



Coffee Madness

A coffee shop wants to enter the Delhi University Market. Should it? Why or why not?

CASE TYPE
Market Entry

COMPANY NAME
Accenture Strategy

DIFFICULTY LEVEL
★ ★ ★

Coffee Madness

A Coffee Shop Wants to Expand its Frontiers

Case Type
Market Entry Case

Company Name
Accenture

Round
Partner

Difficulty Level
☒ ☒ ☐ ☐ ☐

Problem Statement

A coffee shop wants to enter the Delhi University Market. Should it? Why or why not?

Since the type of coffee shop is unknown, I would like to divide my approach into 2 different kinds of coffee chains. The first being a local coffee chain that sells affordable coffee and the second being a large chain like Starbucks which charges a premium for its products. Does that assumption work?

Yes, you may continue.

Where is this coffee shop located?

You can assume it to be located in the North Campus.

Okay. I would be calculating the potential market size in terms of how many students might visit on a specific day, how many faculty members, the average order value and so on. I will be doing this for both the premium and the affordable blockchains.

Sure.

There are approximately 13 colleges in North Campus. The average number of students at each would be 600 students. Since people indulge in different lifestyles, I would be dividing them into 3 categories:

- First is the kind of people who eat out frequently. (10 percent)
- Then there are the kind of people that eat out occasionally. (60 percent)
- And then there are the people who prefer to just bring food prepared at home and not eat out. (30 per cent)

What do you think about this?

Yes, you can continue.

From this, I am assuming that the percentage of students actually present every day at college to be approximately 80% of the total strength. Since the number of other people visiting coffee shops who do not belong to North Campus is negligible, I would not be taking them into consideration.

Okay.

I would now be doing the same for the Premium Coffee Blockchain.

Sure.

I am now taking the Average order value which will include not just the price of a coffee, but also maybe some snacks that people might be willing to consume as an accompaniment, some cookies or muffins, etc., items that a traditional cafe would offer.

Good. You can proceed.

Using my estimations on how many people attend college on a specific day, on a long day and how many people like coffee, then how many of them would frequently or moderately eat out and the ones who would visit this cafe specifically and then by multiplying that with the average order value, we get the market size.

Okay. Can you do a simple break-even analysis?

Sure. I'll start by listing down the fixed, variable and semi-variable costs associated with the coffee chain. However, I would not have the numbers at hand.

We can plug in the numbers together.

Using these numbers, I do not believe that the coffee chain should enter the market since it will not be able to compete with the existing competitors and not earn enough revenue to cover its costs.

Great. We can end the case now.



HERE'S A TIP!

Establish the coffee shop type and target market segments clearly. Conduct a thorough competitor analysis and sensitivity analysis to assess risks and opportunities. Provide a detailed cost breakdown for a comprehensive break-even analysis to inform decision-making.