy stands for. Through the commercial communication, we are able to reach large amount of consumers and deliver crucial information about the product (brand). Obviously, all this is a result of strategic planning and implementation of the right marketing communication strategy. (Greene, 2017)

Communication strategy takes many forms. These may be: Advertising, PR, Sales Promotion, Direct Marketing, Online-Communication or Sponsoring. The consumer base can be reached by various ways, depending on company's strategy. It can be done either in form of mass marketing or target marketing. The one way or the other, each strategy provides different benefits for a company. For example, personal selling serves as a tool to communicate the benefits of a product directly to the consumer. Company can also decide if it is going to address its consumers by third party medium or without it. Such case would be direct marketing. Mostly done in form of newsletters via email, or catalogues. Another good way of increasing awareness of a brand is sale promotion. In sale promotions, company tries to transfer all the attention on specific product, so the consumer is somehow encouraged to buy the product. Nevertheless, without a proper communication strategy, a company would not be able to properly deliver its message. The better the communication, the better will the consumer be informed about the benefits of product. At the end of the day, this can decide, whether the consumer will buy your product or the competitor's. (Greene, 2017)

2.5 Distribution

The next strategic step is distribution. After we continue on pursuing marketing mix – we know what to sell and how to communicate it, the next strategic decision needs to take action. Choosing the right way of distribution will always significantly contribute to firm's revenues. We can recognize several types of distribution. For that reason, lets divide them into two main groups: Online and Offline. (Ashe-Edmunds, 2017)

Since we live in 21st century, a lot of people are “connected”. What means that they own a device with an access to Internet. There is no wonder that “online distribution” channels are gaining popularity over past years. Let me break down Online Distribution first.

Under this expression, we can imagine buying products online → creating a website. This is very convenient for consumers, since they are basically able to buy whatever they want online, from comfort of home. As the consumers shop on your website, you are getting plenty of useful information about them (shopping behavior, collection of emails, personal info – age, gender etc.). Thanks to this, you can target desired group of consumers and reach them through direct mail or by sending catalogues, straight to their mailboxes. (Ashe-Edmunds, 2017)



Figure 5 (In-Store/Online Shopping Experiences) - <http://trends.e-strategyblog.com/2012/12/17/in-store-vs-online-shopping-experiences/6409>

Offline distribution on the contrary, means in-store or door-to-door distribution.

The most common type of “offline distribution” is retailing → e.g. retail outlets → stores. The company can either choose to buy/rent space and create its own store, or can sell its product via retailer’s store. The other possibility can be wholesale – using the wholesaler to supply the retailer. This approach is for example considered, when a company sells new product and the retailer is uncertain about its performing. However, if wholesale supplier steps in, offering your product, the retailer may change its opinion and will agree to sell the product. Lastly, door-to-door distribution could be a option. It is a scenario when group of

individuals (who work for you), approach the consumer and try to sell your product from door to door, letting the consumer to see and “try” your product. (Ashe-Edmunds, 2017)

2.6 Price / The Role of Price

Choosing the right pricing strategy can be tricky. It is vital to understand, that price is also linked with product benefits. With this being said, raising the price of a product too high, could undermine other benefits of a product. From one point of view, high price of a product can signalize price premium = value of brand. However, if the price is set way too high, the consumer will perceive it as overpriced and might give up on purchasing it, despite it's benefits (not considering emotional benefits). On the other side, low price signalizes lower quality. Whether we increase or decrease the price, outcome will affect the value proposition at the first place. (Aaker, 2011) (see figure “Value Proposition”) p. 1751/6616

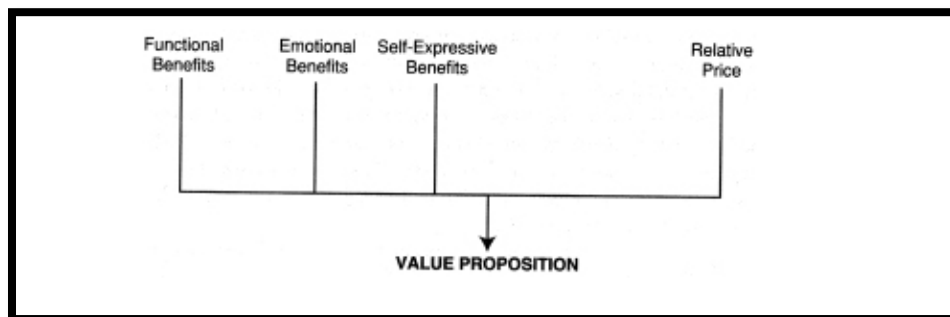


Figure 6 (Value Proposition Model)- Building strong brands (p. 1751/6616)

Pricing strategies

Part of a pricing strategy is choosing the right pricing policy. The policies vary, depending on a firm's goals. For instance, I will compare two well-known and frequently used pricing strategies. Also, each firm can have its own mixture of pricing strategies, therefore I am providing only the frequently used ones.

Those strategies are : **EDLP** (everyday low pricing), **HLP** (high-low pricing), **Penetration Pricing** and **Skimming Pricing**.

EDLP (Everyday Low Pricing)

This method is mainly used by retail companies (usually supermarkets). The aim is to save expenses connected with creation of sale events and its promotional activities.

Thanks to this policy, consumers do not need to wait for upcoming sales and they avoid comparing with other products. Apart from saving costs, EDLP contributes to better customer loyalty. Also, according to a 86 supermarkets study in America in 1994, a same % of price decrease in both EDLP and HLP case, led to opposite outcomes. In case of EDLP, it led to a sale volume increase. While on the contrary, HLP strategy led to sale volume decrease. (Boundless, 2016)

To sum it up, EDLP helps to : reduce promotional advertising, reduce price wars, improve inventory management, increase profit margins and leads to more efficient category management. Lastly, prices are perceived as more honest, however EDLP can be difficult to maintain. (Boundless, 2016)

High-Low Pricing

In this strategy, majority of the products are priced at higher level than of competitor's and other goods are priced at lower prices, to attract customers to the "place" where they are offered both – promo products and higher priced products. This strategy is adopted mainly by shoe / fashion companies, as a "tool" to compete between each other. The target group consumers are usually loyal to the specific brand and have no idea what a typical price would be. HLP therefore leads to: price discrimination, price confusion → which eventually reduces awareness of price and high initial prices → affects quality image.

On the bright side, this strategy creates excitement and provides opportunity to sell all merchandise. (Boundless, 2016)

Penetration Pricing

The point of this pricing strategy is to attract customers, by lowering prices on products and services. This strategy is mostly adopted by new companies as a way to overcome competitor and switch the attention of customers, in favor of new company. The main benefit and also a result of this strategy is increase in brand awareness. Brand awareness increase can help small businesses to become more visible from among the competitors. From the long run point of view, it is crucial to eventually increase the price to reflect the real value of the product. Therefore, the potential disadvantage would be loss of income for the business. (Maguire, 2016)

Skimming Pricing

In this particular strategy, the goal is to maximize sales of new products and services, already in the introduction phase. Compared to penetration pricing strategy, during the introduction of new product, company sets prices high. After some time, company then adjusts the prices according to competitors. (Maguire, 2016)

The pros of this strategy are boosting profits of new, early products. It supports coverage of developing costs for small businesses and lastly, it creates a feeling of exclusivity. (Maguire, 2016)

3. Brand Equity

“Is a set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm’s customers” (Aaker, 2011, pp.ch.1, What is Brand Equity?)

