

**DISSERTATION**

**NOÉMI KREKÓ**

**2015.**



**Budapest Business School**

Faculty of Commerce, Catering and Tourism

Catering and Hotel Management

**What is the secret behind the success of the “New-wave”  
Specialty Coffee places in Budapest?**

Supervisor:

Judit Papp

Adjunct

Noémi Krekó

Faculty of Commerce,

Catering and Tourism

Catering and Hotel

Management

2015

## DECLARATION

I declare that the dissertation hereby submitted in partial fulfilment of the requirements for the degree of Bachelor of Arts in Catering and Hotel Management at the Budapest Business School has not previously been submitted by me for a degree at this or any other institution. This thesis and the work presented in it are my own and have been generated by me as the result of my own original research; it is my work in design and in execution, and that all material contained therein has been duly acknowledged. I understand that my thesis may be made available to the public.

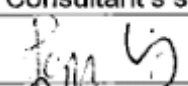
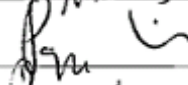
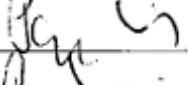
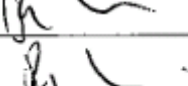
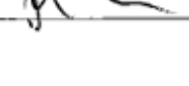
.....  
ai

Signature

Budapest Business School  
 Faculty of Commerce, Catering and Tourism  
 Catering and Hotel Management in English (Bachelor)

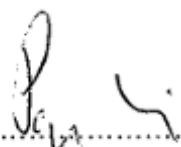
**Dissertation Consultation List  
 Progress Report**

**Name of the Student:** ...Noémi Krekó.....

	Date	Topic of the consultation	Consultant's signature
1.	08.06.2015.	Personal meeting Subject of the dissertation, goals, structure, topic	
2.	07.09.2015.	Personal meeting Evaluation of the literature review	
3.	17.09.2015.	E-mail: Questionnaire questions	
4.	21.10.2015.	E-mail: Mini-interviews, formal questions	
5.	22.11.2015.	E-mail: Evaluation of the ready dissertation	

**Statement:** I certify that the student appeared in the consultations at least three times. I have seen the last version of the dissertation - by definition not be the final - even the version of the proposed minor changes do not take into account meeting formal and content requirements of dissertation. It has determined aims and objectives. The structure of dissertation follows the requirement (introduction, literature review, methodology, analysis on researches, conclusions) of higher education.

Budapest, 11.18.2015.

  
 .....  
 Academic Supervisor  
 Consultant

## Table of Contents

<b>ABSTRACT</b>	<b>4</b>
<b>1. INTRODUCTION</b>	<b>5</b>
<b>2. LITERATURE REVIEW</b>	<b>6</b>
<b>2.1. HISTORICAL OVERVIEW</b>	<b>6</b>
2.1.1. Back to the roots: Short history of Coffee	6
2.1.2. History of the term ‘Specialty’	8
2.1.3. Brief history of the Third wave of coffee	9
2.1.4. The Role of Third Wave Today	13
<b>2.2. FROM BEANS TO CONSUMING: INTRODUCTION OF THE ELEMENTS DETERMINING THE QUALITY</b>	<b>14</b>
2.2.1. Origin - “From Beans”	14
2.2.2. Varieties	16
2.2.2.1. <i>Processing</i>	16
2.2.2.2. <i>Roasting</i>	17
2.2.2.3. <i>Grinding</i>	18
2.2.3. To Brewing	19
2.2.3.1. <i>The Flavor Wheel</i>	19
2.2.3.2. <i>Basic methods of brewing used in Specialty Coffee places</i>	20
2.2.3.2.1. <i>The French Press</i>	20
2.2.3.2.2. <i>Pour-over or Filter brewers</i>	21
2.2.3.2.3. <i>The Aero press</i>	21
2.2.3.2.4. <i>Espresso &amp; Espresso Equipment</i>	22
2.2.3.3. <i>Steaming Milk and the Latte Art</i>	23
2.2.3.4. <i>Espresso based drinks</i>	25
2.2.4. ‘Consuming’	25
2.2.5. Additives	26
<b>2.3. SUMMARY OF THE LITERATURE REVIEW</b>	<b>26</b>
<b>3. BRIEF HISTORY OF THE COFFEE CULTURE IN BUDAPEST</b>	<b>27</b>
<b>4. MARKET ANALYSIS</b>	<b>28</b>
<b>4.1. INTRODUCTION</b>	<b>28</b>
4.1.1. McCafe	30
4.1.2. Starbucks	30
4.1.3. Costa Coffee	31
4.1.4. California Coffee Company	32
4.1.5. Coffeeshop Company	32
<b>4.2. SUMMARY OF MARKET ANALYSIS</b>	<b>33</b>
<b>5. MARKET ANALYSIS OF THE SPECIALTY COFFEE PLACES</b>	<b>34</b>
<b>5.1. INTRODUCTION</b>	<b>34</b>

<b>5.2. THE SPECIALTY SOCIETY IN BUDAPEST</b>	<b>34</b>
5.2.1. Espresso Embassy	34
5.2.1.1. <i>Summary of the Interview with Tibor Várady</i>	35
5.2.2. Tamp and Pull	37
5.2.3. My Little Melbourne	38
5.2.4. Fekete	39
5.2.5. Kontakt	39
<b>5.3. THE LEADING THIRD-WAVE ROASTER IN HUNGARY: CASINO MOCCA</b>	<b>39</b>
<b>5.4. <i>The Role of Ratings Used on Social Sites, Applications, Pages, etc.</i></b>	<b>40</b>
5.4.1. Facebook	40
5.4.2. Foursquare	40
5.4.3. TripAdvisor	41
5.4.4. Twitter	41
5.4.5. WeLoveBudapest	41
<b>5.5. SUMMARY OF THE MARKET ANALYSIS OF THE SPECIALTY COFFEE PLACES</b>	<b>41</b>
<b>6. METHODOLOGY: INTRODUCING THE BUSINESS SIDE (MARKETING ACTIVITY, PROFILE, OPPORTUNITIES OF THE SPECIALTY COFFEE SHOPS)</b>	<b>42</b>
<b>6.1. INTRODUCTION, SAMPLING METHOD OF THE MINI-INTERVIEWS</b>	<b>42</b>
<b>6.2. RESULTS OF THE MINI-INTERVIEWS</b>	<b>46</b>
<b>6.3. SUMMARY OF THE RESEARCH</b>	<b>48</b>
<b>7. SWOT ANALYSIS</b>	<b>49</b>
<b>8. METHODOLOGY: INTRODUCING THE CUSTOMER SIDE</b>	<b>50</b>
<b>8.1. INTRODUCTION, SAMPLING METHOD OF THE SURVEY</b>	<b>50</b>
<b>8.2. EVALUATION OF THE SURVEY</b>	<b>51</b>
<b>8.3. SUMMARY OF THE QUESTIONNAIRE</b>	<b>56</b>
<b>9. CONCLUSIONS &amp; RECOMMENDATION</b>	<b>58</b>
<b>9.1. RECOMMENDATIONS FOR FURTHER RESEARCH</b>	<b>58</b>
<b>APPENDICES</b>	<b>59</b>
<b>REFERENCES</b>	<b>74</b>
<b>BIBLIOGRAPHY</b>	<b>76</b>

### List of Pictures

Picture 1: A history of coffee .....	7
Picture 2: Coffee machine Illy .....	10
Picture 3: Coffee taster's flavor wheel.....	20
Picture 4: Latte Art.....	24

### List of Graphs

Graph: Question 1 .....	51
Graph: Question 2 .....	51
Graph: Question 3 .....	52
Graph: Question 4 .....	52
Graph: Question 5 .....	52
Graph: Question 6 .....	53
Graph: Question 7 .....	53
Graph: Question 8 .....	53
Graph: Question 9 .....	54
Graph: Question 10 .....	54
Graph: Question 11 .....	55
Graph: Question 12 .....	55
Graph: Question 13 .....	55
Graph: Question 14 .....	56
Graph: Question 15 .....	56



## **ABSTRACT**

As I experience, that a general knowledge-gap exists about the Third, “New” wave of coffee, the Specialty, and since I find it highly important to realize its role in the catering industry (especially in the fine dining), I would like to briefly summarize, and explain all the aspects of it in my dissertation.

Firstly I am going to detail what do we mean under the phrase Specialty Coffee, how did coffee industry get to this stage through the decades, and what exactly the third wave represents in the coffee industry. Then I would like to detail every step from beans to brewing and from brewing to consuming, highlight the crucial importance of every stage in this long process from the origin of beans to the quality cup of coffee drink.

Further I am going to briefly introduce how the Third-wave of coffee initiated to Hungary (Budapest), and prepare a competitor analysis of the big franchise chains existing.

Last, but not least I would also like to detail the profiles and marketing activity of the most popular, best-rated and some of the newly opened Specialty coffee places in Budapest, with which I am trying to find answers for my research question: *‘What is the secret behind the success of their business?’*. I am going to examine these places also from the customer side, why people prefer these “special” “quality” “new-wave” places and in what aspects can these coffee shops offer more than their forgoers. With my dissertation, I would like to help in the better understanding of this successful and hyped subculture of the coffee industry.

Through my researches I mainly get to the following conclusions: the secret of the success in case of these businesses is, that they are offering quality products from fair trade, highly controlled small independent farms, using light-roasting technology - by which the coffee beans original taste marks can dominate - , controlling every step of also the brewing by employing highly trained baristas with professional knowledge and skills, they are using only the best quality from the coffee machines, grinders, equipment, and providing a unique home-like, cozy atmosphere, by which people likely to become regulars.

*“Coffee has never been better than it is today. Producers know more than ever before about growing coffee and have access to more varieties and specialist growing techniques. Coffee roasters have never before been so likely to appreciate the importance of using freshly harvested coffee, and their understanding of the roasting process continues to improve. There are now more and more cafés selling really good coffee using the best equipment and training their staff more effectively. Many industries claim has yet to peak in quality, so this is an exciting time.” (Hoffmann, J. & Bates J., 2014, World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed p .7)*

## **1. INTRODUCTION**

In the last few years, there is a new tendency in the way how people are thinking about their diet, lifestyle, the purchasing decisions they make when they look for ingredients, processed food products, and also in selecting restaurants, bars, bistros etc. they are visiting. New Street-food places are opening on every corner, we can hardly choose from the huge supply of Gourmet places, so there is, definitely a continuously growing demand for a quality revolution, not only in the catering industry, but in general too. This new tendency is also true for the so called “New-wave” Specialty coffee, which has been conquering the Hungarian Coffee-market in the last few years.

### **1.1.THE AIM, OBJECTIVES, AND THE STRUCTURE OF THE DISSERTATION**

Since I realized, that a general knowledge-gap exists about Specialty coffee, I find it important to briefly summarize, and explain what do we mean under the name of

Specialty Coffee, how did coffee industry get to this stage, why does every step have high importance in the long process from ground to cup. I am going to briefly introduce how the Third-wave of coffee initiated to Hungary (Budapest) and how could it become an especially popular, fashionable way of either spending our coffee-break, or having a great time with a friend in a place which is always giving a unique, high quality experience.

I would also like to prepare a competitor analysis of the big franchise chains existing, and detail the profiles, marketing activity of the most popular, best-rated Specialty coffee places in Budapest to find answers for my question: *What is the secret behind the success of their business?*

I am going to take a deeper look at the best rated, 2015's TripAdvisor Travelers Choice award winner Espresso Embassy, whose owner was one of the first initiators opened a Specialty coffee place in Hungary, in Budapest. I would like to introduce, and examine these places from the customer side, why people prefer these "special" "quality" "new-wave" places and in what aspects can these coffee shops offer more than their forgoers. Through my dissertation, I would like to help in the better understanding of this successful and hyped subculture of the coffee-industry.

## **2. LITERATURE REVIEW**

### **2.1. HISTORICAL OVERVIEW**

In this chapter I am going to shortly introduce the history of the Coffee itself, the term Specialty Coffee, and how did we get to know the Third wave coffee, so what do we mean under Third Wave/New Wave/Specialty nowadays.

#### **2.1.1. Back to the roots: Short history of Coffee**

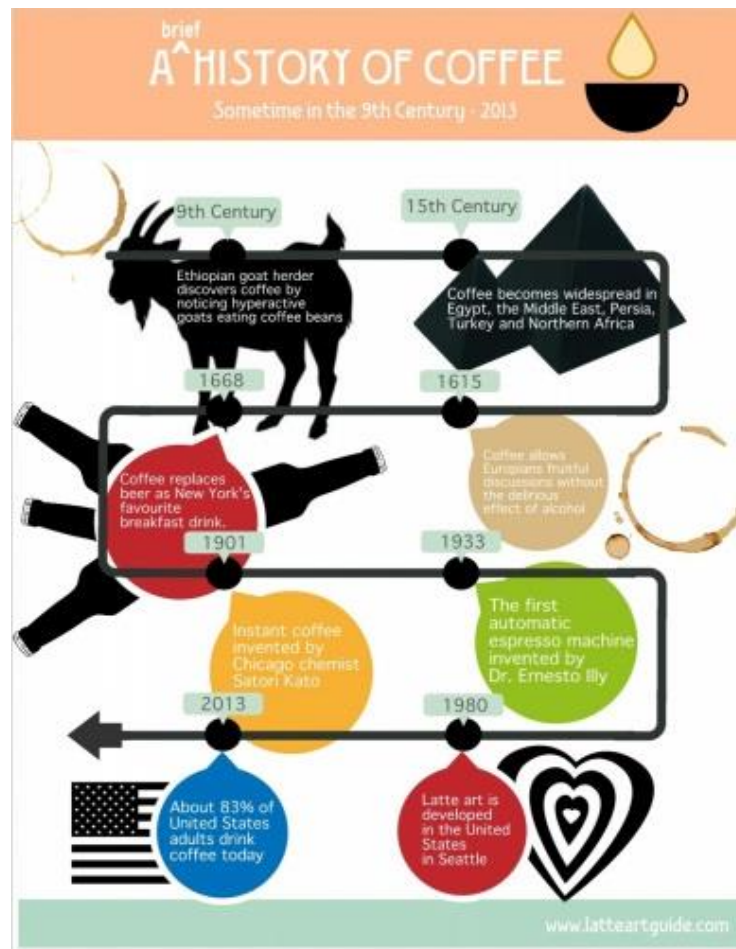
First in the 9<sup>th</sup> Century, an Ethiopian goat herder discovers coffee by noticing his goats eating some berries in a bush, which gave them an extra sense of alertness, but the coffee plant's effect, and caffeine content was only discovered later on, when herders decided to take and roast the beans of the bush.

