Bringing *X* to young Chinese customers

Marketing research report for Porteñas

* I appreciate the help from Prof. Robert Morais at Columbia Business School on this research.

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Contents

* The product name in the portfolio was replaced with “X”.

Executive Summary

Bringing X to young Chinese customers

- Research objective: explore feasibility and solutions on product, customer, and branding for Porteñas's current *X* drink product to approach Chinese youth
- Methodology: two-way focus groups reversing concept and product with white collars and college students
- Results:
    - Curiosity drives the first purchase for youth, after the first time it depends
    - People value health functionalities but are not easily convinced by health label
    - Current product cater more to leisure purpose, which involves rituals and is not necessarily social
    - Respondents' perception of brand image and position is relevant to traditional Chinese tea and bubble tea
    - Price relative to competitors matters when it's hard to disrupt consumer lifestyle
    - Specific attributes in product need to be carefully considered and modified
- Recommendations:
    - Refine sediment issue and standardization of preparation
    - Consider widen and tailor product portfolio to cover more consumer tribes for functionalities purpose
    - Keep first-time price reasonable (¥20-30) compared with alternatives to drive for curiosity purchase.
    - Localize marketing strategy for the segment of leisure drinkers
    - Reconsider whether the drink fit into Chinese taste of socializing purpose
- The next step:
    - Sequential monadic testing and product testing to determine the strongest unique selling proposition

Research Objective

Touch the unexplored segment in oversea market

Porteñas, a bar startup in New York, provide customers with beverages and food from South American culture. One of the core product in the portfolio is ready-to-drink *X*. In China, as the existing online sellers of X mark target customer as middle/old aged people, we find young customers there such as white collars and students could be an unexplored segment. In light of this potential opportunity, the research is done to explore whether it will be a good attempt to push the X products of Porteñas to the Chinese youth market.

Therefore, this research should be able to answer the question from three dimensions:

1. Product: how do young people at regard the taste of X?
2. Customer: Who can be the specific target customer? What's the market size and good pricing?
3. Branding: What elements to have in the brand image that we want to market it in China?

Methodology

Products for testing

We take 2 flavors and 2 gourds to test if any variation in them would lead to specific reactions or preferences.

Chocolate Cane Sugar Toffee

Citrus Mix

Wood, with steel straw

Glass, all-in-one

The typical drinking process is around 15 minutes:

- Preparing: dump in 2 packs to fill the gourd, insert the straw (for wooden gourds), fill in hot water (near-boiled), wait for 15 seconds the drink
- Repeat filling water to go through second and third round, all the way to maybe five or six.

Methodology

Two-way focus groups

At this preliminary stage of exploration, we conducted focus groups as the most appropriate strategy. Its qualitative nature ensures the depth of insights more than surveys or other forms of quantitative testing. At the same time, a larger sample size than interviews or ethnographies is covered.

- To test the product, a section within focus group is centered around letting respondents actually taste the X drink (product).
- Exploring possible branding strategy, another section is made to see respondents' reaction to 4 possible options of brand image (concept).
- To explore target customer segments, we kept a reasonable level of diversity in respondent profile, covering all sectors we presumed including white collars and students in various industries and functions.
- Particularly, to see the interactions between presumed brand images and actual drink, in 2 groups we reversed the sequence of concept testing and product testing, as shown here:

White collars: Concept test → Product test

College students: Product test→Concept test

- Some specific techniques used:

Usage pattern questions

Triadic sorting on attributes

Metaphor elicitation test on user experience

Price elasticity test on pricing

Concept sorting on brand image

Deprivation over competitors

Storytelling test to see customer profile

Methodology

Focus groups settings and respondent profiles

Concept to product group

Event setting
- 12:30 to 14:30, Jan 1
- Meeting room (10 seats) at a company in Shenzhen
- 8 participants: 6 respondents, 1 moderator, 1 recorder