These assets are: Brand Awareness, Brand Associations, Perceived Quality and Brand Loyalty. Since every single one of those assets affects the value of brand in it’s own way, it is important to pay “extra” attention for individual management of those assets. Additionally, brand equity creates value not just for a customer, but for a firm as well. Therefore, a concern of image should cover both internal and external environment of firm. (Aaker, 2011)

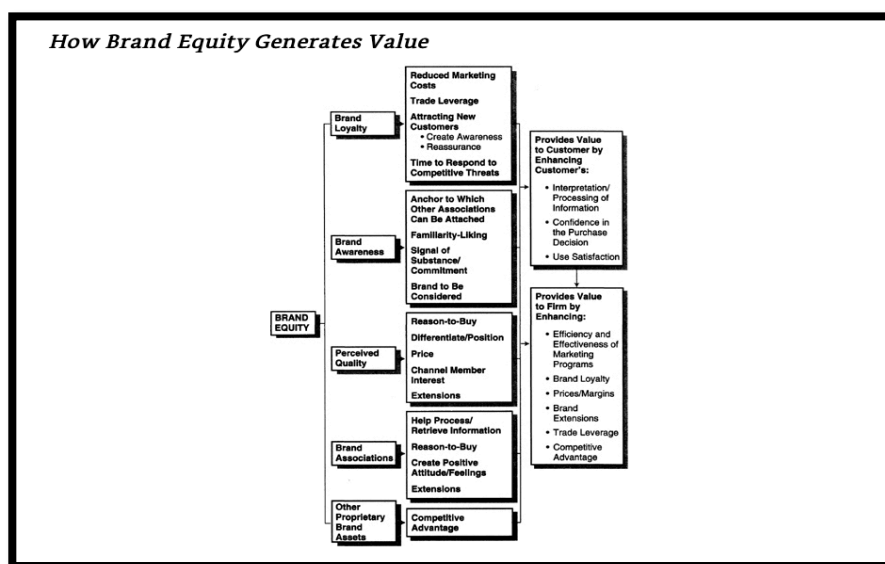


Figure 7 (How Brand Equity Generates Value) - Building strong brands (263/6616) (Aaker, 2011)

3.1 Brand Awareness

Brand awareness is basically the “size” of presence of a particular brand in customer’s minds. The “size” of it can be measured in following ways: **1. By measuring the recognition of brand** (Have you been exposed to this brand?). **2. By testing what brands can one recall and what are the top brands in his mind** (what brands of this type of product can you recall?, first brand that comes through your mind/only brand?). (Aaker, 2011)

This is so called **spontaneous** or **prompted** awareness. The recognition is based on the previous exposure to the brand. It does not necessary mean, that the consumer recalls where he was exposed to it or why it differ from other brands. It has been found, that consumers, who had been exposed to particular brands, influence decision-making process – consumers prefer brand they were exposed to, over the new brand in market. As long as there is some bond between brand and consumers mind, the consumer tend to prefer that brand over others. This applies even if the consumer has never bought the brand before, but is aware of its existence. This is derived from a psychological research of “taste test of 3 samples of peanut butter). (Aaker, 2011, p.283/6616)

Good recognition initiates a signal in consumer’s minds that the brand has to be good. Since it is believed that company would not spend money on bad products.

How can a company build good brand awareness? I personally admire Intel’s way of building brand awareness of “Intel Inside” case. Due to troubles with copyrights of microchips, Intel’s response to competitors (such AMD, Chips and Tech) was to join forces with computer giants. After negotiations with PC companies like IBM, Dell, Compaq, they agreed to put Intel’s logo on either their ads or packaging. Under condition of promise of cooperated advertising and % share from sales. This move ensured Intel a significant increase in brand recognition.

The key driver of success was, that people perceived PC manufacturers such as IBM as a leading, highly innovative and quality companies. Therefore, thanks to Intel being a such important component of these advanced computers, along with its presence in ads, customers simply got the impression that Intel must have been a premium quality processor → meaning it was better than competitors.

Secondly, they realized that people at IBM as an example, are not that stupid to invest money into promotion of some product of bad quality.

At the end of the day, it was great win for Intel and defeat for competitors. As a consequence of right-chosen strategy, people perceived Intel as a premium quality brand of microprocessors, simply because they were a part of high-quality, reliable computers. Funnily, despite fact, that vast majority of consumers barely knew what microprocessors are. (Aaker, 2011)

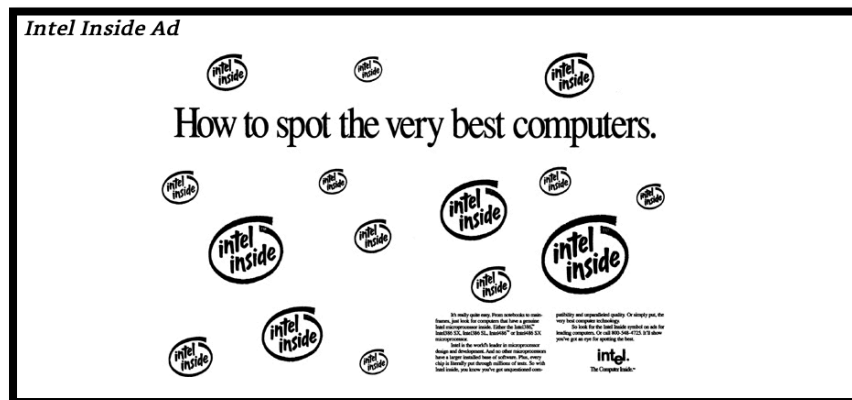


Figure 8 (Intel Inside Ad) - Building strong brands 342/6616

3.2 Brand Associations

Brand association is a connection of brand with either positive or negative emotion, in consumers mind. Each consumer has some kind of association with a brand. The associations can take many forms. It can be linked with qualities of a particular product, with famous person or with emotional experience. Brand identity plays an important role in creation of brand associations. The key driver of brand association is having a good brand identity. (Aaker, 2011)

As a company that offers its product to consumers, the product itself (design, price, packaging), is not the only thing company should care about. The approach to the consumers is very important. Meaning, the way you treat your consumers, will reflect on your company's well being. Choosing the friendly approach, good customer care, professional attitude, will surely significantly and positively contribute to the consumer's association with the brand. People simply appreciate when care is taken of them and company delivers both product and service meeting their expectations. (Aaker, 2011)

In my opinion, this has to work in practice as well. Company is just like a person, that communicates with other people. As in real life, if you treat people badly, they will do the same to you and will very likely gossip. I would also like to add, that good customer care and overall approach of company towards consumer can even “beat” some brand shortcomings. On the contrary, if you do not invest to the customer care, the consumers can create negative association of your brand. People simply tend to remember negatives more than positives what should be noted.

3.3 Perceived Quality

Perceived quality is considered to be the driver number one of the brand perception, financial performance of company and the drive of business. Perceived quality is (if not the most) important aspect of brand equity. It stands for the consumer’s opinion about the brand/product. The studies have shown that perceived quality drives financial performance and serves as a strategic drive and measure of brand goodness. According to PIMS data base (contribution to company’s ROI), perceived quality impact is greater than market share, R&D and marketing expenditures. From the practice of firms such KMART or TIFFANY, increase in perceived quality meant increase in return on investment. Other studies shows, that perceived quality is a major driver of customer satisfaction. (Aaker, 2011)

Perceived quality as measure of brand goodness – consumers are usually buying a product due to perceived quality (meaning perceived quality “covers” bigger part in decision process). Therefore a perceived quality serves as a measure of brand goodness. On top of that, perceived quality even beats functional benefits or the benefits closely connected to perceived quality. (Aaker, 2011)

3.4 Brand Loyalty

Brand Loyalty begins with satisfying the consumer’s need and satisfying it well. The outcome would therefore mean, that consumer will decide to repeatedly purchase a product, produced by the same company, instead of substituting it with other brand.

The advantage of loyal customers is simple. Companies that have strong and loyal customer base, do not need to care that much about additional expenses on marketing.



Figure 9 (Pros of Customer Loyalty Programs) - <https://www.invensis.net/blog/customer-service/10-benefits-outsourcing-customer-loyalty-retail-programs/>

Types of loyal customers: There are three main types of loyal customers recognized. Customers that buy out of habit, instead of reason, customers that are neutral between multiple choices and lastly and customers that are fully committed to the brand. (Aaker, 2011)

How can we build brand loyalty?