From the 15<sup>th</sup> Century coffee became widespread in Egypt, Middle East, Persia, Turkey and Northern Africa and in 1615 it came also to Europe.

The first coffeehouse opened in 1645, in Italy, and some years later, coffee became New York's favorite breakfast drink.

The 20<sup>th</sup> century was the century of inventions, by coming out with the first instant coffee, filtered coffee, and the first automatic espresso machine. The Nescafé coffee was invented ('snap freezing' technology) also at that time, which was followed by the opening of the first Star Bucks Cafe in 1971 in the United States.

Until the 1980's, the Latte art gets developed in the United States in Seattle, and since then it is a must in Specialty coffee places, showing the quality also in the appearance of the coffee drinks. (<http://www.latteartguide.com/2013/05/The-History-Of-Coffee.html>)



Picture 1: A history of coffee

### 2.1.2. History of the term ‘Specialty’

The term “specialty coffee” was first used in 1974 in an issue of Tea & Coffee Trade Journal, to describe beans of the best flavor which are produced in special microclimates. *“Erna Knutsen (then with B.C. Ireland, San Francisco) coins the phrase “specialty coffee” to describe high and limited quality green coffees she sold to small roasters.”* (<http://scaa.org/?page=history>)

It is important to clear up the phrase Specialty, because it can easily be misused by those, who do not know what Third wave is all about.

First of all, it should not be confused with "gourmet" or "premium" coffee, since these are mainly marketing terms with no defined standards.

The Specialty Coffee Association of America (SCAA) can be an infallible source for defining it, which says, that coffee which scores 80 points, or above on a 100-point scale is graded ‘specialty’. This graduation means that the beans are examined according to several variables, such as their size, color, the defects on the beans, and those, which have little to no defects, are called specialty, because they can reach the necessary scores. These crops are grown in special and ideal climate, which provide a full cup taste thank to the unique characteristics and composition of the soils and climate in which they are produced. (<http://www.scaa.org/?page=resources&d=cupping-protocols>)

According to SCAA’s definition, specialty coffee *“can consistently exist through the dedication of the people who have made it their life's work to continually make quality their highest priority. This is not the work of only one person in the lifecycle of a coffee bean; specialty can only occur when all of those involved in the coffee value chain work in harmony and maintain a keen focus on standards and excellence from start to finish. This is no easy accomplishment, and yet because of these dedicated professionals, there are numerous specialty coffees available right now, across the globe, and likely right around the corner from you.”* (<http://www.scaa.org/?page=resources&d=what-is-specialty-coffee>)

We can summarize these definitions, and say, that specialty coffee can be something such as the fine dining of the coffee industry, because the main element of it is, that it is offering value.

Till today, the specialty segment became the most rapidly growing portion of the coffee industry. *“Led by the efforts of Starbucks, Illy, and others, the specialty-coffee sector has grown enormously in the past decade and now constitutes about 19% of the coffee market in the U.S. and 10% of exports worldwide.”* ([http://archive.fortune.com/magazines/fortune/fortune\\_archive/2002/12/09/333463/index.htm](http://archive.fortune.com/magazines/fortune/fortune_archive/2002/12/09/333463/index.htm)) At the same time trade associations (existing in both coffee-consuming and producing countries) have been established due to promote and self-regulate this industry all over the world. As very famous specialty coffee producers, Colombia, Ethiopia, Kenya, and Panama can be mentioned, and from the demand side, not surprisingly, US has the most developed market, followed by Europe, and Asia.

We can experience, that a continuously uprising demand exists for specialty coffee and coffee places in the last few years, and also from the customer side, there is a growing tendency to differentiate the quality of coffee drink served for them. ([http://archive.fortune.com/magazines/fortune/fortune\\_archive/2002/12/09/333463/index.htm](http://archive.fortune.com/magazines/fortune/fortune_archive/2002/12/09/333463/index.htm))

### **2.1.3. Brief history of the Third wave of coffee**

The **first wave** of American coffee culture happened around the 19th-century with the Folger Coffee Company, which was *“founded in 1850 in San Francisco, has been an iconic American brand that has made great-tasting coffee for more than 150 years.”*(<http://www.folgerscoffee.com/about-us/folgers-history.aspx>)

When we are talking about the first wave and the development of coffee culture, we should not miss mentioning Francesco Illy, and his family. In 1933 Mr. Illy set up a business in the cocoa and coffee sector, and eventually he concentrated exclusively on coffee. The invention of the first automatic coffee machine the so called ‘illetta’ is also linked to his name (1935) which substituted compressed air for steam. He also had good preserving ideas (usage of inert gas), which made the export easier by the new packaging methods. The Illy family has a huge role in the birth of the third wave coffee, because the chemical processes have determinative importance in almost every steps of the way till end product. ([http://archive.fortune.com/magazines/fortune/fortune\\_archive/2002/12/09/333463/index.htm](http://archive.fortune.com/magazines/fortune/fortune_archive/2002/12/09/333463/index.htm))



*Picture 2: Coffee machine Illy*

Another important actor in the ‘Specialty Society’ is the La Marzocco brand, because La Marzocco, the Italian (Florence) espresso machine manufacturer is providing espresso machines for almost all Specialty coffee places which are voting for quality around the world, containing Budapest.

In 1939 after the early trials of espresso machines, Giuseppe and Bruno Bambi, patented the Marus, the first horizontal boiler, with which baristas could make more

espresso drinks at the same time. Since 1939 the La Marzocco company came out with several development and inventions (e.g.: 1970: GS series, dual boiler; PID-controlled brew boilers: accurate temperature controlling), and it produces ca. 3500 machines yearly. (Freeman J., Freeman C., Duggan T.: *The Blue Bottle Craft of Coffee - Growing, Roasting and Drinking, with Recipes* pp.111-113.) *“Today, La Marzocco remains an artisan company, while offering important advancements in equipment technology to its customers and in the industry.”* (<http://global.lamarzocco.com/en/company-profile/>) The company is still advancing the technology of espresso-making; it is exporting mainly to the United States, Japan, and Europe except its own origin, the country of traditions: Italy.

The first wave peaked, and ended by the invention of freeze-dried techniques which made the coffee popular, and we can assume that it was widening the market by reaching new target groups, but this was the only invention, which did not count as a progress in quality. (<http://www.theguardian.com/theguardian/2009/mar/16/best-barista-britain-coffee>)

The **second wave** started in the 1960s with Alfred Peet’s small coffee store at the corner of Walnut and Vine Streets in Berkeley, (California) and his revolution: artisanal sourcing, roasting, and blending. *“His style of coffee was unlike anything Americans had ever tasted before - small batches, fresh beans, superior quality, and a dark roast produced a coffee that was rich and complex.”* (<http://www.peets.com/about-us/our-history>)

It continued with the Seattle coffee scene of the 1970s, 80s, and 90s, the birth of artisanal American espresso bars, global ‘Starbucksification’, craze of decaf latte, espresso drinks, home espresso machines, regionally labeled coffee, large chains of gourmet coffee shops, and the shift from Robusta to Arabica coffee beans etc. which all helped to improve coffee quality. (<http://www.theguardian.com/theguardian/2009/mar/16/best-barista-britain-coffee>)



Another important milestone was the 1982 foundation of the Specialty Coffee Association of America, George Howell's 'The Coffee Connection' and the Dallis Coffee (founded 1980s) (<http://www.portafilter.net/2009/12/decades-top-ten-in-specialty-coffee.html>), which was followed by Trish Rothgeb's article, who was the first writing about the three different coffee waves, and the third wave of coffee in a November 2002 article of The Flamekeeper. *"First Wave, Second Wave, Third Wave: this is how I think of contemporary coffee. There seem to be three movements influencing what [has been] termed Specialty Coffee. Each approach has its own set of priorities and philosophies; each has contributed to the consumer's experience—and our livelihoods. Occasionally, the waves overlap; and one inevitably spills over to influence the next."* (Norway and Coffee, The Flamekeeper, spring 2003) (Norway and Coffee, The Flamekeeper, spring 2003)

After Rothgeb's famous article, Nicholas Cho was the one, who first defined the phrase third wave of coffee in his online article in 2005: *"So what of this 'Third Wave?'" In an admittedly esoteric way, I usually refer to the 'Third Wave' as letting the coffee speak for itself. During the first two waves, we appreciated coffee for what it gives us: caffeine, a hot beverage to sip and enjoy a conversation over, a drink to modify with sweetener, dairy (or non-dairy) creamers, syrups, whipped cream, etc. **The Third Wave is about enjoying coffee for what it is.**"* (<http://coffeegeek.com/opinions/bgafiles/04-02-2005/>) (<http://coffeegeek.com/opinions/bgafiles/04-02-2005/>)

He also mentions the change, and development of the barista profession:

*"Seriously though, while in years past, a 'barista' was someone who merely operated an espresso machine, a Third Wave barista is a **student of the bean**. A Third Wave barista doesn't merely focus on "How can I hurry and make these drinks for these customers as quickly as possible." It's about coaxing everything that's good from of your espresso blend, taking as much energy and effort and time as necessary... and serving **THAT** to your customers. A Third Wave barista is a coffee ambassador."* (<http://coffeegeek.com/opinions/bgafiles/04-02-2005/>)

Third Wave is a really complex value-upgrade of the whole process from the bean to the cup, and Nicholas Cho also mentions that this Wave has certain stages: *"Step One in the*

*Third Wave has already happened: awakening awareness within the core-group. Step Two is about spreading the 'gospel' among coffee professionals. Step Three will be the big challenge, which is establishing the Third Wave in the North American consumer-base.”* (<http://coffeegeek.com/opinions/bgafiles/04-02-2005/>)

#### **2.1.4. The Role of Third Wave Today**

Now, in 2015, after 10 years, we can say, that the Third Wave not only reached North America, but it is also invading the customer-base of Europe. Cho is talking about Specialty coffee as something that should be considered as an artisanal foodstuff, like wine, because it also has its origin, characteristics, and way of processing. All steps are important elements to reach high-quality, that is why it is all about concentrating on constant development at all stages of production, from improving coffee plant growing (direct trade, single-origin coffee, high-quality beans) harvesting, and processing, to higher quality and fresh roasting (micro roasting, lighter roasts), and last but not least reach the skilled brewing (qualified baristas, alternative methods of coffee preparation, latte art knowledge).

We can assume from Cho’s thoughts that we need to look at the Third wave coffee like to other complex consumable plant-derived products such as wine, tea and chocolate, because it aspires to the highest form of culinary appreciation of coffee, and it needs the same attention to be able to develop. (<http://coffeegeek.com/opinions/bgafiles/04-02-2005/>) (Hoffmann, J. 2014)

In his book, Hoffmann is pointing on the main elements which describe, and determine how the coffee industry could get to this point: because every step (producing, roasting, brewing, etc.) is aiming to have the least defects and get to the best practices. He mentions the knowledge of the customer side too, which .has a lot of untapped potential and opportunity inside.

Coffee is a fragile consumer product, we cannot actually guarantee the same flavor quality, due to the many elements, factors which are effecting the texture, taste and enjoy-ability of the end product starting *“from the freshness of the beans, to the way they were roasted, to when they were harvested, to the quality of water used to make the*

*brew,*” (Hoffmann, J.: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p.7) not forgetting the skills baristas have, the equipment and methods they are using, till the consumer persons’ flavor tasting ability, and so on. This is a never-ending list of variables affecting each other and the cup of coffee itself, so all in all, we can ask from ourselves: What do we need to make a “good” coffee?

## **2.2. FROM BEANS TO CONSUMING: INTRODUCTION OF THE ELEMENTS DETERMINING THE QUALITY**

Tim Wendelboe is detailing 6 different variables, what is needed for making a good coffee: good ingredients, a good coffee grinder, equipment, correct measurements, cleaning, and coffee terminology. (Wendelboe, T., 2010, pp. 11-17.)

In the World Atlas of Coffee by James Hoffmann there are some additional elements mentioned, that is why I am going to sum up, and detail all these elements of making a good coffee, **from beans, to brewing, from brewing to consuming.**

First, I would like to introduce these elements, not only from the production side, which we can also call as a kind of art, but from the consumer side too, for whom it is actually produced, then I am going to make a research of the specialty coffee market, what is it offering, and why is it so beloved and more and more popular in Budapest. (Hoffmann, J. 2014, pp.12-14.)

### **2.2.1. Origin - “From Beans”**

Let us start detailing these steps which has determinative role in the success of the Specialty coffee/coffee places starting with the origin, so ‘from the beans’.

The huge industry, which is building on the coffee, present in every part of the world, making livelihood for more than 125 million people can be divided into two distinct areas: *Commodity* and *Specialty*.

*“Commodity coffee is the term used to describe coffees that are not traded on their quality, but are considered simply to be ‘coffee’. Where they are grown doesn’t matter much, nor when they were harvested or how they were processed. Commodity coffee has defined the way that much of the world thinks about coffee- a generic product from somewhere tropical; an efficient, if bitter, way to get caffeine into bloodstream and to*

*clear the fog from the brain in the morning.*” (Hoffmann, J.: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p.7)

In contrast the **Specialty** coffees are basically defined by their quality, taste and origin which all have a connection: the origin and procedure are determinative of the taste and quality.