Respondent profile
- All are college graduates and working professionals
- Work duties include financial personnel, sales, medical employee, front desk personnel
- 3 male, 3 female
- Average age ≈ 25, smallest 22, biggest 27
- Mainly bubble tea drinkers, some coffee drinkers
- Mostly don’t have much knowledge on drinks
- Usage per week usually 2-3 times

Product to concept group

Event setting
- 13:30 to 15:30, Jan 18
- A semi-open dining place in university campus in Shenzhen
- 10 participants: 6 respondents, 1 moderator, 1 recorder, 2 observers

Respondent profile
- All are current college students
- College students majoring in business and engineering
- 4 male, 2 female
- Average age ≈ 20, smallest 18, biggest 23
- Mainly coffee drinkers, also some bubble tea drinkers
- Some respondents confident about drink knowledge
- Usage per week mostly 3-5 times

Moderator’s guide, concept to product

1. Brief lunch together and warm-up. Everyone introduces himself
2. Casual talk.
3. Give out name cards.
4. Open discussion when eating: everyone talk about a drink he/she likes, including usage frequency, how he likes it.
5. Clarify. This is a free discussion. Welcome any interrupt and interesting thoughts. Relax. Just rely on your feeling.
6. Post core concepts on Wechat group chat to let everyone see it.
   A. This drink is an intelligent alternative to coffee. It stimulates the brain, increasing lucidity and slowly releasing sustainable energy throughout the day, and without the “crashing” effect you feel with coffee.
   B. It’s a beverage from South America, where it’s often called “the tea of the gods.” Its history stretches back to pre-Columbian Paraguay. Over 80% families in Argentina consumes it, while it’s rarely known outside South America. Drinking it will be a beautiful experience with South American culture.
   C. This drink plays a special role in people’s life. Following the tradition, people only share it with families or best friends. When meeting people holds the gourd and chat to stay for half an hour or later.
   D. The drink is a wonderful source of vitamins and minerals, reduces bad cholesterol, and is a powerful antioxidant. It provides 90% more antioxidants than green tea, due to its high concentration of polyphenols, which improve the body's natural defenses and protect it from cell damage.
7. Ask who like concept A? B? C? D? Ask why do someone like A/B/C/D and what attracted them. How much unique?

Methodology

Moderator’s guide, concept to product (cont’)

8. Tell people about our pricing (¥35 each). Ask who will definitely buy? Who will probably buy? Maybe not buy? Definitely not buy? Why buying (what’s the advantage) and why not (how to improve)?
9. Ask if it appears on the market what will be their mode of usage? What products will they replace if consume this?
10. If they have some better choice, how come if they are not available? Not consuming or pick another?

11. Talk about confidentiality. Get boiled water. Prepare the drink for tasting. Let respondent drink alone and try to feel (give instructions when needed). Ask does the experience comply with their expectation? Why and why not?
12. ZMET metaphor exercise (prepare 20 pictures). From the pile, select a photo that best expresses your feelings when you had the drink. Ask them to be prepared to explain selection.
13. Tell them to share a song that they’d like to listen when they drink this. Roll a dice to choose 2 biggest to play.
14. Storytelling. If the only thing you know about one person if he drinks the drink, how will you guess?
15. Discuss any interesting point then close. Check for Xrial confidentiality. Follow up on stimulation function.

Methodology

Moderator's guide, product to concept

1. Warm up, self-introduction by round, introduce about your favorite drink
2. Talk about confidentiality. Get boiled water. Prepare the drink for tasting. Let respondent drink alone and try to feel (give instructions when needed).
3. ZMET metaphor exercise

4. Give out core product concept options on Wechat. Ask why do someone like A/B/C/D and what attracted them. How much unique?
5. Ask which concept do they like the most? And how close is that to their drinking experiences? Why?
6. Tell them about our pricing. (start from ¥35) Ask them will they buy? Why do (what's the advantage) and why not (how to improve)?
7. Ask if it the product appears what will be their mode of usage if reasonably priced? What products will they replace if consume this?
8. If they have some better choice, how come if they are not available? Not consuming or pick another?
9. Triadic sorting. Ask everyone to name 2 most similar brands with the drink. Give out 10 brands as an example, they can also name their own. Ask how is 1 different from 2 and 3? How is 2 from 1 and three? How is 3 different form 1 and 2?
10. Storytelling: only knew the person if he drinks that
11. Discuss any interesting point then closing. Check for Xrial confidentiality. Follow up on stimulation.