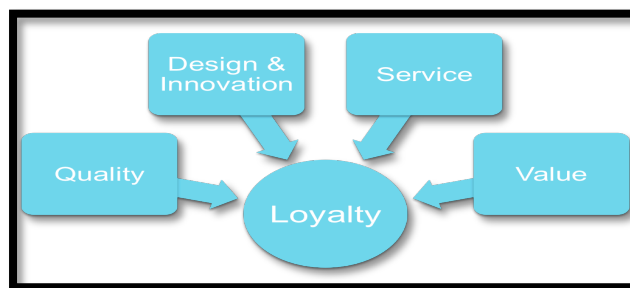


Figure 10 (Parts of Loyalty) - <http://www.enprecis.com/blog/market-research/brand-loyalty-drivers.html>

Nowadays, customer loyalty programs are frequently used. E.g. frequent customers have possibility to create memberships and gain points for “being loyal”. As soon as they accumulate specific amount of points, they will be granted discounts. This is probably the most common way of how to build customer loyalty and deliver satisfaction to both parties. (Aaker, 2011)



Figure 11 (Mileage Flight Card) - <http://www.ar.jal.com/ar/en/jmb/>

4. Brand Management of Tchibo



Introduction

Tchibo is a German company, based in Hamburg. It is a part of Maxinvest AG group, which also controls BDF Beiersdorf. Owned by Mr. Hertz, who stays behind the success of Tchibo, with its first shop in 1955, in Hamburg. Followed by the launch of first Non-Food shop in 1973. Since that, Tchibo operates in several countries within and outside EU. (Germany, Slovak republic, Czech republic, East Europe and Middle East) (Tchibo, 2017)

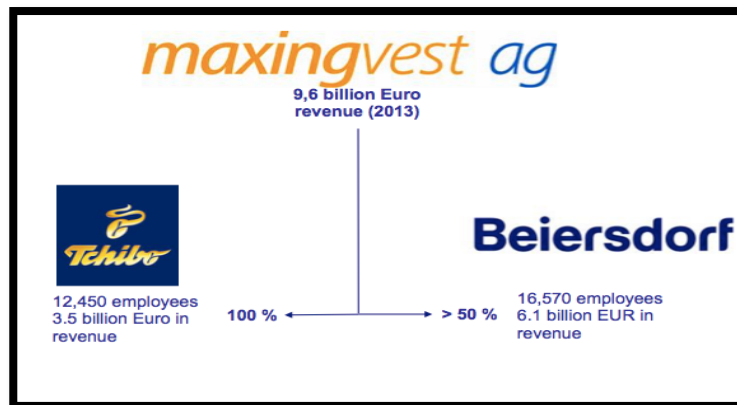


Figure 12 (maxinvest group) - Source : Tchibo 2017

When talking about Tchibo, first thing that usually comes to the mind is „coffee“.

However, this company is an unordinary coffee company. Apart from its competitors, it offers not only coffee, but also various types of non-food merchandise and even provides services – e.g. „Tchibo Mobile“ operator in some countries. (Tchibo, 2017)

The main reason why I chose this company, is its unique / unusual business model and its recent targeting of younger consumer segment, where I see great potential. All the reasons will be discussed and explained in the upcoming chapters.

4.1 Business Model

As I have already mentioned, the main reason why I chose Tchibo is the unique business model – it offers customers a unique combination of “Non-Food” (seasonal merchandise) and “Coffee” (huge variety of high quality coffee) products.

Recently, Tchibo tried to reach younger customer segment by “Tchibo Black&White” edition. The cover of the coffee itself is very unusual and trendy. It consists of creative combination of black and white color. Personally speaking, as a young consumer, this product attracts my attention much more than the rest of coffee products, where the packaging is only one color with logo. Also, the way of advertising this product gained my attention without a doubt. (Tchibo, 2017)

On their official Facebook pages, they promoted Black and White in different ways than the rest of coffee products. The campaigns were more creative and exciting to watch – On Romanian official page, they shared photos of famous young bloggers drinking Tchibo Black and White, on Hungarian official page, they have shared pictures of their Black and White coffee stand on wheels, that was cruising down the streets of Hungary (typical for hipster consumers). On Czech official page, they encouraged people to come up with their own designs of Black and White cups, with a chance of winning original Tchibo Black and White cups. (Tchibo Facebook Page)

The way of advertising of this product is unusual for Tchibo and differs from the others. It clearly targets and creates engagement for younger audience. It was done in very typical way to attract young consumers – they were encouraged to share pictures of them and Black and White, use specific #hashtags and share it among friends, with a chance of winning several prizes. (Tchibo Facebook Page)

In addition to this youth oriented product, Tchibo is the owner of „Sure Pouch Packaging Innovation“, to deliver best in class freshness & aroma protection for consumers. As you can see in the picture below, the packaging can be re-sealed to ensure the taste and smell of coffee will not disappear, as in case of normal packaging. (Tchibo, 2017)



Figure 13 (Sure Pouch) - Source: Google

Tchibo Business model consists of **4 essential pillars** (Tchibo, 2017):

- Coffee Expertise
- Non Food Concept
- Distribution System
- Corporate Culture

Coffee Expertise – Tchibo offers widest range/variety of coffee for every taste. Placed as No 4 coffee roaster worldwide. Invented „Coffee Bar“ concept, Tchibo is a market leader in **sustainable coffee** (50%+ market share in Germany). (Tchibo, 2017)

Non-Food Concept – This concept makes Tchibo “stand out of the crowd”, since it offers weekly changing and seasonal merchandise. It offers a wide range of everyday household products, gadgets, electronics, clothes and fashion accessories. (Tchibo, 2017)

Distribution System – Extended, flexible and fully controlled multi-channel distribution. It offers „true“ multi-channel retailing : Tchibo covers both, online and offline distribution channels, with several outlets, many shops, online websites – where you can order products from the comfort of home or get access to products only available online, which you cannot buy at store. Lastly, there are shop-in-shops (Albert in Prague) and mobile app – to keep up with the current trends and also, be able to shop just with a few taps. (Tchibo, 2017)

Unique Corporate Culture – Regarding sustainability, Tchibo is on its way to become 100% sustainable business. It also has its own coffee plantations. In terms of Coffee, Tchibo is a market leader in German households (about 50% of the sustainable filter coffee consumed). (Tchibo, 2017)

In terms of Textile, Tchibo is 3rd biggest buyer of organic cotton.

Lastly, in terms of **Social Responsibility**, Tchibo takes actions in the producing & growing countries and join partners in helping people to help themselves. Since 2007, Tchibo has relied on Worldwide Enhancement of Social Quality. (Tchibo, 2014)



Figure 14 - Source: Google

4.2 Brand Identity

The identity of Tchibo is simple. Long-term company mission is to always stay close to its customers, to work with all effort, expertise and passion to make people discover and enjoy the little moments of happiness that lie within every day. So Tchibo is a company that aims to create happiness with little, simple things and to positively surprise. (Tchibo, 2017)

In the analysis below, I will focus only on coffee segment, since it is the most relevant for my research. We can therefore analyze Tchibo brand identity on three levels : As Product, As Personality and as Brand Value. PS: Tchibo owns all the brands mentioned.

Regarding coffee portfolio, Tchibo offer following variety of products :



Figure 14 (coffee segments) - Source: Tchibo 2017

The Exclusive and Premium products range is offering the highest quality and taste for relatively high price. It is represented by the premium coffee brand Davidoff and premium Tchibo coffee range. In addition to this exclusive category of products, Tchibo from time to time offers premium-limited coffee. The Mainstream and Economy category offers good quality coffee at reasonable / affordable price. (Tchibo, 2017)

The positioning of these two categories is different and will be discussed in the next chapter.

The value for the customer is mainly the price / quality ratio and many years of experience in field of coffee (more than 65 years of Know How in single roasting, refinement and blending). The customers are always getting only the best quality coffee, due to the finest selection of coffee beans and high internal quality standards. Lastly, the customer is always able to choose from huge variety of good quality coffee, at different price range – always affordable. (Tchibo, 2017)

The same applies for the non-food segment. The price and quality ratio is on the first place. Followed by constantly changing trends, creating an excitement for the consumers.