*“For those of us raised with the idea that coffee is a dark powder that comes in a can, it’s easy to forget that coffee actually comes from a fruit that grows on trees and is subject to seasonality and harvest cycles”* (Freeman, J., Freeman, C., Duggan, T.: The Blue Bottle Craft of Coffee- Growing, Roasting and Drinking, with Recipes Berkeley [Calif.]: Ten Speed Press, c2012, p.13.) - says James Freeman in his book. It is a common habit that we tend to forget, what is it actually that we are eating, drinking, consuming. We need to go back to the original, basic elements to understand how the components of an end product - in this case the coffee fruit - reacts to certain chemical, biological, climatic etc. processes it is going through. This is the way to create a more realistic picture in our mind of the products we daily choose to eat and drink.

Till today, 129 species of Coffee have been identified, many of which are indigenous to Madagascar, southern Asia, Australia, etc. There is one particular species of tree, which fruit is used for producing coffee from, and which is grown in numerous tropical countries, the Coffee Arabica. It is native to Ethiopia and was the first coffee to be grown commercially.

On the other hand, there is a type existing, the Robusta, which is from the species *Coffea canephora*, grown in any quantity and known as the ‘ugly sister of Arabica’. Robusta’s advantages for commercial use – which enables the production cheaper - are that it is more resistant to diseases, growing on higher temperature, and has twice as much caffeine content, than the existing Arabica plants. In the meanwhile it also has less pleasurable, woody, burnt-rubber taste, what is probably the reason, why it *“ends up in large manufacturing plants designed to become the pariah of our industry: instant soluble coffee.”* (Hoffmann, J.: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p.12.) (Hoffmann, J. 2014, p. 12.) (Freeman J. *et al.* 2012, p. 14.)

### **2.2.2. Varieties**

Much different kind of varieties exist from coffee, some natural mutations, and also result of cross-breeding: “*some varieties have explicit taste characteristics of their own, while others take on their characteristics from the terroir in which they are grown, the way they are cultivated and the way they are processed after harvest.*” (Hoffmann, J.: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p.22.)

Single-origin coffee is from one particular country, region, farm, or even one part of a farm, which means, that the coffee originates from one source. By contrast, a blend is made of coffees originated from different countries, regions, farms, as a mixture, a perfect combination that can give a reliable, consistently delicious flavor.

Originally blends were and are created by large companies to make commodity coffee for commercial usage, to sneak cheaper, lower quality coffee to the combination, and try to fix the flavor difference by careful blending, but the quality degradation soon became evident.

The above already mentioned, American Peet’s coffee brought a change in the blending practice from the late 1960s, with its blends made by carefully selected high quality beans. Since then blending in Specialty used to create something consistently excellent, such as it happens in case of blending wines of different origin. (Freeman J. *et al.* 2012, p. 20.)

#### **2.2.2.1. Processing**

After the harvest of the cherries, they are sorted and cleaned (the ripe berries from the unripe and overripe ones), which often happens by hand. (Hoffmann, J. 2014, p.46.)

Processing is the next stage that starts for the coffee cherries in the mill, where the fruit and the beans are separated, and prepared for the transportation to the roasters. Two main processing styles are existing: the washed, wet and the dry, natural technique. In case of the more common wet, washed style, the beans are soaked in water to remove the fruit before drying, not like in the natural process, where the plum is remained on the

bean through the drying period. Wet processing results in a more consistent coffee with higher acidity content, while the natural coffee possesses more body, noticeable difference in aroma, and less acidity. After the processing, the beans are stored for few months to balance out their moisture levels, then they are mechanically hulled to remove the protective layer of parchment, and sorted by size through the dry milling, grading phase. (Freeman J. *et al.* 2012, pp. 16-19.)

### **The Trade**

As we could see, a really important element of the specialty industry is the origin of the coffee where specialty roasters are buying the coffee, and the relationship they have with the growers. The most popular and well-known phrase describing the buying model is Fair-trade, where third parties may be involved, but are considered to have added value. The original idea was, to try to have more traceability, get rid of unnecessary third party (middleman), and pay for the quality coffee production, which is not so easy for the smaller businesses. (Hoffmann, J. 2014, p.45.)

#### **2.2.2.2. Roasting**

According to Hoffmann, roasting “*is one of the most fascinating aspects of the coffee industry,*” (Hoffmann, J.: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p. 50.) because what is happening is a magical chemical transformation of the beans: the almost flavorless, quite unpleasant vegetal tested green seed changes into an incredibly aromatic, evocative odorous and complex coffee bean, which is the result of different chemical reactions occur through the process. (Hoffmann, J. 2014, p.50.)

5 key stages can be separated during roasting: drying, yellowing, first crack, roast development, second crack, and there are different speed options at which the beans are passing through these stages. To reach a constant quality, it is important to track the time, and determine the steps to have an own scenario for the certain roasted coffee (Hoffmann, J. 2014, p.52.)

Roasting has really important role, due to the key aspects of the bean’s taste (acidity, sweetness and bitterness) are determined by controlling this process. The *roast of a*

*coffee* is given by the final color of the bean (light, dark) and the time it took to get to the color (fast, slow). The duration of the roasting is making the seed for example: more bitter and less acid (longer roasting) and the sweetness is peaking in between the highs of the above mentioned two aspects.

We can see how hard it is to reach the well-roasted, quality coffee, because it is still a lot to explore and develop to make the roasting techniques better; maybe that is why the Specialty Coffee Roasters, for instance, which have their own philosophy and style, learned their trade through careful trial and error. (Hoffmann, J. 2014, p.50)

### **2.2.2.3. Grinding**

The aim of grinding is also linking to simple chemical and physical roots: the beans before brewing need “*to expose enough surface area to extract enough of the flavors located in the beans to make good cup of coffee.*” (Hoffmann, J.: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, 68p)

It is advisable to grind the beans just before brewing, because the coffee can go stale quickly if it exposes with the air. There are common and inexpensive metal blade grinders, which are usually grinding very fine and very large pieces at the same time, which makes a lot of disadvantages in taste. There are also electric and manual models with cutting discs called burrs, which can make very even size, but not all coffees need to be the same size, so we have to pay attention to the differences occur according to roasts and origins. (Hoffmann, J. 2014, pp.68-69.) The not correctly ground beans can lead to that some parts are going to be over extracted, some stay under-extracted, caused by the not even grind size of the coffee. (Freeman J. et al. 2012, p. 105.)

We can say that the stages till brewing are as essential to have the minimum error, ‘defect<sup>1</sup>’ percentage, as the stages after that, so it is a science and art to get to the perfect cup at the end. (Hoffmann, J. 2014, p. 31.)

---

<sup>1</sup> The term defect is used to describe the problems (some can be seen, some can only be tasted) that are detected on the beans, resulting in bad flavors. (Hoffmann, J. 2014, p. 31.)

### **2.2.3. To Brewing**

This is the stage, when the personal element dominates the most. Hoffmann reflects for the fragileness of this step: *“A key moment from crop to cup is the process of brewing. All the hard work up until this point, all the potential and deliciousness locked within the coffee can be lost by bad brewing. It is upsetting how easy to brew coffee badly, but understanding the basic principles can lead to better results and make the process more enjoyable.”* (Hoffmann, James: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p.73.)

From the ‘60s, there has been ongoing research into measuring how much of the coffee we actually want to extract for the resulting cup to taste good. If there is not enough taken from the grounds, can lead not only, weak, but sour, astringent taste (‘under-extraction’), on the other hand, if we take too much, it can taste bitter, ashy, harsh (‘over-extraction’). It is all about calculation. With the developed technologies exist nowadays, a specialized refractometer and software used by smartphones can calculate the extracted amount from the coffee. The generally agreed ‘good’ is around 18-22% of the weight of the coffee used.

And how calculation and effect connects? People are usually talking about strengths, when they taste an espresso-drink. It is important to clear up this misunderstanding, because strength as a phrase is usually misused when we talk about coffee. It is the same simple model, which is used in case of alcohol: the % of alcohol in a certain amount of drink gives its strength, and of course, which has higher %, is stronger. So as many g/l is in the espresso means the reached level of extraction contained per liter. The preferred ratio of coffee to water is different by baristas, countries, etc., but it is between 40g/l and 100g/l. The different methods can also, naturally give many percentages, because the way of preparation, the interference of the water and the ground beans vary. (Hoffmann, J. 2014, pp. 73-74.)

#### ***2.2.3.1. The Flavor Wheel***

---



“The Flavor Wheel develops a glossary of coffee terms based on sensory science and has become the standard that most cuppers today use in describing the coffee they buy and/or sell.” (Specialty Coffee Association of America) It is unbelievable, how many different flavors can be detected in coffee, and those who have good sensorial abilities, can specify exactly these flavors. These people can become the part of the sensorial jury in the Barista championships.



Picture 3: Coffee taster's flavour wheel

### 2.2.3.2. Basic methods of brewing used in Specialty Coffee places

After it is seen, how essential is punctuality and knowledge till brewing, I am going to introduce briefly the **basic methods of brewing** too, and the key elements of this profession. People usually know about only espresso, which is maybe the most popular, but not the only way to brew a coffee-drink.

#### 2.2.3.2.1. The French Press

The French press, (coffee plunger, cafetière) is a simple infusion brewer patented by Italian designer Attilio Calimani in 1929. It makes the 92 °C hot water (355 ml) pass

through the coffee (20 to 35 g), but these two steep together, which produces a more uniform extraction, bigger, richer body. It filters the grounds by using a metal mesh, and due to the relatively big hole on it, more from the non-soluble material (coffee oil) can get into the cup. As every method, this also has its own rules how to prepare precisely, which I will not detail. (Hoffmann, J. 2014, p. 76.) (Freeman J. et al. 2012, p. 83.)

#### 2.2.3.2.2. *Pour-over or Filter brewers*

The phrase “pour-over” means that the 85 to 96 °C hot water (ca 590 ml) passes through the ground beans (20 to 35 g), and extracting all the components in the meanwhile. There is some material needed to filter the grounds from the coffee drink, for which originally cloth filters were used (“*At the time you could essentially choose between a Turkish coffee with grounds in the bottom of your cup, or you could strain the grounds through a dishcloth,*” (<http://www.slowtravelberlin.com/third-wave-coffee-a-history/>)) until 1908, when Melitta Bentz invented the paper filter. In 1954 an electrical version was also patented, in Germany, the Wigomat, which “*wasn’t better; it only required less effort from a human.*” (<http://www.slowtravelberlin.com/third-wave-coffee-a-history/>)

As every brewing method, this also has its key principles. It is really important to pay attention to the grinding size of the beans, because the bigger surface they have, the more extracted taste can be called out. The contact time and the amount of coffee also have to be measured in case of the water-pouring, because if the water is added slower, or a bigger amount of material is used, the water is passing through slower, which – as I mentioned before – can lead to increased extraction too. (Hoffmann, J. 2014, p. 80.) (Freeman J. et al. 2012, p. 79.)

#### 2.2.3.2.3. *The Aero press*

The cheap, durable, and portable Aero Press equipment was invented by Alan Adler in 2005, and it combines two methods: French press and Filter coffee maker. For this reason, there are various recipes, and techniques exist to prepare a coffee with this method. In this Coffee maker, the water and the grinds steep together, but the water is also pushed through the coffee and the paper filter by a piston, like in case of the

espresso machine, but the high pressure cannot be reached to make as dense short shot as an espresso machine can produce.

As in case of every other method, the size of the grind, the amount of the coffee, the amount, and temperature of the water, and of course the barista's knowledge are key elements to succeed. (Hoffmann, J. 2014, p. 85.)

#### 2.2.3.2.4. *Espresso & Espresso Equipment*

Espresso is a method, by which about 30 to 40 ml of coffee essence is extracted under about 9 bars of pressure, made with 1.5 to 1 brewing ratio. (Freeman J. et al. 2012, p. 101.)

*“Over the last fifty years, espresso has come to be considered by many to be the ‘best’ way to drink coffee,” and “it is the most popular coffee drink consumed out of home”. “Undeniably espresso has been the driver of coffee retail, whether it is part of the Italian-style coffee culture now widely popular, or the Americanized, fast-food version we see in chain coffee shops across the globe.”* (Hoffmann, James: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p. 94.)

The invention is linking to the point, when the problem occurred, that the beans were grinded so finely, that gravity alone could not push the water through the coffee. This phenomenon puts limit on the strength of the coffee can be produced.

The first solution was to use the pressure of trapped steam to push the water through the fine ground beans, but the breakthrough came with Achille Gaggia's invention, which used a spring to achieve a higher pressure, and by this method, much smaller, stronger and well-extracted cup could be absolved. (Hoffmann, J. 2014, p. 94.)

*“On 5 September 1938, Milan coffee bartender Achille Gaggia (born 1895) files patent No. 365726 for a steam-free coffee machine, heralding the modern age of espresso. Unlike its predecessors, Gaggia's design uses a revolutionary piston mechanism which forces water through the coffee grounds at high pressure – it takes 15 seconds to produce a single espresso shot.”* (<http://www.gaggia.com/e/the-story.html>)

With its unique piston mechanism produces *crema* - natural foam layer of coffee oils - on the surface of the drink, it got even more intense aroma and flavor. And this is the moment when the espresso craze began. (<http://www.gaggia.com/e/the-story.html>)

It is important to briefly clear what we mean under crema, the part of espresso that exists, as an extracted covering layer (essence) on the surface of the drink.