Result

Curiosity drives the first purchase for youth

After the first time it depends

- People fascinated by different concepts are willing to try for the first time, given some reasonable triggers.
  "It's probably good to try for a first time if I see this healthy drink. Also suppose people are lining up for it..."
  "This South American culture thing looks interesting and these cups look interesting as well. I can try I think."
  "If someone buys this I guess it will be a young guy likes to try new things"
  "Suppose I pass by a shop selling this and there's a reasonable price, I will try."

- The drinking experience is a new and interesting one for first-time users.
  "I like the shape of the glass gourd, I've never seen this before…It looks so much well-designed and I want to even buy one and put it at home".
  "Tasting it gives me pretty some feeling of rituals, it will be interesting to try this for a time."

- However, people cannot easily imagine a reason for regular usage in daily life. There has to be a motivator such as consistent functionality, or its stable role in social life, but neither can be verified on the ground of one-time tasting in test setting.
  "Trying for one-time for a new experience is good enough. I will probably not do it for the second time."
  "If there's a shop in the mall that I usually go with my friends we might do if they are really good."
  "If it's really stimulating I will replace my coffee drinking with a high usage."

Result

Marketing functionalities is tricky

People do value it, but it’s not easy to convince them with it

- 6 out of 12 respondents picked up “healthy” branding concept (see Appendix 3), with female respondents particularly emphasizing the “weight loss” function. It clearly draws more attention than other concepts.
  “Anything particular in the concept framing that fascinates you?”
  “Of course the ‘lose weight’ out there!” “Agreed.” “Sure, that just comes up to my eyes at first sight.”

- But healthy drink is a large market, and it’s not easy to differentiate from competitors by slogan or experience.
  “But nowadays there are just hundreds of tea brands saying they reduce weight, although many are just fake.”

- It’s not easy to demonstrate health functionality in actual experience, and this seems to raise some dissonance on the incentive of purchase for those who buy for health functionalities. Any signs of “symbolic need”?
  “Probably still by its taste to decide whether to buy next time, I can’t judge its function anyway.”
  “I will believe its health function if the news reports it”
  “I need to check the compositions and ingredients. Everyone is claiming they have those healthy stuffs.”

- No one picked up “coffee substitute” concept. Probably because only heavy users of coffee can feel its side effect, while most in China are not. At the same time, the stimulation impact seems not so apparent.
  “Not so much…I even bought another cup of coffee that afternoon to refresh.” “I didn’t quite feel it either.”

Result

Leisure but no necessarily social

And more of a ritual?

- People regard the experience of drinking this as more of a leisure.
  "I will listen to light pop when drinking this, gives a relaxing feeling."
  "I will enjoy doing nothing drinking this."

- Respondents are more aware of leisure purposes after drinking, rather then those who make the choice before tasting. This can be attributed to the rituals and long time in the drinking process. Not all people will drink it as a group. 3 respondents particularly prefer to drink it alone and 5 explicitly express the feeling of ritual. From the respondents' description of their possible drinking experience, this can be more like a ritual which let the customer transform from daily life into a state of quiet, comfortable and leisure mind. For respondents imagine to drink in a group, no explicit reference to rituals were made.
  "I will probably pick an afternoon, prepare it myself, and enjoy reading, writing, working, something else or just doing nothing when drinking. And enjoy the process of fill one time after another."
  "Those who need to stay still will buy...like writer, or designer."
  "Those who got the time to drink this will buy…Like college students or middle-aged uncles."