Lastly, Tchibo provides a customer service at very professional level. The whole process of re-funds or re-placements of merchandise is very smooth. On top of that, skilled and very kind employees make the shopping atmosphere different than in any other competitor site. (Tchibo, 2017)

If we look at Tchibo, as a person, it is a company that is good at what it does and is doing it with love (especially coffee). It is an honest company, with the customer needs on first place. Due to its unusual business model, it keeps up with the latest trends and offers something new and different every time. Last but not least, Tchibo takes responsibility across everywhere possible – tries to be as environmental friendly as possible. (Tchibo, 2017)

I would link Tchibo to a person, who you can trust, who keep the promises, who constantly surprise you and make you smile.

4.3 Brand Promise

As a follow up, Tchibo as a brand promises the following: Always good quality products/coffee at affordable prices, while keeping sustainability as high as possible.

Secondly, Tchibo delivers excitement, curiosity and happiness. E.g. „I will have a good coffee and buy something nice into household“. The customer can find many useful things at one place. (Tchibo, 2017)

4.4 Positioning

Tchibo is a company that provides strong emotional and functional benefits. In terms of emotional benefits, it's a company that enriches other people's lives and make them enjoy little things and create happiness. Considering functional benefit, it provides impulses for customers to come back and discover more, by weekly changing collection of interesting products at high quality. (Tchibo, 2017)

Tchibo is also giving opportunity for people to experience the true quality of coffee and show them more, than just a packaging - they provide stories about particular coffees, inform about their qualities and origin. Also, the personnel explains customers how to manipulate with given coffee machines or how to grind coffee beans. (My own observation)

In the analysis below, I will only focus on Tchibo positioning in terms of coffee.

Tchibo Coffee Sub-Brands positioning



Figure 15 (Jihlavanka positioning) - Source : Tchibo 2017

Jihlavanka coffee is closely connected with old Czech traditions. Since 1958, Jihlavanka became very popular among older people, due to its popularity as the best filtered coffee. It is also the most sold roasted coffee at the Czech market. It offers great, traditional taste and good quality for affordable price. Together with similar Edisto product classes, the target group is older people. (Tchibo, 2017)



Figure 16 (Tchibo positioning)- Source: Tchibo 2017

This segment, on the other hand, targets mainly younger audience. With Black and White edition on the lead, it offers strong black coffee, with balanced taste, roasted three times longer to achieve pleasurable flavor. Also, the social media campaigns and advertisements for Black and White were different, compared to previous segment. The price is still reasonable for the good quality of coffee. (Tchibo, 2017)

Recently a new product called Mazagrande was launched. It will be further discussed later in the chapter.



Figure 18 (Davidoff&Tchibo positioning) - Source: Tchibo 2017

This product segment targets coffee enthusiasts and elders. It is available for those who care about the origin of coffee and seek its unique taste. Tchibo Privat Café as an example, provides a opportunity to taste coffee from different countries made out of the best Arabica beans in the origin countries. It is available in four varieties : Brazil Mild, Guatemala Grande, African Blue and Latin Bio. Davidoff café is positioned at the same level, and offers premium quality. The difference from other categories of coffee is the secret of individual roasting of Arabica coffee beans. This segment is sold at higher price, due to its premium quality. (Tchibo, 2017)

Targeting younger consumer segment

Tchibo Mazagrande - definitely targeting younger consumers, only few weeks available. I see a great opportunity in attracting young consumers.

It is a new product, it does not even have its advertising campaign yet. However, as in case of Black and White coffee, Mazagrande is completely different product. It is a mixture of lemonade with coffee, preferably drunk cold. The taste is similar to cradler beer with a hint of coffee taste. I would say that the typical occasion to enjoy this drink is: hot summer days, with your friends. The Mazagrande itself is based on Portuguese recipe, which is a cold sweetened coffee with lemon juice in it. (Tchibo, 2017)

The potential I see is in the unusual combination of coffee and lemonade, what will definitely create curiosity and possibly attract younger consumers (they like to try new things). The utility for me would be tasty refreshment with a boost of energy. If I had to

choose competitors based on the taste of Mazagrande, the possible competitors would be : non-alcoholic radler beer or energy drinks.

Competitors in coffee segment

The main competitors are Jacobs, Nescafe and Lavazza. In terms of roasted coffee market share , Tchibo has 50% of share, in Czech republic. Considering product range, Tchibo is better off among its competitors, however the biggest threat is Jacobs, with its relatively large variety of products. Tchibo tries to keep its prices as low as possible, but still, remain competitive and keep the high quality. In general, each segment (mainstream, premium, exclusive) has minimal price difference compared to the same segment of competitor. The advantage of Tchibo among its competitors in Czech republic, is the relatively strong market position, its long-term experience in coffee industry, knowledge about the right preparation of coffee, high quality standards and professional approach towards customers. (Tchibo, 2017)

These attributes result into positive customer experience, which is a key competitive factor.

4.5 Communication

Tchibo is currently using many communication channels. We can divide them into two groups: Owned Channels and Bought Channels

Owned channels are representing following – Shops (advertising in form of banners, point of sales - see picture on the left). They also advertise their products in form of website banners (see picture on the right). (Tchibo, 2017)

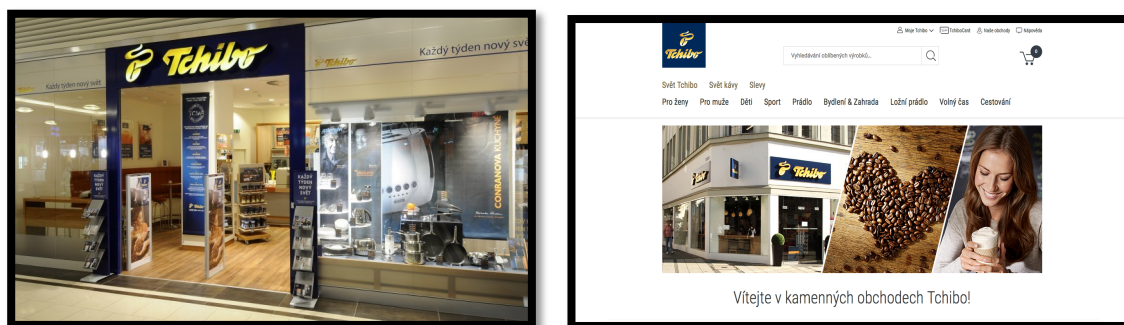


Figure 19/20 (left-Tchibo shop banners, right- Tchibo website) - Source: Google

The other ways of communication are Shop in Shop activities, and CRM „customer relationship management“ (gathering loyalty card addresses / web shop addresses and therefore sending offers via newsletter). Lastly, Tchibo has its own Blog (Tchibo blog), where it also advertises its products and provides recipes, health and fashion trends (see Czech Tchibo blog below). (Tchibo, 2017)

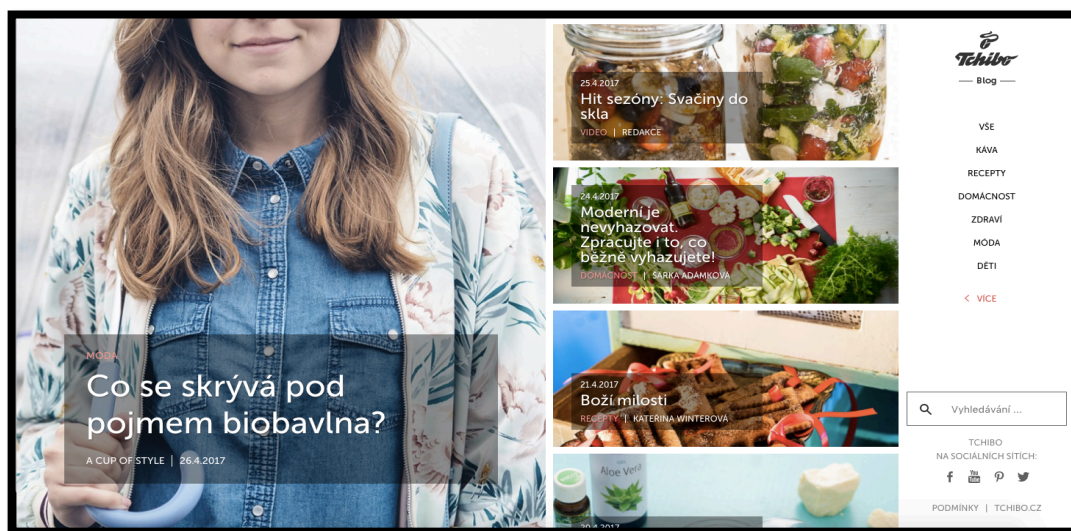


Figure 21 (Tchibo Blog) - Source: Tchibo website

Bought Channels are either representing offline or online channels. In terms of online, Tchibo mainly uses TV ads. Talking about online channels, Tchibo is present at YouTube, Facebook, Seznam, Instagram etc. online. (Tchibo, 2017)