As James Freeman, Caitlin Freeman, Tara Duggan explains it in their book *The Blue Bottle Craft of Coffee*: “*The color, density, texture and aroma of crema gives us an insight to what the espresso might possibly taste like. This diagnostic component of crema is often the most remarked about characteristic of the espresso. If the crema on the espresso is thick, luxuriant blanket of dark mahogany foam (in which the constituent bubbles are so tiny they are hard to see with the unaided human eye) mottled with darker brown “tiger stripes”, we anticipate something delicious and well-made; it’s skin to the way char marks on a grilled steak signal something wonderful coming our way.*” (Freeman J., Freeman C., Duggan T.: *The Blue Bottle Craft of Coffee - Growing, Roasting and Drinking, with Recipes* p. 118)

We can recognize, that Specialty / Third wave is all about developing the quality, try to minimize the elements of the whole process which can lead to any failure, error in the key steps or in the machine, and create a better and better coffee in every way. This intention and aspiration is the engine of the invention of the always progressive equipment, knowledge, techniques in this industry.

### ***2.2.3.3. Steaming Milk and the Latte Art***

“*Steamed milk is the end result of milk being exposed to high pressured steam from an espresso machine, also known as a latte machine. It is made by introducing steam gradually into milk until the natural fats within it expand to create 'micro-foam', a layer of very small milk bubbles. The end result is a smooth, silkily beverage perfect for espresso based drinks. The idea sounds simple enough, but in practice it requires a gentle touch and sound technique.*” ([http://www.latteartguide.com/2013/02/steaming-milk\\_22.html](http://www.latteartguide.com/2013/02/steaming-milk_22.html))



*Picture 4: Latte Art*

Why is it so important to make a proper steamed milk? Because latte art is also a necessary element of the specialty coffee, and it is all based on the quality of the steamed milk/milk foam the barista is able to prepare. *“But what is latte art? The short answer – it is steamed milk passed through espresso in order to make patterns. But the long answer is much more interesting as latte art is the only drink in which creativity can be consumed.”* (<http://www.latteartguide.com/2013/04/what-is-latte-art.html>)

Latte art first took to popularity in the coffee places around the world during the 1980's, and at that time only the upper echelon of baristas could produce this coffee art in their drinks. Two things are creating the base: espresso and perfectly steamed milk.

Thanks for the development of the coffee making technology, the above mentioned introduction of pistol driven espresso machines brought the idea of using high-powered steam for the production of 'micro foamed milk'. By accidental discovery baristas found out, that certain patterns could be drawn/ painted on the surface of the coffee drinks with this new high-powered steamed milk technique. Till today, these techniques also developed, and Barista Latte Art Championships are organized annually in several countries, where baristas can show their knowledge of this profession, and are judged on their barista, and latte art making abilities.

Two main forms of coffee art are existing today, 'free pour art' and 'etching'. In case of the free pour art, the pouring of milk happens with the combination of wrist and hand movements straight from a jug into a cup of espresso. It requires hand dexterity, patience but mainly lots of practice to learn. As Freeman explains: *“the milk should be poured quickly enough so that it breaks through the surface of the crema and floats beneath it, raising the crema to the top of the cup.”* (Freeman J., Freeman C., Duggan T.: *The Blue Bottle Craft of Coffee - Growing, Roasting and Drinking, with Recipes* p.123) Basic

forms are the Heart and the Rosetta, most advanced technique such as the Swan and Wave Tulip build upon the earlier mentioned two fundamentals. Etching means, that the barista is “drawing” on the surface of the poured coffee with help of a special tool. (<http://www.latteartguide.com/2013/04/what-is-latte-art.html>)

#### **2.2.3.4. Espresso based drinks**

As it is already defined, Espresso, as a base of most of the coffee drinks is a short, strong cup of coffee extract made by using finely ground beans under high water pressure. Smaller, and even stronger drink is, the Ristretto, made by using less amount of water to the same amount of ground coffee as in case of an espresso. Two or three times the amount of water is used with same amount of ground coffee, to make a ‘long’ coffee, Lungo which is also really popular way of consuming coffee, if espresso is hardly drinkable for somebody. An even longer version of the Lungo is the so called Americano, which is usually made by brewing a double espresso with clean hot water. It originates back to the consumption habits of the American soldiers in the World War II, where it also gets its name. Macchiato is known as an espresso ‘marked’ by a small dollop of milk foam, which makes the short bitter drink to be more easily consumable. Cappuccino is the most common drink after espresso, built up from one-third of espresso, one-third of milk, one-third of milk foam. The name exists from the 19<sup>th</sup> century, connected to the Viennese ‘kapuziner’. For those, who prefer a sweeter, less bitter drink Cafe Latte was invented to make a less intense coffee experience, by adding two times more milk than in case of Cappuccino. A stronger version of Cappuccino is the Australia or New Zealand invented Flat White, which coffee drink, thanks to the travelers has lately spread to Europe and North America. And last but not least, 30 ml of espresso combined with the same amount of steamed milk, served in glass is the so called Cortado. Such as the small sister of Flat white, it also doesn’t have Italian origins, probably the roots are leading to Spain, more precisely to Madrid. (Hoffmann, J. 2014, pp. 110-115.)

#### **2.2.4. ‘Consuming’**

Going for a coffee shop is definitely a social event. If we talk about coffee, it means a break, it is special, because we devote time for it. Of course we can run and grab a coffee on our way too, but originally going for a coffee exists as a plan, a meeting activity, and a positive feeling is linking to it. New wave places are giving the uniqueness to this event by making the coffee-shop as familiar as our home. Baristas are not only high-qualified experts of the preparation of coffee, but they also would like to offer the feeling to the customers, that if they are visiting their ‘property’, they are always treated as friends, not like strangers and this personalized way of service is giving a huge difference. Everybody likes to be known, called by name, and if the baristas can remember their usual drink, it gives a lovely atmosphere to this well-earned break.

#### **2.2.5. Additives**

Sugar, sweetener, syrups, spices, ice cream, etc. are all denied if we are talking about Specialty Coffee, because as it was mentioned above, the Specialty is like the fine dining of the coffee industry, using only the extracted flavor patterns of the beans, which is giving an extremely wide and delightful experience in its own. Additives are only used when baristas make special offers, when they let their imagination to drive them preparing coffee drinks with certain fruits, spices, fruit foam, etc. On Barista Championships preparing a Special Drink is an own category. Amazing drinks can be created stressing out the coffee beans own flavor marks by certain natural ideas.

### **2.3. SUMMARY OF THE LITERATURE REVIEW**

I found it important to introduce each and every step from the beans to consuming, because all the elements are equally important to get to the final, consumed product, the cup of coffee drink. We can see, that all steps are concentrating on decreasing the defects in the beans, but as Hoffmann says, it is really easy to ruin all the hard work captured in the beans which got to the brewing on a really long carefully sorted way, only by brewing in a bad way. The barista’s role, knowledge and abilities are as important as the steps before, but what else can affect the success of the Specialty coffee/coffee places? I am going to analyze the coffee market’s actors, which can be

assumed as competitors of the Specialty coffee places, and how Specialty can be differentiated from other coffee shops, coffee places in Budapest.

### **3. BRIEF HISTORY OF THE COFFEE CULTURE IN BUDAPEST**

According to the [tastehungary.com](http://tastehungary.com)'s article: "Thanks to a strong Turkish and Austro-Hungarian influence, by the dawn of the 20th century, the coffeehouse was deeply embedded in Hungary's cultural psyche. (...) coffeehouses were a center of social interaction where writers, poets, artists, and politicians gathered to read, observe the world, exchange ideas and philosophies, or plot rebellious acts. (<http://tastehungary.com/third-wave-coffee-in-budapest/>)" The legendary cafes of the early years of the 20<sup>th</sup> century, such as the Centrál Café, New York Café, Café Gerbeaud, Ruszwurm and Múzeum Café, are still operating in Budapest, drawing a consistent clientele of tourists and returning local patrons. (<http://tastehungary.com/third-wave-coffee-in-budapest/>)

We can say, that nowadays the Specialty places started to replace the good old coffeehouses' role, by providing place of social interaction and place to create something new, sometimes they are organizing small exhibitions (Kávéműhely) in the coffee shops, and for example the Printa, the cradle of the Specialty in Budapest is a special mixture of art and coffee shop with its unique offer.



## 4. MARKET ANALYSIS

### 4.1. INTRODUCTION

The market of the Coffee places in Budapest is really colorful, it has cafes with several different target groups, profiles, and all of them are offering another atmosphere. We can find countless of small cafeterias, coffee shops in the city, and the big chains are also present to provide a uniformed, reliable source of these demanded products and services. Specialty places, as it is in their name, are offering something special, more than required, which can be unusual in taste and milieu for the coffee-lovers, who got used to the Italian kind, dark-roasted coffee, with bitter taste (which is not exactly giving back this fruit's original aromas that can easily be called out by proper way of processing and roasting).

As Anna J. Kutor is writing in her article *Third Wave Coffee In Budapest* on [www.tastehungary.com](http://www.tastehungary.com): *“No longer are city slickers happy with just a strong cup of hot coffee—these days, we all want a captivating, consistently high-quality yet cost-effective cup of coffee served in a stylish, fashion-forward setting. First to enter Budapest was the Western-style ‘on-the-go’ coffee craze that brought with it branded coffee chains such as Starbucks, California Coffee, and Costa Coffee, where caffeine addicts can always score non-fat grande macchiato with a dash of cinnamon or even an organic, Fair-trade triple Italian-style espresso. And while these chains are popular (and ever-expanding), a new wave of independent cafes focusing on the sights, smells, sounds, ambiance, and emotions that come with the coffee experience have been gaining momentum in the Hungarian capital.”* (<http://tastehungary.com/third-wave-coffee-in-budapest/>)

I am going to summarize and introduce the bunch of big coffee chains present in Budapest that can be competitors of the Specialty places, because of their way of operation, how they can access people, and obviously because of the ratio of their market share.

According to my opinion the ratings shared through the applications/ sites such as Facebook, Foursquare, TripAdvisor, Twitter, and WeLoveBudapest have a relevant role in the customer choices made where to go, what to try. This is the reason why I assume

these resources important to detail in case of these big chains, and also in case of the Specialty coffee places.

The chains I am going to briefly analyze are the McCafe, Starbucks, Costa Coffee, California coffee, Coffeeshop Company. Their presence, profiles, and target groups are important in connection with my research, which elements can be determinative in the formation of the ratio of market share they own. They are also offering a friendly, nice atmosphere, coffee mainly from inspected source, nicer attitude of coffee drinks; their profile is offering something different also, but they are not going into details as much as the Specialty Coffee places (where suppliers are small farms, high level of latte art and brewing knowledge is a must, not offering flavored coffee drinks etc.). Specialty's profile is about: love the coffee for its own taste, aroma, and offering quality is the main rule in every way of the operation. As Nicholas Cho said: "***The Third Wave is about enjoying coffee for what it is.***" (<http://coffeegeek.com/opinions/bgafiles/04-02-2005/>) (<http://coffeegeek.com/opinions/bgafiles/04-02-2005/>)

Big chains have wide offers from different kind of coffee drinks, which are mainly containing added ingredients besides coffee and milk. They are really popular among mostly youngsters, students, young adults, while Specialty is something such as the fine dining in the catering industry, offering a special, gourmet, extraordinary experience.

Despite the fact, that the franchise chain coffee shops have only few percentage of market share from the whole, they are still working as the engine of the industry. They are offering hot and cold drinks on a relatively more expensive price than the smaller cafés, but due to their uniformed design, offer, good location, and strong brand, they are evenly popular among tourists, and residents.

Most of them has a good location close to stations, schools, universities, malls, especially in the central parts of Budapest.

The chain's market share was around 2 % of the whole industry in 2013, from which the two biggest franchise coffee shops are the Starbucks and the McCafé, with their 1-1 % market share. McCafé has 37 coffee shops in Hungary, while Starbucks is reaching the same share with only 9 shops. According to the Eumonitor's researches, the Hungarian coffee industry is showing a continuously growing tendency, where the international trends, and chains has leading role by providing high purchasing power.

Right behind them the independent cafés are keep opening their coffee shops also in the smaller cities all around Hungary.

Next to the market leader franchise coffee shops (Starbucks and McCafé), which, as I already mentioned, are operating as the engine of the coffee demand, Costa Coffee, California Coffee Company or CoffeeShop Company are also present in the Hungarian coffee market with a relatively high percentage.

I am going to briefly summarize the above mentioned brands, their profiles, and market appearance. (<http://franchising.hu/cikk/792/kavezomarkak-magyarorszagon/>)

#### **4.1.1. McCafe**

The first Mcdonald's opened in 1988 in Hungary, and it became extremely popular, which resulted in reaching the 100. Café opening in 2009. The first McCafe opened in 2003, and in 2010 the first individual McCafe was planted, which lead to several other individual McCafe openings. With its 37 Cafes McCafe became the country's biggest coffee chain. It has 21 Cafes just in Budapest, so we can assume it as a successful part of the company. ([http://www.aboutmcdonalds.com/content/mcd/our\\_company/mcdonalds-history.html](http://www.aboutmcdonalds.com/content/mcd/our_company/mcdonalds-history.html)) (<http://www.mcdonalds.hu/mccafe/tortenet>)

The Coffee that McCafe is using earned the Rainforest Alliance classification that means that it is using only sustainably produced, traceable and strictly controlled quality coffee. According to the statistics the majority of consumers are brand-loyal, they like the reliable quality, taste and price, but more and more people are interested in the fact that the products they are eating and drinking should be prepared following the growing practice of sustainability aspects. So we can say that these aspects have high importance in the choices the customers make when they are choosing a place to drink a cup of coffee. (<http://www.mcdonalds.hu/mccafe/zold>) (<http://www.mcdonalds.hu/tarsadalmi-felelossegvallalas/hazai-gazdasagert>)

#### **4.1.2. Starbucks**

As I mentioned before, Starbucks had a really huge role in the history, development, and popularity of the Third wave coffee, because when it started its

business in small, in 1971, its original aim, concept, and way of operation was a really similar as the Specialty revolution: to create, provide and maintain a quality coffee experience, enjoy the flavors of the bean for its own, call out the best of it by using coffee from small, fair trade farms, and invent a new relationship between the barista and customers, which could make people feel like at home. Starbucks partly keeps its concept till today, by designing its coffee shops to be cozy and by writing on the names of the customers, trying to make people feel that they are important, they are known by name.