- No respondent is attracted by "social" concept, probably because of such tradition is heavily culture-inclined. The drink is not so pleasing as bubble tea or other drinks, this is not consistent with Chinese habit of eating out.
  "This (social) option…well we can say so basically for every drink." "Agreed. "

Result

An experience with “nature”

From visual presentations and tastes

- 5 out of 12 respondents chose below 2 pictures in ZMET (see Appendix for complete set).

“The forest feels concentrated, with multiple layers of tastes, and gives me a feeling of nature.”
“The drinking feels like plants absorbing water from the soil, a natural process”
“The raft feels of raw, simple and no additives.”

- The drink especially differentiates in its drinking experience.
  “I like the glass gourd because I can see through it and see the raw Xrials such as leaves, this gives me a feeling of true, authentic and nature.”
  “It’s not too sweet, even a little bitter. I will believe this thing is natural.”

- This is a strong image among the respondents, and it may interfere with other attributes of the product. However, no clear imagination of relationship is drawn from respondents.

- Also, in both pictures there is no human appearing, this might be associated with the perceived drinking experience.

Result

Peers: traditional Chinese tea and bubble tea

Their influence on consumer’s perception of brand

- 4 respondents chose this picture in ZMET test, because it reminds them of traditional Chinese tea, or herbal tea, or traditional Chinese medicines.
  “Look at the cookstoves. The sense of rural place and bitterness also remind me a feeling of Chinese medicine.”

- Respondents will also implicitly compare the drink with traditional Chinese tea or tea drinks Some times they form value judgement according to comparison.
  “Why comparing them…I mean they looks so alike.”
  “This is similar to Chinese tea, but with a different way of drinking.”
  “It tastes too sweet compared with traditional tea.”
  “I would say this drink is similar to popular tea drinks like cha pai or xiao ming tong xue”
  “This is like traditional Chinese tea or wong lo kat herbal tea.”

- 6 respondents believe they will use the drink to replace bubble tea. But we were not able to verify if what feeling such replacement will represent for them.
  “Will replace bubble tea. It’s too unhealthy and this is a good alternative.”
  “This tastes like weight-loss tea but is a lot more expensive”

Result

Price matters for a try

And hard to disrupt consumer lifestyle

- Most respondents belief this drink will replace some sort of drink they are already using, and their perception of reasonable pricing is heavily influenced by these existing competitors.

  "If you sell one cup for ¥35, then why don't I go to get a cup of Mocha which is the same price but comes with a larger cup?"

  "I 'd buy if you sell cheaper than heytea."

  "I don't know, I don't want to add more burden to my wallet."

- ¥35 (≈$5) was raised as the initial pricing of each cup. Most respondents regard it as too high and only 2 or 3 says probably will try. More say probably/definitely not try. A price of ¥20 to ¥30 could seem appropriate for them.

  "Price matters…don't have to be ¥28, even if it's 29.9 I will try, the first digit is different."

- It seems price can be an important trigger for first-time purchase, independent of other elements in marketing mix.

  "The price really matters, if you sells for ¥35 I won't take a look. ¥28 I will probably try."

Result

Some specific attributes interact with drinking experience

Need to be carefully considered

- Taste is highly dependent on way of preparing, this could be hard to be standardized. It leads to idiosyncratic experience of tasting and different feedbacks to the taste, especially regarding sweet/bitterness and light/heavy taste comparison (respondents did argue each other on this).

  "The mixture of sweetness and bitterness gives me a feeling of love—Sometimes are happy, sometimes suffer; and each fill feels different"

  "There's a clear split between sweetness and bitterness, this makes the sweetness a bit artificial."

  "I think the bitterness comes first then sweetness next…sort of interesting"

- Tea leaves sediment are still going through filters. Most of respondents report this as an unexpected and unpleasant experience.

  "The drug stuck in my throat, it is not smooth at all."

  "It could be a feeling of nature…but it's not comfortable honestly."

- Rough inner side of the gourd seems not clean for customers and reminds them that the cup has been reused. There is one respondent who refuse to use wooden gourd because of this.

  "I would say such design is really hard to wash and it looks not clean, I won't want to use this if someone else has drunk with this cup before."