Other social media, just to clarify its coverage on social media

Facebook is the most relevant social medium for Tchibo. The official Czech page covers a fair amount of followers. The Tchibo Czech republic official Facebook page has over 200 000 likes. (Tchibo, 2017)

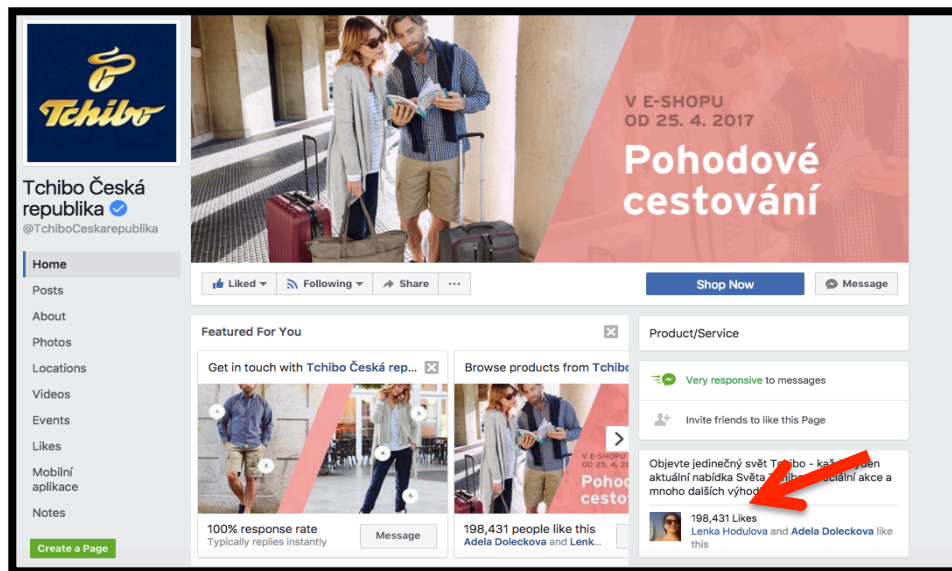


Figure 22 (Tchibo CZ official page) - Source: Facebook

The social media coverage is not finished yet. Tchibo activities continue on YouTube Google+ (publishing news), Twitter (tweets), Instagram (posting photos), Pinterest (pin board for fans on Pinterest), LinkedIn and Xing (business profiles). (Tchibo, 2017)

Interesting Ads in Czech republic

I have picked Black and White campaign on YouTube as an example. This ad has been done in a funny way, and is obviously targeted to younger consumers. The views are also positive - 300 000 for the ad on the left and 250 000 for the other, considering fact that the official page on YouTube has only 1 000 subscribers. (YouTube)

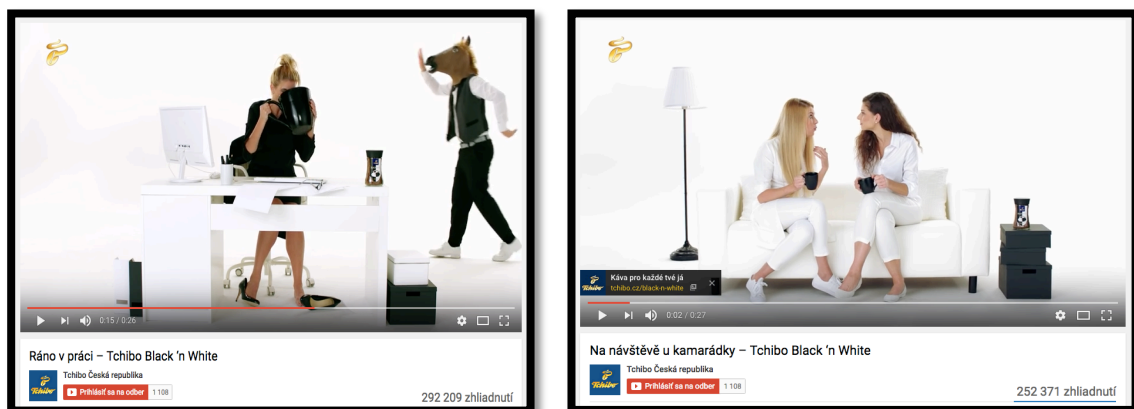


Figure 23/24 (Black and White ads) - Source: YouTube

4.6 Distribution

Tchibo is known for its extensive, flexible and fully controlled multi-channel distribution. The „true“ multi-channel retailing I have mentioned before, consist of four channels (Tchibo, 2017) :

- More than 1 000 fully owned/operated outlets
- Leading e-tailer in 8 countries (30 mil customers/month)
- Tchibo Coffee Service – 50 000 customers in out-of-home business
- Tchibo mobile app

In addition to shops, consumers are able to order coffee and merchandise from the website or even mobile app. They can also enjoy the coffee at Tchibo coffee bars, with highly skilled baristas. (Tchibo, 2017)

4.7 Price/Pricing strategy

The pricing strategy of Tchibo is quite sophisticated and complex, yet I will try to provide brief explanation. Each country has three so-called „pilot shops“, situated close to, or in the biggest cities (except Slovakia). Those pilot shops, are the most crucial element of Tchibo's pricing strategy. Obviously, pilot shops are strategically placed – in case of Czech Republic, one is in Brno (Olympia mall), other in Prague etc. (Tchibo, 2017)

How does „pilot shops pricing strategy“ works: As I have already mentioned, Tchibo comes with new merchandise every week. The role of so-called pilot shops is to „test“ upcoming seasonal products, or any new upcoming products. Meaning, that those particular products are being sold only in those three pilot shops, 4 weeks before officially being distributed to other Tchibo shops. The role of pilot shops is simple – to test whether product A at price XY, will perform positively/negatively when officially launched in other shops. According to results a RSP (recommended selling price) is estimated.

The merchandise you can find in pilot shops, is always different than in casual Tchibo shops. Therefore, as an example, it is very likely that you can see Tchibo selling winter collections (only in pilot shop), when it's actually warm and sunny outside. It is simply because it is a part of pricing strategy, which needs to take a lot of pre-planning, analyzing and evaluation. This strategy allows Tchibo to test how the upcoming products will

perform at particular price. Thanks to this, Tchibo can adjust prices of particular products – based on sale volumes, competitor prices etc. (Tchibo, 2017)

The other important aspect of this strategy, during the „testing period“ is the feedback from employees in pilot shops. Meaning, that employees are told to observe and write down what people like/dislike about the „upcoming“ products. This is giving Tchibo a useful insight on performance of various products. Inputs in this process are: History of sales (has the particular product been sold before? If yes, how it performed? At what price was it sold?), Product performance in other countries (to compare, how the same product performs in different markets), Marketing Support etc. It is a very complex process, but the key output is Pilot shops results. (Tchibo, 2017)

Competitor analysis

In terms of competitor pricing strategy, the main objective is to find similar/same products competitor offers and compare the selling price of the particular product that is sold in Tchibo shop. E.g. „woman sweater“ is sold at Tchibo for 22,19EUR. There are four main competitors selling similar product: Tesco at price of 22EUR, C&A at price of 15,00EUR, H&M at price of 24,99EUR and M&S at price of 31,99EUR. Based on this information, Tchibo has competitive advantage (in terms of price per piece) over H&M and M&S, while it does not have it over Tesco and C&A. So this is giving another useful insight to consider, while creating pricing strategy. (Tchibo, 2017)

According to results of a specific product, a decision can take two forms: either increase/decrease price of a product or put a discount in form of „coffee beans“ (currency of loyalty program – customers are encouraged to spend their accumulated coffee beans)

To sum it up, the **core** of pricing strategy is **pilot shops** strategy explained above. (Tchibo, 2017)

The main Non-Food (clothes) competitors are : Tesco, H&M, C&A, Marks & Spencer, New Yorker. The prices comparison is derived from pilot shop prices compared with prices in competitor stores. Competitors that have mostly cheaper products, in given categories compared with Tchibo are Tesco, C&A and New Yorker. On the other hand, competitors that have similar or slightly more expensive price than Tchibo are H&M and Marks and Spencer. As I have mentioned in previous chapter, Tchibo tries to keep its prices as competitive as possible, so it adjusts the prices according to the analysis above.