Since Starbucks is operating as a franchise brand, it became the biggest, and most popular franchise coffee company in the world with its 21 000 coffee shops, and more than 150 000 employees. It is still growing and still giving the same reliable quality on every part of the globe, what 'Starbucksers' like and search for. (<http://franchising.hu/cikk/775/starbucks-vilag-tetejen/>)

#### **4.1.3. Costa Coffee**

Starbucks' main competitor's first coffee shop was opened also in 1971, but in London by the Italian brothers: Sergio and Bruno Costa. In only 40 years, the enterprise became the second biggest franchise coffee company with its almost 3000 coffee shops, in 30 countries. The first Hungarian Costa coffee opened in 2008, until today it owns 13 coffee shops, located mainly in Budapest and Pest County. (<http://franchising.hu/cikk/644/400-millio-felzolgalt-kave/>)

I find it important to mention, that Attila Molnár, the owner of the Tamp and Pull espresso bars also worked in Costa as a barista trainer/teacher, and lots of baristas who are working in the Specialty segment nowadays started their carrier in Costa. It is actually operating with a good base knowledge of latte art, and they find it important to train their baristas to have higher knowledge of the barista profession, the coffee they are using and the art of brewing.

#### 4.1.4. California Coffee Company

California Coffee Company and California Coffee Roasting Company operating as coffee roasting company and also as a coffee shop chain providing contract coffee roasting services to cafes, restaurants, donut shops, supermarkets, and other wholesalers and retailers of coffee and coffee products to customers. (<http://californiacoffeecompany.com/home>) Currently there are five California Coffee Company Cafes all around the central parts of Budapest offering long opening hours and reliable quality.

([https://www.google.sk/search?q=california+coffee+company+budapest&rlz=1C1CHF\\_X\\_enUS594US594&oq=californiacoffeecom&aqs=chrome.5.69i57j69i60l3j0l2.5405j0j4&sourceid=chrome&es\\_sm=93&ie=UTF-8#q=california+coffee+company+budapest&rflfq=1&rlha=0&tbm=lcl](https://www.google.sk/search?q=california+coffee+company+budapest&rlz=1C1CHF_X_enUS594US594&oq=californiacoffeecom&aqs=chrome.5.69i57j69i60l3j0l2.5405j0j4&sourceid=chrome&es_sm=93&ie=UTF-8#q=california+coffee+company+budapest&rflfq=1&rlha=0&tbm=lcl))

#### 4.1.5. Coffeeshop Company

The Coffeeshop Company, as part of the Schärf group, (which provides the production of coffee and Schärf piston coffee machines) opened its first shop in 1999 in Vienna, which slogan was: "Home in Vienna". It combines the original Viennese coffee culture with the modern American style coffee shops, it is represented in 23 countries all over the world, and by 2015 it has 17 outlets in Hungary. As it was said on the homepage, it uses exclusively highlands Arabica coffee beans, roasts with an especially gentle 12 minutes roasting method 100% of its coffee in Austria, and always freshly foamed, never more than 65° Celsius milk. (<http://www.coffeeshopcompany.com/en-ae/10-facts-about-us/>) (<http://www.coffeeshopcompany.com/en-ae/coffeeshop-company/>)

It is promoting, that the coffee beans they are using, are “exclusively hand-picked highlands Arabica beans”, which “are roasted directly by Schärf in Austria, using an especially gentle rotational roasting method.” (<http://www.coffeeshopcompany.com/en/products/our-coffees/>) They offer three different kind of blends, with well-defined characteristics: the so called Strong, Regular,

Intense and Columbia Blend. (<http://www.coffeeshopcompany.com/en/products/our-coffees/>)

We can see, that Coffeeshop Company also operates with the factors, which are really important from the customer point of view: the trackable origin, quality, knowledge of the baristas, and the atmosphere. The coffee shop is highlighting these elements on its homepage, and by its uniformed structure, it can be a successfully operating Company, with the advantage of the franchise structured business, but still not giving enough information about the beans' origin, what kind of coffee the blends contain, and it is not working with always-changing coffee supply, it is providing few different options to choose from, which can be enough for people whose goal is only to get a coffee drink, which provides the same secure quality for them.

#### **4.2. SUMMARY OF MARKET ANALYSIS**

We can say, that the big chains have some common patterns they are operating with, such as the long opening hours, good locations, reliable, uniformed offer, and a popular and fashionable brand. They are successful, and have lots of customers and they are effectively operating as the engine of the coffee industry. They try to provide a unique experience and colorful offer but they are overly crowded in most of the cases and as franchise businesses, they are concentrating on the revenue, selling more and more, and this is how they train the employees too.

As Tibor Várady, the owner of the Espresso Embassy draw it up: “In England, the New wave is called in a funny way: ‘chain without a name’. That is actually true, because you will for sure find a banana bread, flat white, cortado, hipsters, black board and apron.” So we can say, that somehow every Specialty is able to, has to and is providing the same or almost the same quality, atmosphere, professionalism so customers can see them also as reliable source of the quality required by them, as in case of the franchise coffee chains.

## **5. MARKET ANALYSIS OF THE SPECIALTY COFFEE PLACES**

### **5.1. INTRODUCTION**

The dailynewshungary.com online magazine summarizes perfectly the Hungarian Coffee shop supply's colourful uniqueness: *“The Hungarians undeniably have a longstanding love affair with coffee. For early risers coffee seems to be the perfect antidote to general sluggishness, for some, a cup of coffee allows to leave all the hustle and bustle of life behind for at least half an hour. A lot of people treat this utterly delicious drink as a magical elixir, (...) the list includes coffee houses with an old-world elegance and places, which capture new, sleek style; however, both have equally joyous, vibrant atmosphere.”* (<http://dailynewshungary.com/cnn-the-best-coffee-shops-in-budapest>)

The Specialty Craze started around 3 years ago in Budapest, when Tibor Várady, Péter Balázs, and Attila Molnár opened their Specialty Coffee bars almost at the same time, at the end of 2012, and the beginning of 2013. Since their initiation more and more Espresso bars, coffee shops, brew bars have been opened, and the market started to get full in the centrum of Budapest. I am going to briefly introduce and analyse the top places in the Hungarian capital, and basically I collect those, which are rated as the best ones by the costumers on Tripadvisor, Foursquare, Facebook, and mentioned on Welovebudapest, and Twitter. I have chosen these sources for the base of the rating, because according to my opinion, they are giving a reliable, and real picture of the Specialty market. It is also a hard job, to compare coffee places with really different profiles, target groups, but I am going to detail these aspect, variables, to try to understand the customer's choices.

### **5.2. THE SPECIALTY SOCIETY IN BUDAPEST**

#### **5.2.1. Espresso Embassy**

Espresso Embassy is a quality oriented coffee shop that was also selected as one of the 'Best Cafés' at the Best of Budapest and Hungary awards in 2015. As it is written in the allnightcrash.com's article: *“Legend has it the coffee is always perfect in Espresso*

*Embassy* (<http://allnightcrash.com/free-tips/best-coffee-shops-in-budapest.html>).” *It is “a busy stop for all the high-powered bankers, businessman, and embassy workers who get their morning fix here.”* (<http://tastehungary.com/third-wave-coffee-in-budapest>)

According to the co-author of “Rough Guide to Budapest” and CNN’ writer Charles Hebbert’s research, which aim was to find the best coffee shops in Budapest, this place is “one of the largest and best designed”. *“Espresso embassy strives to achieve excellence in every aspect – the interior was planned by the team, which has designed several stations of the new underground line.”* (<http://dailynewshungary.com/cnn-the-best-coffee-shops-in-budapest>)

As Várady Tibor, the owner and idea owner of one of Budapest’s best rated, most successful Specialty Coffee Place says: “We have to pay attention to the details, and the customers will say, ‘this is good’, and only a bit more expensive than the others I will come back tomorrow.” (malackaraj podcast par 7. Balázs Lovenberg, Anna Péter, Tibor Várady: The secrets of the hipster coffee /translated by Noémi Krekó/) (<http://malackaraj.hu/a-hipszterkave-titkai-1733971222>)

#### **5.2.1.1. Summary of the Interview with Tibor Várady**

In the malackaraj’ s interview with Várady Tibor, he detailed all the important elements he finds crucial to pay attention in the operation of a coffee shop, and by this we can see: *what can be the secret behind the success of his business.*

In the interview Tibor Várady summarises how he achieved what he has now, one of the best-rated Specialty coffee shops in Budapest, and also details what are the crucial points in the coffee brewing, how are we able to we minimize the defects to get to the best final product.

He went for a barista training in 2009, because he was highly interested in the new trends in coffee making, he was reading a lot about the new initiations in London, and he found it likeable, and rich, an optimal place of social gatherings, something which can be loved in Budapest. This was the reason behind his intentions to plant the Specialty in Hungary, after the London sample. The main elements he highlighted were, that the origin of the coffee beans were known, so people could detect the farms and even the farmers who were growing the fruit, the coffee was not some kind of secret blend from



unknown origin, and because of the light-roasting process, it was something unusual with its quite acidic, fruity taste marks.

He started in small in the Printa design shop after he found a Danish coffee roaster who sent coffee for him in the beginning, then one thing came after the other until he could create his own place.

Actually, the Specialty subculture of the coffee industry is somehow defined against the Italian way of coffee brewing, roasting, because the main difference starts with the different roasting. The New-wave uses basically light-roasting, the traditionally Italian coffee brewing is working with dark-roasting, which is giving its familiar, bitter taste.

Tibor Várady highlighted that though the Italian roasting destroys the main taste marks of the beans, they are able to set the grinder and coffee machine perfectly, somehow they are culturally educated to brew the best from the dark-roasted beans. He is going through the most important elements of the good coffee in the malackaraj's interview, starting with the quality of the water is used. Italians probably have better water quality, good coffee machines, high turnover and lots of guests, so the beans are consumed really quickly compared to the fact, that they grind it in advance. Their coffee is probably fresh, they get the beans approximately soon after roasting, and as I mentioned above, they can set the machines, so they are able to reach that the water flows through the ground beans in between 20-25 seconds. This number has key importance, due to the fact, that the coffee simply has different taste if the water is going through the coffee in 15, 25 or 35 seconds, as Várady says. The espresso is more delicious if everything is done how it should. It is the same matter, as in case of the al dente pasta, or tea making: if u leave the tea grass to soak more or less in the water it will provide different taste because the extraction differs.

He lists the rules of coffee making, which I already detailed earlier when I introduced the brewing techniques and their most important aspects, which are giving a stable base for the quality in a coffee shop, if they are well-practised, and at the end these features are the key elements in case of the success of the places.

Espresso Embassy is trying its best to reach the perfect measurements, least defects in the process, Várady mentions also the importance of the cleaning and setting the machine, which can give a huge difference in the taste of the end product. So all in all he

says they have precise grinder which sets how many grams the final espresso drink is going to be, temperature is also set, they are tasting the coffee at least 15 times a day if the quality is constant, checking the dry material ratio by the help of refractometer, which is giving feedback if it was under or over-extracted. The ground coffee amount should not only be the right grind-size but right amount and tamped equally to prevent the water flows through where it finds the smallest resistance. The concentration we need to get out from the beans is around 20%, and the way there is to follow these rules. The strength is just a matter of water, what people usually mix up with concentration. The milk is also a crucial point in the process, so Várady mentions some rules of the milk: it is prohibited to be UHT, (processed in ultra-high temperature), it has to be heated up till between 60-65°C, where it can reach its sweetest phase, and the way the perfect foam is reached just the matter of practice. Milk can perfectly balance the acidity of the coffee, and people can only be amazed because of the delicious, creamy milk foam, so it is hard to fail with it.

What he is saying about how people like this new-wave kind of taste is, that it is around 10% who does not like it and goes away, but the rest usually like it, and mainly they get to like it really much, come back, and become regulars. Specialty is able to create a strong addiction to quality in people.

(Malackaraj podcast par 7. Balázs Lovenberg, Anna Péter, Tibor Várady: The secrets of the hipster coffee /translated by Noémi Krekó/) (<http://malackaraj.hu/a-hipszterkave-titkai-1733971222>)

### **5.2.2. Tamp and Pull**

The fourfold Hungarian Barista Championship, Attila Molnár was the first, who decided to make his dream come true, and opened a Specialty Coffee place next to one of the biggest Universities in Budapest on the Czuczor street. His initiation was so successful that he already opened two more Tamp and Pulls (on the Váci street and on Arany János street), and he is continuously opening to new markets, franchising his business by different profiled coffee shops. The actual ownership of the places changing continuously, but mainly, we can say, that the Tamp and Pull espresso bars are using three different Has Bean Coffees, for the different coffee drinks according to the

brewing methods. The British Stephen Leighton is responsible for roasting the Tamp and Pull's Has Bean Coffees, creating blends from the single origin selections, purchased from small fair trade farms. He is offering new farm's new coffee selections, blends in every month.