Recommendations

Product

- The sediments, gourd's rough inner side and high dependence of taste on preparing might need to be improved.

Customer

- Identified consumer tribes
  - Functionality drinkers: they may have stable purchase pattern, but how to differentiate our drink with other competitors remains unsettled. Also, the long and complex drinking process might not please them. Products coming out in the future such as concentrates and cans might cater more to their demand.
  - Leisure drinkers: with the drink taking current form of multiple refilling, these people drink for leisure purpose. They imagine drink it alone more. No clear usage pattern can be figured out from them.
- Negative tribe
  - Drinking during socializing: Social features in X traditions are not embedded in product feature. Probably also because the drink does not carry a heavy/sweet taste.

Branding

- Keep first-time price reasonable (¥20-30) compared with alternatives to drive for curiosity purchase.
- Integrate the outstanding "nature" feature into other branding languages.
- Differentiate from traditional Chinese tea, herbal tea and other tea drinks with competitive advantage.

The next step

Sequential monadic testing and product testing

- Aim: determine the strongest selling proposition
- Online survey with incentive (cash/lottery), about 5-8 mins
- N=100, consists of students and white collars
- Screening: marks 4or 5 on a 1-5 scale of openness to the general idea of a new tea-like drink
- The questionnaire consists of 4 parallel sections, in rotated order for 4 subgroups (25 people each)
- Sample section:
  - “At a price of ¥24 a cup [estimated market price], given this statement [show an option out of X, Y, P, W], how likely would you be to buy it?” Give a 5-scale DWB, PWB, MMNB, PWNB, DWNB.
  - The ask respondents to mark degree of 5 elements that will increase attention: curiosity, appeal, importance, distinctiveness (compared with tea). Ask respondents to give relevant reasons.

- Choose 1 or 2 better concepts out of 4 candidates
- For people who say 3, 4, 5 on purchasing intention of the concepts, send them product to use for one week
- Send them after use some questions asking the same intention
- Look at if intention move up/down

The end

Bringing X to young Chinese customers

Appendix 1

Focus group screening questionnaire

Thank you for your interest in joining our focus group! We plan to hold it on [focus group time]. Before trying out and discussing together an interesting drink we will bring, would you be willing to leave here a few facts about yourself for our reference? They mainly include your gender, age, occupation and preferences for drinks.

1. Your gender is
   A. Male
   B. Female
   C. N/A

2. You are currently a
   A. College student
   B. Working professional
   C. N/A

3. You age is around
   A. <20
   B. 20-24
   C. 25-30
   D. >30

4. Do you usually take drinks such as tea, coffee or bubble tea?
   A. I drink little of any of them
   B. I mainly drink coffee
   C. mainly drink tea
   D. mainly drink bubble tea
   E. Some of them each, but not so much for any
   F. N/A

5. How do you think of your preference and knowledge of drinks?
   A. I'm not familiar with any of them
   B. I have my favorite drink, but I don't know much about it
   C. I have my favorite drink and I know more about it compared with others
   D. N/A

Appendix 1

Focus group screening questionnaire (cont'd)

6. For a drink that you drink the most, how many times you usually drink every week?
   A. 1-2 times
   B. 3-5 times
   C. 6-9 times
   D. Over 10 times

7. Please let us know a name that you prefer to be called during the focus group.

   ____

8. Please leave your phone number for contact.

   ____

9. Are you willing to spare time to attend our focus group on [time and venue]?
   A. I'm sure to attend
   B. I don't have the chance to attend
   C. I'm willing to attend, but it might depend

10. Do you mind if we take some photos during the tasting process? We hope that the form of the record will help us better analyze your reaction to the taste and product concept afterwards, and will not share these records with any outsiders.

    A. I don't mind
    B. I consider it as inappropriate for me

Thank you for your interest again and we have received your answer. If you are an ideal match for our candidate profile, we will contact you immediately. Hope we will have a chance to see each other in the focus group!

Appendix 2

ZMET exercise picture set