Meaning that customers at Tchibo are always getting good value for money. If we consider the whole concept of non-food merchandise (clothes, gadgets, electronics, home equipment etc.), the main competitor would be Lidl. (Tchibo, 2017)

5. Image of Tchibo

The key element of this chapter is the outcome of survey that I have conducted in the period of 2 weeks, in April 2017, mostly among my peers.

Post script : All the following information is based on the results of my own survey.

Thanks to the results of the survey, I was able to recognize some „shortcomings” and tried to propose a few recommendations how to attract younger audience. The survey itself was distributed among 100 respondents, in period of 2 weeks, in April 2017. Since my aim is to get feedback from young individuals, vast majority of respondents were from age 18-22. The survey consist of total – 19 questions, divided into three groups:

1. **“Coffee Industry”** - A short research of 4 questions considering coffee habits and coffee brand recalls. At this point, the respondents were not aware of Tchibo as a main part of my survey.
2. **“Tchibo Coffee Brand”** – In this part, the aim was to gain information about the brand perceptions and associations of “youngsters” with Tchibo. This part consisted of 11 questions.
3. **“Brief Information”** – Last part was set up to gather anonymous personal information such as gender, age, average net income and size of household. Making it 4 questions in total.

The main aim was to find out the image of Tchibo, among young consumers.

5.1 Survey – How young consumers perceive Tchibo as a brand?

The survey consists of 19 questions, answered by 100 respondents who were picked among my peers - mainly young people (total of 60% female and 40% male). Questions were asked in following order:

Question #1 – „Do you drink/Buy Coffee?
Question #2 – „ What brands of coffee comes to your mind?“
Question #3 – „ Where do you go, to have a cup of coffee?“
Question #4 – „ What brands comes to your mind, regarding coffee and clothing?“
Question #5 – „Tchibo, do you know this company?“
Question #6 – „What are your associations with this company?“
Question #7 – „How often do you shop at Tchibo?“
Question #8 – „Tchibo = quality, do you agree with this identity?“
Question #9 – „Tchibo = affordable price, do you agree with this identity?“
Question #10 - „Tchibo = Huge variety of coffee, do you agree with this identity?“
Question #11 – „What do you mostly buy at Tchibo?“
Question #12 – „Why do you shop at Tchibo?“
Question #13 – „What do you like about Tchibo?“
Question #14 – „What do you dislike about Tchibo?“
Question #15 – „On scale 1-5, how would you rate your shopping experience at Tchibo?“
Question #16 – „What is your gender?“
Question #17 – „What is your age?“
Question #18 – „What is the size of your household?“
Question #19 – „What is your approx. NET income?“

Generally speaking, the feedback was rather positive than negative, considering Tchibo brand viewed by young consumers.

I will **only** provide a brief summary of responses to **relevant questions** above. In the next chapter, I will focus more on image of Tchibo, by picking the most relevant questions for my research.

Starting with question number 2 (What brands of coffee comes to your mind), Tchibo took surprisingly first place among other, more popular coffee brands, favored by youngsters such as Starbucks, Costa Coffee or Lavazza. However, different scenario is question 3 (Where do you go, to have a cup of coffee), where respondents mentioned mostly Starbucks, followed by Costa Coffee, as a place to enjoy coffee at (still good though, since Tchibo scored 3rd place).

At question number 4 (What brands comes to your mind, regarding coffee and clothing), which may seem a little bit misleading, Tchibo took the first place, followed by Starbucks. This proves that youngsters are aware of Tchibo, as a leader in coffee and merchandise business. Question 5 (Tchibo, do you know this company) is the proof of what I have just written, since 100% of respondents knew this brand.

Regarding question 6 (What are your associations with this company), the associations with the brand were mostly positive. They will be discussed more in depth in the next chapter.

Question number 7 (How often do you shop at Tchibo) - Respondents mostly either do shop occasionally at Tchibo or do not at all.

Following questions 8,9,10 (Do you agree with identity..) will be discussed later on. In general, respondents agree with the identity, which is good. Question 11 (What do you mostly buy at Tchibo) - if the youngsters shop at Tchibo, they buy mostly coffee (over 70% of time), secondly clothes (around 30 % of time) and lastly food (20% of time).

Since we know so far, that youngsters do not usually shop at Tchibo, it was interesting to see the results of question 12 (Why do you shop at Tchibo). The main reason why they go to Tchibo, is because they family members or friends do shop at Tchibo. The second most common reason was variety of products, followed by price / quality ratio.

Questions 13 (What do you like about Tchibo) and 14 (What do you dislike about Tchibo) gave us an overview of what youngsters dislike or like about Tchibo.

Again, there were more positives than negatives. In both cases, there was one prevailing answer – available at the next chapter.

I have closed up the survey by asking respondents to rate their shopping experience at Tchibo (on „thumbs up,, scale 1-5, rate your experience at Tchibo). The respondents mostly voted for number 4, making the average of 3,52, which could be translated, to neither bad nor astounding.

5.2 Image of Tchibo (according to results of the survey)

We can analyze the image of Tchibo in respondent's minds by following questions.

I have picked only the most crucial questions, which gave me the most relevant information regarding my topic.

Q: Do you Drink / Buy coffee ?

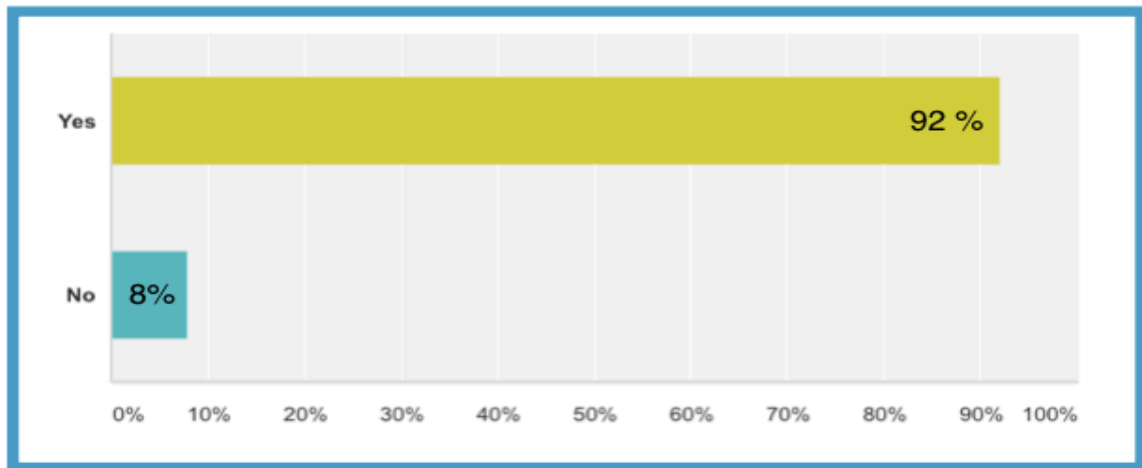


Figure 25 - Source: My own survey

Just for the brief information, 92% of respondents are coffee consumers and only 8% are not.