The Coffee shops are equipped by several alternative coffee maker as French Press, Kalita, Clever Dripper, Chemex, Hario V60, Karlsbadi kanna, Hario Fretta, Melitta, and Aeropress. (<http://tamppull.hu/rolunk/>) (<http://tamppull.hu/kave/>)

### 5.2.3. My Little Melbourne

The owner of the My Little Melbourne coffee shop, Peter Balázs opened his first espresso bar in 2012, in the busiest part of the capital, on the Madách square, and since then he can be proud two more coffee places in the city, and also a unique brew bar can be found right next to the first My Little Melbourne. As he said in the HVG's interview, the sour taste in the coffee is unusual for most of the people, who got used to the so called 'Italian', dark roasted, bitter taste of the coffee, but in case of using light roasted beans, the bitter taste is only possible, if there is some defect in the brewing procedure. (G. Tóth Ilda, HVG, 2015, March 14/11. p. 40.) As Peter Balázs said, it is really hard to find the way to people, when they do not know something. When they are entering the brew bar, they can see lots of unusual equipment, machines, but no espresso machine, and they think that is not a place to drink a coffee drink that they got used to. It is a hard challenge to find the way to customers, to introduce something new nowadays when everybody is running, and they do not always have time for quality, only quantity. But he can see that this niche market is continuously growing, and the demand is rising for quality products. As he said: *"Skeptic people say, that the special coffee culture is only a fashion, which will just slowly end among the customers who got used to the Italian coffee. It holds up to almost one and a half decades already"* (translation: Noémi Krekó, G. Tóth Ilda, HVG, 2015, March 14/11. p. 40.) – but he also mentions, that few roasters started to go back to darker roasts nowadays. (Personal conversation with Péter Balázs, 30.10.2015) (G. Tóth Ilda, HVG, 2015, March 14/11. p. 40.)

As the [allnightcrash.com](http://allnightcrash.com)'s article says: *“the popularity of the very tiny, Melbourne- and Australia-themed coffee has only grown bigger and bigger by each and every year. Charming decor, great atmosphere, professional staff and the wide variety of coffee makes My Little Melbourne paradise for the real coffee-lover. And the pretty foam arts make it favorite for the Instagram-obsessed.”* (<http://allnightcrash.com/free-tips/best-coffee-shops-in-budapest.html>)

#### **5.2.4. Fekete**

The aim was, to create a home-like atmosphere, where customers turn to frequenters, the coffee is good and working with quality ingredients and equipment is a must. (<http://feketekv.hu/>) According to [allnightcrash.com](http://allnightcrash.com): *“the perfect coffee and its homey atmosphere makes it one of the best coffees in Budapest.”* (<http://allnightcrash.com/free-tips/best-coffee-shops-in-budapest.html>)

#### **5.2.5. Kontakt**

Kontakt cafe is best known for its nitrogen-powered coffee tap, the Rokat, which is a cold-steeped coffee drink, prepared cold and poured on tap like a beer. Besides the coffee offer, many grinders, beans and designer coffee-making items, accessories are also available for purchase. (<http://tastehungary.com/third-wave-coffee-in-budapest/>)

### **5.3. THE LEADING THIRD-WAVE ROASTER IN HUNGARY: CASINO MOCCA**

I find it important to mention in few words CasinoMocca, the leading third wave roaster in Hungary - which uses up-to-date technology and professional end to end know-how - because it is providing beans for Specialty Coffee places as the Espresso Embassy, Budapest Baristas, Kelet Kávészó, and also for well-known fine-dining restaurants such as Onyx, Costes Downtown, Zona Budapest, Salon Restaurant (Boscolo).

As I above detailed, the roasting has key element in the Specialty industry, because if to mention one thing which differentiate it from the Italian coffee is, that the

Specialty uses light-roasting, instead of dark roasting. Each roast is individually tailored by adjustments to the flame to bring out the exquisite qualities of every single batch of coffee. Because of the continuously growing demand for high quality gourmet coffee in Hungary, they would like to fill the gap in this niche market with supreme coffees roasted in Budapest. (<http://www.casinomocca.hu/>)

#### **5.4. *The Role of Ratings Used on Social Sites, Applications, Pages, etc.***

##### **5.4.1. Facebook**

*Facebook* is an online social networking service which contains profiles of individuals, and also companies, businesses, shops, etc. who can also make a page, where people can rate the places, check the menu, the contact information, opening hours etc. (<https://www.facebook.com/>)

It is a popular way of rating the visited places, recommending, sharing posts about it, and it is also possible to check in into the place, which means, that everyone can see where we are eating, drinking, spending our time. It can be considered as a marketing tool which can help others to get to know places where their friends checked in, that they liked or shared.

##### **5.4.2. Foursquare**

*Foursquare* is a popular local search and discovery service page, and mobile app which provides search results for its users and helps to find the perfect places to go in the area. It is also possible to check lists of places, made according to the rates given by the customers. (<https://foursquare.com/about>)

According to Foursquare's Top Coffee places list, with its 9.4 points Espresso Embassy is on the first place for espresso in Budapest, as the second one, Tamp and Pull Espresso Bar that has the same (9.4) rating. Fekete, My little Melbourne and Kontakt follows them with 9.3 points, but the ratings are always changing, of course according to the filters, it can give different lists by choosing the preferred variables. The rating procedure uses different questions about the place which is rated, and the answers forming the final numbers.

(<https://foursquare.com/explore?mode=url&near=Budapest&nearGeoId=72057594040982579&q=Coffee>)

### **5.4.3. TripAdvisor**

*TripAdvisor* is an American travel website company providing reviews of travel-related content, and helps for the travellers with interactive travel forums, ratings, awards, etc. ([www.tripadvisor.com](http://www.tripadvisor.com))

### **5.4.4. Twitter**

Twitter is an online social networking service that enables users to send and read short 140-character messages called "tweets". Registered users can read and post tweets, but unregistered users can only read them. (<https://twitter.com>)

### **5.4.5. WeLoveBudapest**

WeLoveBudapest is a popular page similar to TripAdvisor, originally made for tourists but there is also a Hungarian version, providing articles about the newest gastro places, sightseeing points, party places, cultural programs etc. in Budapest, so all in all an up to date tourist guide with what to do where to do recommendations, accommodation tips, Top lists, and comments. ([welovebudapest.com](http://welovebudapest.com))

## **5.5. SUMMARY OF THE MARKET ANALYSIS OF THE SPECIALTY COFFEE PLACES**

All of the leading Specialty places has the same ways to advertise their products, to make their coffee shop more and more popular: they are using daily and weekly Facebook posts, pictures, updates about their actual offer, they have rating platform on Facebook, Foursquare, have profile on TripAdvisor, it was written about them on WeLoveBudapest, they are sharing Instagram photos, and have loyalty card. Some of them has their own labelled equipment, sticker, glass, mug, t-shirt etc. People can check in to the coffee places, can share photos and tag the location, can even hashtag the name of the place, and share it on various platforms. We can assume, that basically customers the ones, who are responsible for the marketing activity, because nowadays coffee

places are spreading with their likes and posts in social media, people like trying new places, doing things, that seem fashionable, they like sharing where they are, what they do, eat, drink, and this is how places get more and more popular.

The other important factor I assumed is the personality of the barista. It has a key role in case of the regulars, due to the fact, that people like if they are known by name, when they feel, they are not just one from the crowd, and in the Specialty places, if baristas can provide this home-like atmosphere, the coffee place will be recommended, people will talk about it, and it creates more and more customers.

WeLoveBudapest, Tripadvisor and Foursquare are also cutting a huge part of the success of these businesses, because they can provide information about the opinion of the customers who already tried certain places. Customers can leave a tip, comment, recommendation on these places, they can also rate every aspect of the place, and this is how the company's profile is created. The numbers, stars, etc. they are using has important role in the decision making process of people, who are planning to try a new place.

## **6. METHODOLOGY: INTRODUCING THE BUSINESS SIDE (MARKETING ACTIVITY, PROFILE, OPPORTUNITIES OF THE SPECIALTY COFFEE SHOPS)**

### **6.1. INTRODUCTION, SAMPLING METHOD OF THE MINI-INTERVIEWS**

By visiting the previously listed five espresso bars (Espresso Embassy, Tamp and Pull Espresso bar, My Little Melbourne, Fekete, Kontakt), and one newly opened Specialty coffee shop (Bean Busters), I have taken questionnaire-like mini-interviews from the baristas, owners, or managers to research their marketing activity, profile, ideology, preferences, and opportunities and I am going to summarize the results in the following table.

I prepared five questions which I find important and relevant to get answered by the businesses, to respond my main research question: What is the secret behind the success of their businesses?

1. What characteristics do you find determinative in Specialty coffee /coffee shops that differentiate them from other cafes, franchise coffee shop chains, competitors? (e.g.: origin, fair trade, knowledge, skills of the baristas, measurements, light-roasting, etc.)
2. What elements can you name as reasons of the successful operation of the coffee shop?
3. What marketing tools are usually used in your coffee shop? (e.g.: advertisements, flyers, Facebook posts, Instagram pictures, T-shirts, mugs, stickers, bags, loyalty card etc.)
4. How much does the marketing activity matter in the successful operation of the coffee shop?
5. What opportunities can you list with which your coffee shop can increase the turnover? (e.g.: more marketing activity usage, promotions, events, etc.)

<b>Question 1</b>	
Espresso Embassy	Quality and service which based on the deep knowledge of the barista profession, and the origin, processing methods used on the coffee
Tamp and Pull	Origin, fair trade, knowledge of the baristas, but mainly the quality, characteristic baristas, with comprehensive knowledge, homey, cosy atmosphere, unique barista-customer relationship, friendly atmosphere
My Little Melbourne	Complex, quality service contains the outer appearance, interior, equipment (grinder, espresso machine, equipment for alternative brewing), barista (knowledge, skills, personal relationship, interaction, friendly, home-like atmosphere), quality of coffee
Fekete	It is new, offering quality: it is working like wine making: the origin, light-roasting technology, measurements, knowledge of the baristas is important, it is trying to keep the characteristics of the coffee itself in contrast with the Italian coffee processing.
Kontakt	Quality of brewing is the most important, it is offering a cleaner, fair catering profile, no mysteries, bringing the coffee closer to the customer, it is known where it comes from (origin), the quality of the interior, profile



	also shows another level of quality
Bean Busters	Opposite of the Italian tradition, standard, quality product, origin, quality oriented in every aspects, the origin of products is known, every steps are controlled, cleaning, tasting, setting of the machines
<b>Question 2</b>	
Espresso Embassy	Location, taste, price, quality, design the altogether milieu
Tamp and Pull	Self-promotion through the quality, personality of the barista, role of regulars, set the profile of the coffee shop to the environment, to the target groups, customer circle that is visiting the place, have demand for coffee
My Little Melbourne	The Specialty became a trend, popular, hyped activity to do, sand to share on social media sites, good, central location, mainly tourist are the guests, TripAdvisor, Swarm, Foursquare helps a lot, Workshop, and additional guest coffees changing in every 2 weeks, and a darker roasted coffee to provide an Italian option for those, who does not like the light-roasted coffee
Fekete	Baristas who are good in their profession, it has family-like atmosphere, appearance, natural materials are used in the design, it is operating with different coffee roasters, no just one kind.
Kontakt	Authentic, constant quality, regulars are in the focus, not the transit traffic of the customers dominates
Bean Busters	Using international roasters, lot of different kind of coffees are used, personality of the owners, managers, democratic, family-like atmosphere. Farm selected coffee, not using blends, only single-origin coffees, new kind in every 2 weeks, ultra-light roasting, personalised, everybody is named, who was making the bakeries, smoothies happy staff
<b>Question 3</b>	
Espresso Embassy	Loyalty card, Facebook, Instagram posts, baristas, if the product is good, it is no need for too much of marketing
Tamp and Pull	Seasonal flyers, advertisements to promote the barista trainings, barista school in universities, schools, etc. Facebook, Instagram pictures, posts

My Little Melbourne	Facebook, Instagram posts, mugs, bags, loyalty card, to go cup (Movember), Barista-school
Fekete	Self-branding, mug, T-shirt, bag, loyalty card, Instagram, Facebook posts
Kontakt	T-shirts, bags, brand products: glasses, muesli, granola bars, sticker, Facebook, Instagram posts, photos, loyalty card, coffee tour Budapest, selling equipment, design products  The Rocket is an individual project, but part of the Kontakt espresso bar Word of mouth dominates, personal interaction, marketing itself, its concept provides the marketing activity
Bean Busters	The quality promotes itself, Facebook, Instagram, mugs, bags, own labelled products, samples from bakery products, free for the new customers, own labelled coffee, smoothies, fresh milk, ingredients, own new ideas, regulars from the offices, every bakery product was free for the first week
<b>Question 4</b>	
Espresso Embassy	It is important in case of opening to new markets, target groups, events etc.
Tamp and Pull	Hard to measure, but it counts a lot
My Little Melbourne	Marketing has a key role, it advertises itself, working for itself, huge turnover, not so close relationship between the baristas and customers, lots of people, personal side can decrease, it is impossible next to this high transit traffic
Fekete	Social media, videos, gifs, coffee tour, present in different places
Kontakt	Since the word of mouth dominates it is more important than the other marketing activity in creating new customer groups, regulars
Bean Busters	It matters, but mainly the 'it promotes itself' ideology counts
<b>Question 5</b>	
Espresso Embassy	More marketing activity usage, more events, but keeping the quality and the regulars is more important.

Tamp and Pull	There is not enough forums to be present, even they could be useful, and good opportunities
My Little Melbourne	Events, appearance on coffee events, advertisements, articles
Fekete	Pop-up restaurants, promotion, be part of events (Wamp Design Centre)
Kontakt	Promotions, events, merchandise products, organic to go cups with more recognizable label of the coffee shop, platforms for the coffee- education of people.
Bean Busters	Always offering something new, stay interesting, pop up espresso bar, the skills, knowledge of the baristas develop together with the growing selection of the brewing equipment

## 6.2.RESULTS OF THE MINI-INTERVIEWS

As we can see, most of the answers for the first question: *‘What characteristics do you find determinative in Specialty coffee /coffee shops that differentiate them from other cafes, franchise coffee shop chains, competitors?’* are homogenous, so basically every coffee place focuses on the Quality of its product (coffee, milk, etc.) the second most often mentioned variable is the person and knowledge of the barista, and the third is the interior, atmosphere. These three are giving the core important elements of the quality of the service, and make it as a unique experience. They cannot work independently, so these are together giving what the regulars are coming back for. Only in case of the My Little Melbourne happened, that the barista highlighted mainly the interior, equipment, the style of the place and secondly the importance of the coffee. It could be like that, because the concept of the My Little Melbourne’s owner is basically to provide more mainstream offer from coffee, this is the reason, why they are using a darker-roasted Workshop coffee from Specialty, and they also have an Italian kind of dark roasted coffee, to serve those who does not like or know the ‘New wave’. They are usually using so called ‘guest coffees’, mainly for the brew bar, but this concept is basically true for all the coffee shops of the owner (Péter Balázs).