Q: What brands of coffee comes to your mind? (top 4)	Number of times mentioned (%)
Tchibo	76 %
Nescafe	68 %
Lavazza	64 %
Starbucks	56 %

Table 1 – Source : My own survey

Along with other popular coffee brands, Tchibo is at the top of mind. Judging by these results, I can tell that the Starbucks trend is apparently declining, and youngsters prefer good quality coffee.

Q: What brands come to your mind, regarding coffee and clothing? (Mostly mentioned to least mentioned)	Comments
Tchibo	
Starbucks	
Rest	e.g. Costa Coffee, Coffee Brothers, Mama Coffee

Table 2 – Source : My own survey

This question was intentionally made a little bit misleading, to test if the youngsters are aware of Tchibo as „coffee and merchandise“ leader. It proved to be true, due to Tchibo taking the first place again.

Q:What are your associations with this company? (in descending order - the most mentioned / least mentioned)	Comments
Coffee and Clothes	
Good quality	“good quality coffee”, “high quality products”, “good cakes”
Wide range of “things”, besides coffee	e.g. kitchen accessories, sport accessories, gadgets, good cakes, shoes. “ every week new stuff “
Old people	“ambitious but still for old people LOL”, “older crowd”
Comfortable place	“non-smoking environment”
Lots of ads on TV	
SUM : Mostly positive associations	

Table 3 – Source : My own survey

I consider this question as the most relevant. The first thing that came to mind of respondents was coffee and clothes – both at good quality. The second most mentioned association was the range of products – the respondents have Tchibo associated as a place where you can basically buy anything. Also, appreciating fact, that there is new collection every week.

On the other hand, one mostly mentioned negative association was „old people“. That is, apparently the biggest problem, from the side of youngsters.

Surprisingly, youngsters do associate Tchibo as a clean, non-smoking place, which is a positive association.

Q: Tchibo = Quality. Do you agree with this identity?

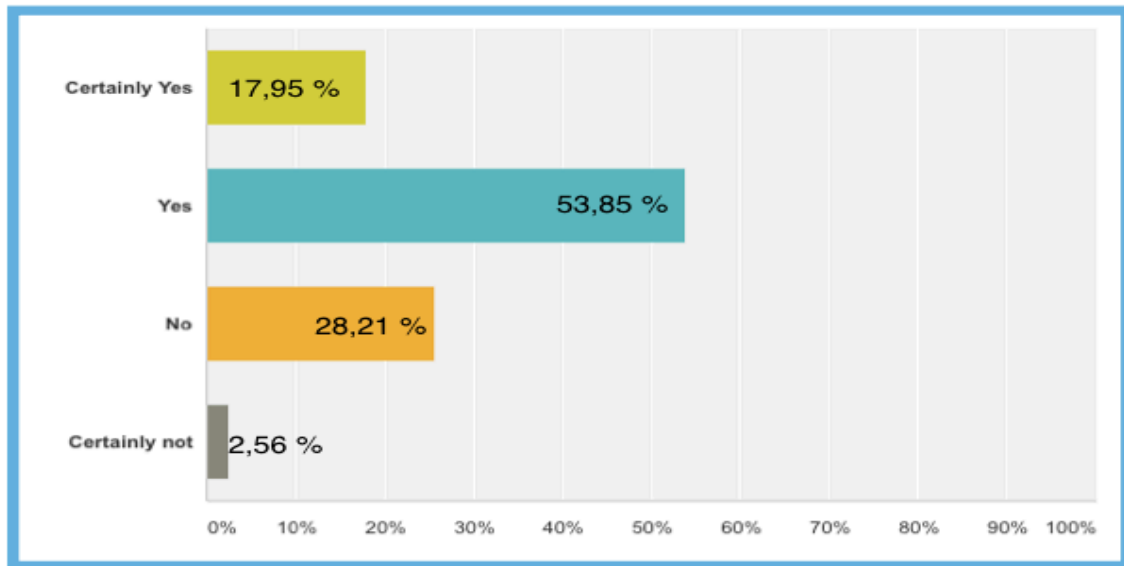


Figure 26 - Source: My own survey

Regarding quality, over 70% of respondents agreed with this identity.

Q: Tchibo = Affordable price. Do you agree with this identity?

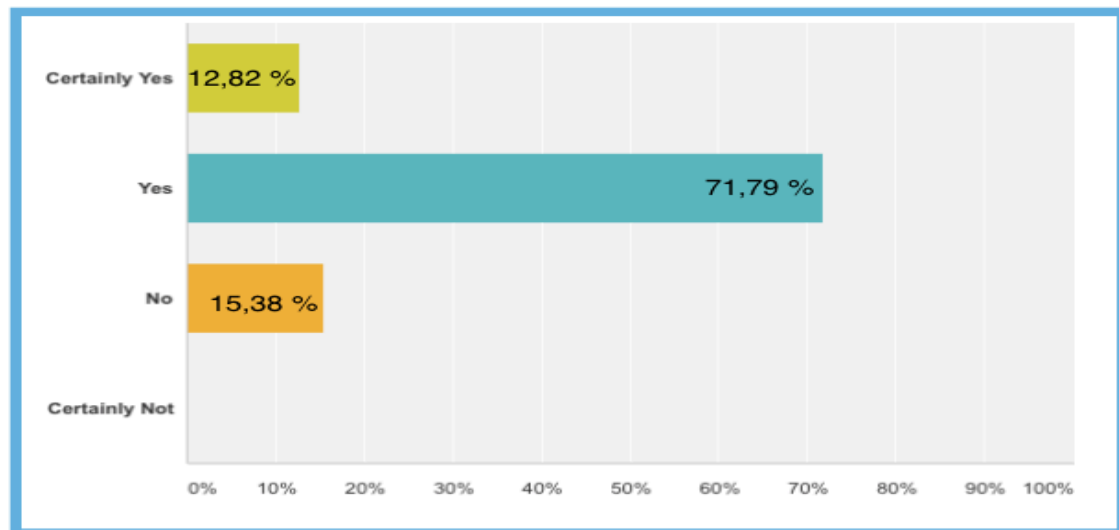


Figure 27 - Source: My own survey

Out of three brand identities I have provided, the affordable price is the one that is mostly agreed. Over 80% of respondents agree with this identity, which makes it the most „believed one“ compared to others.

Q: Tchibo = Huge variety of coffee. Do you agree with this identity?

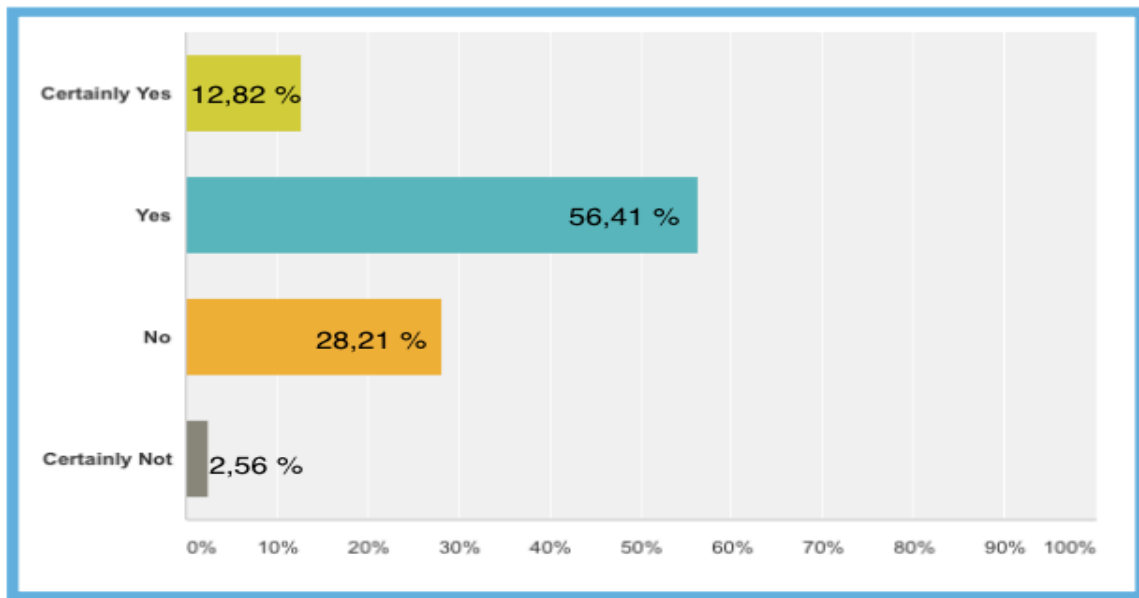


Figure 28 - Source: My own survey

Lastly, 70% of respondents agree, that Tchibo offers a huge variety of coffee.