For the second question: *'What elements can you name as reasons of the successful operation of the coffee shop?'*, the responses are quite different, it usually depends on the profile, concept of the coffee shop, what do they want to highlight, what are the dominating business politics. Success could depend on lot of variables, such as the location, accessibility, visibility, price, but strictly speaking we need to put stress on the importance, and power of the quality, taste, knowledge and personality of the baristas and also on the interior, style, which are providing basically the quality of the service. Generally, we can create two groups from Specialty places, and also from those I could examine according to what guest circles their turnover is created from: regulars or the transit traffic of people. In case of Kontakt, Tamp and Pull Espresso bar, Espresso Embassy, Bean Busters we can say, that they are the island of regulars comprise of people living in the neighborhoods or working in the offices, studying around, etc., but also having customers from tourists, and walk-in guests, business people from the surrounding area. The newly opened brew bars of these coffee shops such as My Little Melbourne or Fekete, this trend could also occur.

Due to the central location, the huge tourist traffic, My Little Melbourne mainly operates with the turnover from the transit traffic, and also because specialty became a trend among tourists and youngsters, such as in case of the Fekete, which is on one of the busiest public transport hub, on Astoria, near to the biggest Universities.

In case of Kontakt, the authentic atmosphere is highlighted, which is mainly created for those who are searching for quality.

The newly opened Bean Busters, which operates only for few month has an interesting profile. It is the sibling of the owner's first shop, the Butter Brothers, which became an overly successful bakery in only few months. With its delicious craft bakery products which are also standing for quality, it is somehow a new wave in its own category too, this is how the idea came to connect it with the New wave of coffee and locate it as Bean Busters coffee shop into one of the busiest parts of Budapest, next to the West End City center. It somehow collected everything what it likes in the several Specialty places around Budapest, and also choosing its baristas accordingly. Its concept is, to use lot of different kind of farm selected, single-origin coffees (no blends) roasted by ultra-light roasting technology, only from international roasters, so there is always a new offer in

every 2 weeks. It highlighted that the operation of the business is highly democratic, it has family-like atmosphere, every staff member is named, who was making the bakeries, smoothies, who is responsible for the ratio recipe of the coffee drinks, etc. It is a well-designed, likable place, where the home-like atmosphere is still alive.

From the third question: *'What marketing tools are usually used in your coffee shop?'* we could also get homogenous answers, which mainly contain advertisement, flyers, Facebook posts, Instagram pictures, T-shirts, mugs, stickers, bags, loyalty card, but in some cases such as in case of the Bean Busters, which is also a bakery shop, we can see, how can free products, promotions, samples boost the number of customers.

The next question *'How much does the marketing activity matter in the successful operation of the coffee shop?'* is mainly answered according to the profile of the coffee place, which put the stress on quality in their operation, they answered *'the quality promoted itself'*, or that the *'word of mouth'* is the main marketing activity, and the rest is mainly giving a huge role to the marketing activity, but basically it is hard to measure what actually causes increase in the turnover.

When the responders needed to list *'What opportunities can you list with which your coffee shop can increase the turnover?'* they mainly highlighted the lack of forums, platforms, events created especially to promote Specialty, and make people get to know it, which is an untapped field of opportunities.

### **6.3. SUMMARY OF THE RESEARCH**

All in all, we can say, that the success has different reasons, which are variable according to the places, but mainly the three above mentioned elements dominate: the Quality of its product (coffee, milk, etc.) the person and knowledge of the barista, and the interior, atmosphere, which are basically giving the core seeds of the quality of the service, and make it as a unique experience.

## 7. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Fresh, quality ingredients (coffee, milk, water etc.)</li> <li>• Fair trade detectable origin, professional controlled processing (small farms, carefully selected beans)</li> <li>• Think small-batch: locally-roasted, single-source-origin coffees and blends brewed</li> <li>• Well-extracted, concentrated flavor marks called out from the bean itself</li> <li>• Quality Equipment (grinder, espresso machine, alternative coffee brewing equipment etc.)</li> <li>• Friendly, cozy, home-like atmosphere in coffee shops, natural fashionable design</li> <li>• Perfect Bonding of Knowledge (barista) and Quality</li> </ul>	<ul style="list-style-type: none"> <li>• Third wave coffee places can be strange, new for people who do not know Specialty coffee</li> <li>• The flavor of the light-roasted coffee drink can give an unusual sour taste and experience, because people got used to that coffee is bitter (Italian dark roast)</li> <li>• The lots of equipment, strange techniques can be new and weird to laic customers.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Providing platforms for people to get to know/ to be more informed about Specialty: pop-up coffee places, stands, promotion of coffee drinks with brief explanation of Specialty (to acquaint the New-wave coffee to</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors: big franchise coffee chains, cafés with the wont Italian profile, etc.</li> <li>• People who are not opened for new things</li> <li>• Well-known Italian way of coffee/</li> </ul>

people) <ul style="list-style-type: none"> <li>• Widening the general knowledge about coffee, going to public, lectures, interviews, articles, workshops about Specialty coffee/ places</li> </ul>	coffee shops, that people get used to
---	---------------------------------------

(Kotler, P. Marketing Management 14<sup>th</sup> edition p.48)

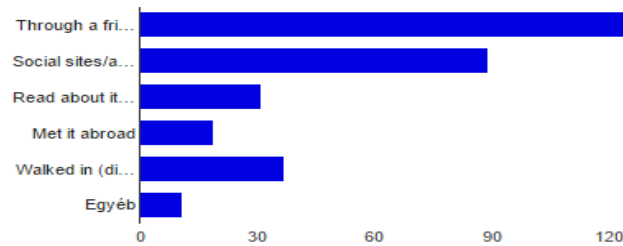
## **8. METHODOLOGY: INTRODUCING THE CUSTOMER SIDE**

### **8.1. INTRODUCTION, SAMPLING METHOD OF THE SURVEY**

The questionnaire I prepared for measuring what are the key elements in the success of the Specialty coffee places contains 13 questions. I shared it mainly in closed Facebook groups, which were prepared by, and for baristas working in Specialty coffee shops, who were also sharing it, which meant that it reached a lot of people who know Specialty, the baristas, regulars, customers, colleagues. It was also shared on Twitter among people who like gastronomy, new start-up, and street-food places, etc. As I am also part of the Specialty-lover's society, and most of my friends are working in Specialty Coffee places, or visiting these places daily, or weekly, I reached 107 filling out in one day, and the other hundred filling out happened in one week since the first share, so altogether I have 205 answers which I am going to analyse.

## 8.2. EVALUATION OF THE SURVEY

### How did you get to know the Specialty Coffee/ Coffee places?

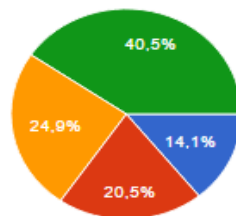


Through a friend	134	65.4%
Social sites/applications/pages (Facebook, Instagram, Foursquare, TripAdvisor, Twitter, WeLoveBudapest)	89	43.4%
Read about it in an (online) Magazine	31	15.1%
Met it abroad	19	9.3%
Walked in (did not know Specialty Coffee before)	37	18%
Egyéb	11	5.4%

*Graph: Question 1*

Most of the people (65%) who answered my questionnaire got to know Specialty coffee/coffee places through a friend, the second most common way was (43%) through social sites, applications, pages, 18% just walked in, 15% read about it, which means that the most common way how the information flew, was through other people, and in small proportion through the social media, pages, sites.

### How often do you visit Specialty Coffee places?



Daily	29	14.1%
2-3 times a week	42	20.5%
Once a week	51	24.9%
Less frequently	83	40.5%

*Graph: Question 2*

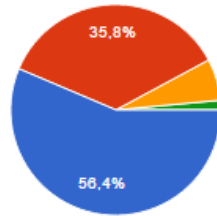
Most of the people who filled out my survey (41%) visit Specialty coffee places less than weekly, 25% weekly, almost the same 21% of them 2-3 times a week, 14% count as daily guests, from which more than the half (56%) spend between 500-1000 HUF at once, almost 36% around 1000-1500 HUF, and only the rest 8% spend more



than

that.

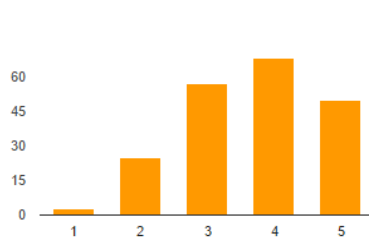
**How much do you usually spend at once in a Specialty Coffee place?**



~ 500-1000 HUF (2-3 EUR)	115	56.4%
~ 1000-1500 HUF (3-5 EUR)	73	35.8%
~ 1500-2000 HUF (5-7 EUR)	13	6.4%
More	3	1.5%

*Graph: Question 3*

**On 1 to 5 scale how much do you find the prices of the Specialty Coffee places reasonable? (quality vs. price)**

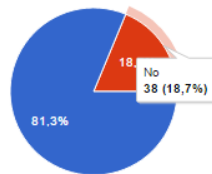


Not reasonable (too expensive): 1	3	1.5%
2	25	12.3%
3	57	28.1%
4	68	33.5%
Reasonable (fair price, it's worth the quality): 5	50	24.6%

*Graph: Question 4*

Majority of the respondents find the prices in Specialty coffee places reasonable, 81% of the responders prefer the Specialty places over the big coffee chains, 54% evaluate the coffee drinks' taste better than in the big chains and the majority of them agree, that the appearance of the coffee drinks is nicer.

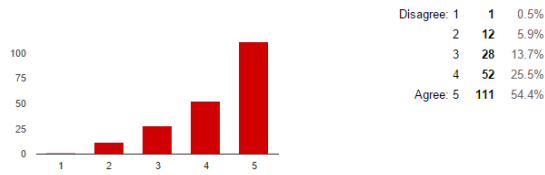
**Do you prefer Specialty Coffee places over the present big coffee chains (McCafe, Costa Coffee, Starbucks etc.), smaller cafes?**



Yes	165	81.3%
No	38	18.7%

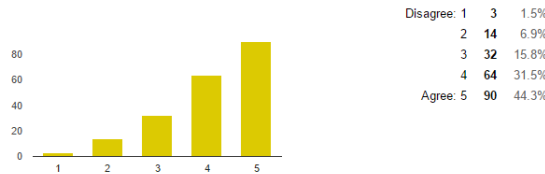
*Graph: Question 5*

Coffee drinks offered in Specialty Coffee places have better taste; more flavor can be sensible without any additives (sugar, syrups, cinnamon, etc.) than coffee drinks offered in big coffee chains (McCafe, Costa Coffee, Starbucks etc) and smaller cafes.



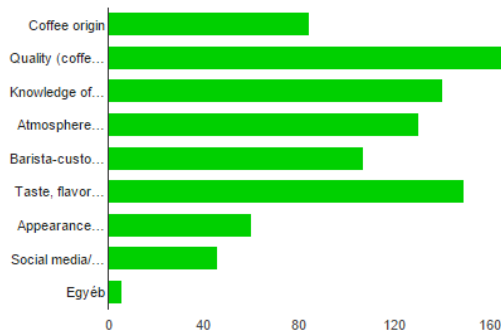
Graph: Question 6

Coffee drinks offered in Specialty Coffee places have nicer appearance (latte art) than coffee drinks offered in big coffee chains (McCafe, Costa Coffee, Starbucks, etc) and smaller cafes.



Graph: Question 7

From the listed elements, choose the ones you think they have important role in the success of the Specialty Coffee places!



Coffee origin	84	41%
Quality (coffee, milk, equipment)	168	82%
Knowledge of baristas (about the coffees, coffee making procedures, latte art, service)	140	68.3%
Atmosphere (home-like feeling)	130	63.4%
Barista-customer relationship	107	52.2%
Taste, flavor of the coffee drink	149	72.7%
Appearance of the coffee drink (latte art)	60	29.3%
Social media/ applications/ internet sides (Instagram, Facebook, Twitter, Foursquare, Swarm, TripAdvisor, WeLoveBudapest etc.)	46	22.4%
Egyéb	6	2.9%

Graph: Question 8

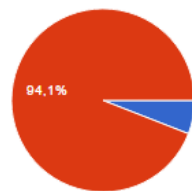
According to the answers, the main elements which the responders have chosen, as important factors in the success of the Specialty places are the quality (of the coffee, milk, equipment) (82%), the taste, flavor of the coffee drink (73%), the knowledge of

the baristas (about coffees, coffee making procedure, latte art, service) (68%), the home-like atmosphere of the place (63%), and the barista-customer relationship (52%).

The coffee origin's role was also quite highly rated, 42% found it as an important element. The appearance got almost 30%, and people found the social media, applications, pages role the least dominant from the list.

We can see, that mainly, the Specialty coffee, and the coffee places are popular, and successful because of the high quality products, knowledge and services they are offering, and the ideal, cozy, home-like atmosphere that can be experienced.