If we summarize the overall perception of these three identities, the results are again, positive. The survey showed up that respondents are more inclined to agree with given identities, and especially strongly agree with „Affordable Price“.

Q : What do you <u>like</u> about Tchibo ? (in descending order - the most mentioned / least mentioned)	Comments
Variety of products	" every week, new collection "
Taste of coffee	" best taste and best quality of coffee "
Comfortable place, Atmosphere	" I always feel there very well "
Non-smoking environment	
Style	

Table 4 – Source : My own survey

According to the outcome of this question, the respondents like weekly changing collection the most. Followed by coffee taste and comfortable place – non-smoking environment.

Q : What do you dislike about Tchibo ? (in descending order - the most mentioned / least mentioned)	Comments
Nothing	
Small place	"it is small"
Very crowded	"always crowded"
Online / On-store product availability	"products that are available online, are not in-store, in very short period of time"
Design of store	
+ nothing	- small space / crowded

Table 5 – Source : My own survey

It is always good to have negative responses, since it gives valuable information for the company about any shortcomings.

The positive aspect of this question is that answer „nothing“ took the first place as most mentioned.

Nevertheless, if we wish to seek any negatives, small space crowded with old people is probably „the thing“ that young consumers dislike the most.

5.3 Possible recommendation (according to results)

Considering the results of my survey, I would say that the feedback was rather positive than negative.

It seems like the biggest problem Tchibo needs to cope with, is the image in young consumer minds, associated with old people. It is obvious, that Tchibo's main target consumer segment is not youngsters, but elders. Therefore there is no wonder why the current „business concept“ is not that attractive for younger audience. Also, few respondents mentioned relatively high price of coffee, so in case of young oriented product, the price could be little bit lower.

Nevertheless, Tchibo actually tries to reach younger consumer segment (Facebook page, Blog, Do it Yourself videos), but apparently, youngsters care mostly about the look and if they are cool / trendy while consuming particular brand.

As a possible recommendation, I would recommend to come up with new products at affordable price, focused only on the younger consumer segment and try to capture their attention.

As a next step, changing the shop layout would be a good idea – to make more place to sit and enjoy coffee and to put more cloakrooms into the shop.

The other solution might have been to create brand new concept for youngsters – more coffee, less merchandise, since they are still kind of confused, what Tchibo mainly sells.

Also, Tchibo should continue to engage in online activities, or even increase it.

In case of Mazagrande, I would definitely go for some exciting online campaign, preferably promoted by some famous blogger or youtuber and create engagement for the target segment – e.g. post your coolest summer photo with Mazagrande and win prizes.

To sum it up, there is undoubtedly potential in attracting younger consumer segment, however the current concept is simply not that attractive for young people.

Conclusion

Brand management is in my opinion very exciting, yet very complex process. In order to completely understand it, a lot of effort is needed to be done, since there are multiple definitions, by many experts on given topics. As I have went through several real life company experiences with creating a „perfect brand“, I have noticed one thing. There is no one suit all strategy to build a good brand. Each company differs from the other, therefore each strategy needs to be created according to company's DNA.

In my interview, I was given an interesting advice on how to picture brand in my head. It is very simple – brand is like a woman you picture in your mind, with long blonde hair, blue eyes, intelligent and with a sense of humor – all those things I just named are attributes creating a personality, which people will „probably“ like.

Brand is basically the same. A company is creating something, a product or service identified by a brand. The aim of a company is to create a brand that will have specific attributes, which will fulfill the consumer target group requirements. In addition to this, all this has to be strategically and well communicated, so the target group will recognize and appreciate these kinds of attributes.

To summarize it, brand management process is managing the brand in a way, that will keep the customers satisfied, make them happy, keep the brand promise, keep a good relationships and last but not least - listen to and care about customers, since they give us valuable information and without them, the business could not simply work. On top of that, company is supposed to do all this better and more efficient than competitor.

The overall rating of the responses from target group is relatively neutral. The youngsters agree with the identity of Tchibo. They are aware of Tchibo as a coffee brand and also know about its other qualities. They do appreciate the differences of Tchibo, compared to its competitors, such: Unique model – every week new collection of merchandise, price/quality ratio or even non-smoking environment.

Although they do have mostly positive associations, there is one negative association that affects the behavior of respondents – old people. As we can tell by the results, target group either shop only occasionally at Tchibo, or do not shop at all. Backed up by the main reason of shopping in Tchibo – „My friends / relatives do shop there“. It means that they

do not have a particular need to shop there. In case they have it, it is mainly to enjoy a good quality of coffee, but takeaway.

This behavior is most likely a consequence of Tchibo being associated as a brand of old people. In words of younger generation, shopping at Tchibo is simply not that cool, since it is mostly crowded with people of age 50 and above. This gives the target group a feeling that Tchibo is rather oldish brand. Additionally, small space with combination of old customers is simply not attractive for young consumers.

If I sum it up, I would say that Tchibo has the potential to address young consumer segment, considering its increasing activity at social media, backed up by the launch of new product Tchibo Mazagrande. Nevertheless, the biggest „obstacle“ is the shop layout and particular type of customers in it.

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Other resources

- 1) Interview with marketing manager, April 2017
- 2) Tchibo Internal Source – Company presentation, April 2017
- 3) YouTube, Facebook – official Tchibo pages
- 4) Google – pictures of coffee
- 5) My own observation – shop visit

Supplements, Annexes

Figures

Figure 1 (Unilever Multi Brand Strategy)- <http://inevitablesteps.com/marketing/multi-brand-strategy/>

Figure 2 (FedEx Sub Brands) - <http://brogan.com/blog/pros-and-cons-sub-branding-and-brand-extension>

Figure 3 (Unilever Products) - <http://marketing.risdall.com/blog/building-higher-education-brand-strength-with-a-brand-hierarchy>

Figure 4 (Coca-Cola Brand Extension) - <https://www.slideshare.net/khushbu07/challenges-opprtunities-in-brand-extensions-53772336>

Figure 5 (In-Store/Online Shopping Experiences) - <http://trends.e-strategyblog.com/2012/12/17/in-store-vs-online-shopping-experiences/6409>

Figure 6 (Value Proposition Model) - Building strong brands (p. 1751/6616)

Figure 7 (How Brand Equity Generates Value) - Building strong brands (263/6616)

Figure 8 (Intel Inside Ad) - Building strong brands 342/6616

Figure 9 (Pros of Customer Loyalty Programs) - <https://www.invensis.net/blog/customer-service/10-benefits-outsourcing-customer-loyalty-retail-programs/>

Figure 10 (Parts of Loyalty) - <http://www.enprecis.com/blog/market-research/brand-loyalty-drivers.html>

Figure 11 (Mileage Flight Card) - <http://www.ar.jal.com/ar/en/jmb/>

Figure 12 (MaxInvest AG group) – Tchibo 2017

Figure 13 (Sure Pouch Innovation) – Google pictures

Figure 14 (CSR award) – Google pictures

Figure 15 (Coffee segments positioning) – Tchibo 2017

Figure 16 (Jihlavanka positioning) – Tchibo 2017

Figure 17 (Tchibo coffee positioning) – Tchibo 2017

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Table 3 (What are your associations with this company?) - My own survey

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