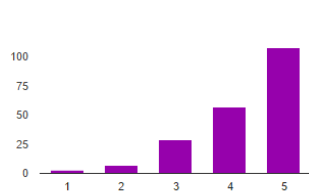
**Baristas in Specialty Coffee places are friendly, and they try to create a home-like atmosphere for the customers.**



Disagree	12	5.9%
Agree	191	94.1%

*Graph: Question 9*

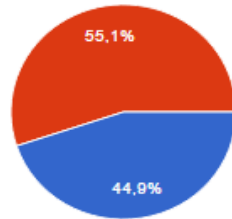
**Baristas in Specialty Coffee places have higher knowledge of the product they are selling than baristas in big coffee chains (McCafe, Costa Coffee, Starbucks, etc), smaller cafes.**



Disagree: 1	3	1.5%
2	7	3.4%
3	29	14.2%
4	57	27.9%
Agree: 5	108	52.9%

*Graph: Question 10*

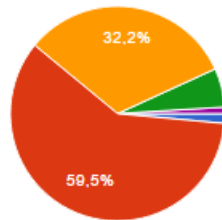
In comparison with the big coffee chains, we can say, that more than half of the responders (53%) agree, that the baistas in Specialty places have higher knowledge of the products they are selling, which shows that quality is also true for the employees in these coffee shops.

**Gender:**

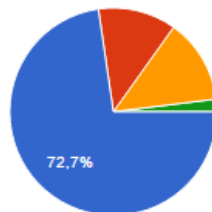
male	92	44.9%
female	113	55.1%

*Graph: Question 11*

73% of the responders is resident of Budapest, the gender distribution was almost equal, majority of them is between 19 and 25 (60%), or 26-35 years old (32%), from which we can assume, that these age categories' presence can be higher also in the Specialty coffee places.

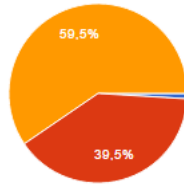
**Age:**

< 19	3	1.5%
19 - 25	122	59.5%
26 - 35	66	32.2%
36 - 50	12	5.9%
50 <	2	1%

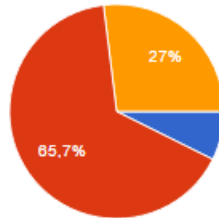
*Graph: Question 12***Place of residence:**

Hungary, Budapest	149	72.7%
Hungary, other settlement	25	12.2%
Other country	27	13.2%
Egyéb	4	2%

*Graph: Question 13*

**Highest level of education:**

Primary School Certificate	2	1%
Graduation Certificate (Secondary School/ Gymnasium)	81	39.5%
Degree (BA/MA)	122	59.5%

*Graph: Question 14***Financial situation:**

Below average	15	7.4%
Average	134	65.7%
Above average	55	27%

*Graph: Question 15*

Most of the responders's (60%) highest level of education is degree, or graduation certificate 40%, and their financial situation is mainly average (66%), or above average (27%).

**8.3. SUMMARY OF THE QUESTIONNAIRE**

The responders place of residence is mainly Budapest, their age is between 19 and 35 years old highest level of education is degree, or graduation certificate, and their financial situation is mostly average or above average.

All in all, we can assume, that the majority of the responders got to know Specialty coffee/coffee places through a friend, or through social sites, applications, pages, they visit Specialty coffee places less than weekly, more times a week, spend between 500-1500 HUF, and find the prices in reasonable. Most of them prefer the Specialty places over the big coffee chains, evaluate the coffee drinks' taste better than in the big chains and agree, that the appearance of the coffee drinks is nicer.

According to the answers, the main elements which the responders have chosen, as important factors in the success of the Specialty places are the quality, the taste, flavor of

the coffee drink, the knowledge of the baristas, the home-like atmosphere of the place and the barista-customer relationship.

In comparison with the big coffee chains, the baistas in Specialty places are evaluated to have higher knowledge of the products they are selling, so the employees in these coffee shops are carefully trained and chosen.

## 9. CONCLUSIONS & RECOMMENDATION

By going through the history of the Third Wave Coffee and the analyzation of the Specialty coffee market in Budapest, we can summarize the essence of the present state of the Specialty by the help of James Hoffmann: *“Coffee has never been better than it is today. Producers know more than ever before about growing coffee and have access to more varieties and specialist growing techniques. Coffee roasters have never before been so likely to appreciate the importance of using freshly harvested coffee, and their understanding of the roasting process continues to improve. There are now more and more cafés selling really good coffee using the best equipment and training their staff more effectively. Many industries claim has yet to peak in quality, so this is an exciting time.*

*Consumers are now starting to engage with their coffee, prompting the coffee industry to change so that it is better able to tell the stories of where coffee is from, how it tastes and perhaps why it tastes that way.”* (Hoffmann, J.: World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed 2014, p.7)

### 9.1. RECOMMENDATIONS FOR FURTHER RESEARCH

This dissertation was concentrating mainly on the initiator, best rated coffee shops, and some of the newly opened ones, but in case of the possibility to reach all the coffee places which are operating as Specialty, we could get an even more realistic map of the patterns and possibilities to introduce the secret behind their success. New places are opening almost every day, and the market is not saturated yet, there is always a good location, a new concept to give a chance to, Budapest has endless opportunities, this is why it is so loved, interesting and popular.

In case of more time and financial support, these researches could be completed more professionally, and some additional researches could be done, but my results are still showing a realistic picture of the Specialty society, and its characteristics.

## APPENDICES

### Parts from the malackaraj's interview with Tibor Várady translated by Noémi Krekó

(malackaraj podcast par 7. Balázs Lovenberg, Anna Péter, Tibor Várady: The secrets of the hipster coffee) (<http://malackaraj.hu/a-hipszterkave-titkai-1733971222>)

- (...)
  - You were you the first who started New-wave in Hungary, right?
  - Yes, maybe I was, I think I was.
  - How did this start in Hungary, and why? How did this international trend started that the coffee is not roasted that much? What was leading here?
  - OK, to make it simple, the New-wave coffee was created, or the interest popped up in many locations around the world in the USA, in Portland for example, or around Scandinavia- these could be the cradles-people who were working with coffee, simply just realized, that if they are not roasting the beans that much, then way much more taste marks remain in the coffee, what the dark-roasting, the strong roasting can hide. So in the coffee, there are really exciting aromas, taste marks, which can remind us to different flowers, fruits, etc. This can be really enjoyable. As a result of the light-roasting, but I do not want to use the word disadvantage, that it has a more acidic taste, and there is no bitterness in it, what we get used and oved to in the Italian kind.

A kind of game is this for us, baristas, that we need to call out these pleasant, clean taste marks of the coffee, that in the meanwhile, the balance of the acidity in it remains good, and it is easily easy to make it in a bad way, and the costumer gets an acidic bad coffee drink, and we are just trying to hide our mistakes behind snobbism, that they just do not understand despite the fact that we just did not prepare it properly. It depends on really small differences that this balance can be reached or not... and by the way, it can also happen, the one who consumes the coffee won't like it, even if it is perfectly brewed, but I can say,



that if that espresso or filter coffee or any kind of coffee drink is brewed in the right way it can be extremely delicious.

So all in all again, the coffee has way much more exciting taste marks than the coffee roasted in the Italian, dark-roasted way, and who once get to know and like it, will always search for it, and require this taste. (...)

- How did it start in Hungary? I finished a barista-training in 2009, when I saw what is happening in the world, I was reading articles about the new trends, coffee with fruit-taste, etc., and in London there are independent Coffee shops with owners who seem cool standing behind the bars, they had disloyal cards, coffee shops are trying to stick together (...)

I went to London for one week, visited these coffee shops, I tried their coffee, I said yes, it's definitely really good, and I started making coffees in the small design shop called Printa.

(...)

- Your aim was to bring this style, way of coffee making to Hungary, Coffee shop design?
- Yes, I wanted to plant this way of coffee making to Hungary, because I found it really rich, and likable. The social aspect of it, that it is named, labelled where the coffee originates, the farm, growing region, farmer. It was also likable that the coffee is not some secret blend (...)
- So I started this, and the strategy was, because there was almost anybody who was dealing with this new-wave at that time at that time, (although Attila Molnár, the owner of the Tamp and Pull, who was 6<sup>th</sup> in the World Barista Championship at that time was also a initiator, but he was a trainer in the Costa back then, so he was not independent, entrepreneur- by the way it was fantastic that there was a trainer like him there, because almost all of the employees in the new-wave coffee shops are 'ex' employees of Costa) so the concept was, that I will get a good coffee machine, a good grinder and a good coffee from somewhere, and if it's not delicious, then I can know whose fault it is: mine. A Danish coffee roaster, the coffee collective sent me coffee in the beginning, what was really big

deal, because nobody get it out from Denmark, and I started in small in Printa, but I wasn't even brave enough to put there a table, or something(...)

- What is needed for the 'good' coffee? Let's see on the Italian example:

Yes, their water is probably better, but it's not enough in its own; they have really good coffee machines, and turnover, which means, that the coffee is probably used up quickly, though they grind it in advance, but it can go out quickly, what is good; probably it is fresh, so probably, they get the coffee quite quickly after roasting; at least basically they know how to set, and clean the machine, which is I think part of the Italian culture, that they can set and reset the grinder. (...)

If somebody doesn't know the basics, the situation is, that the espresso machine is adding the water amount with permanent pressure, and I need to put as much of grinded coffee, that it will go through the machine in 20-25 seconds. And it is not enough to set this once, it has to be set not only once a day, but rather more times a day, because it can change because of some air circumstances, and even because of the high turnover, the grinder can warm up, and it can produce a different grinding size. The coffee has simply different taste if it is going through the machine in 15, in 25 or in 35 seconds. (...)

- It is the same as in case of cooking a pasta al dente, making scrambled eggs, or preparing a steak, or for example in case of the tea making the same is happening, it can change on the end product how long do we leave the filter soaking in the water ...

The same is happening with the coffee, and it depends on the small, every day settings how the coffee's quality will change, and the Italians know that. (...)

The roaster delivers the coffee beans every week, so our coffee is never older than 3 weeks, freshly grinded, we measure the sizes; our grinder is really precise, so we brew from around 20grams a double, and we set how many grams the final cup will be (when we didn't have this professional grinder, we put a scale under every espresso) this is the receipt ; set the temperature, we clean the machine a lot, many times through the day, and as a must, at least 15 times a day we try the coffee how it is, so these are the most important things. Sometimes we use

refractometer, which is good for measuring how much material we could get from the dry coffee, which can give feedback if the coffee is brewed to be over or under-extracted. (...)

- Set the coffee: The coffee is more delicious in case of slow-flow, than quick-flow. This is the issue of the grind-size, portion-size, and also if the coffee was tamped equally (because if it is not tamped equally, the water can find the smallest resistance, what we should prevent) (...)

And Italians somehow feel this, but it is really easy to feel the difference, because most of the people can feel the difference)

How much was the dry material released from the amount. There is a certain percent, 20% which is the so called best ratio to get from the dry material, which can differentiate in case of different equipment we use. (...)

Concentration is 20% that we need from the coffee, and strength is different. Strength is matter of water. If we add more water, it just gives different water amount, but same concentration is inside get out from the beans.

(...)

At that time, I said, that it is around 10% who doesn't like it, and goes away, but the rest usually likes it, in big amount they get to like it really much, and come back, so regulars created from the first moments in Printa. It could create a strong bonding to the new-wave, and lot of people say that they had the first coffee experience in the Printa.

- How is this kind of coffee's connection with milk?
- At that time, when I started, not so many coffee places worked with fresh milk, not UHT kind.

Already because of that, and that we could steam it to good temperature and texture lot of people were amazed, and liked it even more, because it is way much more delicious, and it is hard to fail with it. And plus the thing, that the sweetness of the milk can balance the acidity of the coffee perfectly. (...)

- Is it still important to pay attention to west, or north-west? (...)
- Absolutely, we need to pay attention to the West, and in the meanwhile we became an important part of this society. There is a barista guild of Europe

association, of which I will become the president from November. (...) As we, the Espresso Embassy, became not only follower, but part of this Initiation. (...)

“We have to pay attention to the details, and the customers will say, this is good, and only a bit more expensive than the others I will come back tomorrow”

Rules of the milk: It cannot be UHT, 60-65 °C is the best, because this is the phase when it is the sweetest.

“In England, the new wave is called in a funny way: ‘chain without a name’.

That is actually true, because you will for sure find a banana bread, flat white cortado, hipsters, black board and apron.”

### **Mini-interviews**

Questions for the mini-interview

1. What characteristics do you find determinative in Specialty coffee /coffee shops that differentiate them from other cafes, franchise coffee shop chains, competitors? (e.g.: origin, fair trade, knowledge, skills of the baristas, measurements, light-roasting, etc.)

2. What elements can you name as reasons of the successful operation of the coffee shop? \*

3. What marketing tools are usually used in your coffee shop? \*

(e.g.: advertisements, flyers, Facebook posts, Instagram pictures, T-shirts, mugs, stickers, bags, loyalty card etc.)

4. How much does the marketing activity matter in the successful operation of the coffee shop? \*

5. What opportunities can you list with which your coffee shop can increase the turnover? \*

(e.g.: more marketing activity usage, promotions, events, etc.)

### **Espresso Embassy**

1.

Quality and service which based on the deep knowledge of the barista profession, and the origin, processing methods used on the coffee

2.

Location, taste, price, quality, design the altogether milieu

3.

Loyalty card, Facebook, Instagram posts, baristas, if the product is good, it is no need for too much of marketing

4.

It is important in case of opening to new markets, target groups, events etc.

5.

More marketing activity usage, more events, but keeping the quality and the regulars is more important.

### **Tamp and pull**

1.

Origin, fair trade, knowledge of the baristas, but mainly the quality counts, if there is a good quality, then the marketing doesn't matter that much because it is promoting itself. They are choosing usually their employees to have a character, and knowledge, which can create a homey, cosy atmosphere, the main thing is to keep the barista-customer relationship unique, special so to say. So people are usually coming back because of the friendly atmosphere, not only a name is written on the cups like in Starbucks, they are actually trying to build out a deeper relationship with the customers.

2.

It is hard to measure how effective is the marketing activity because it can only be measure by spreading out coupons and see how many people are coming back with it to consume something.

It is important to set the profile of the coffee shop to the environment, the target groups, customer circle that is visiting the place, have demand for coffee. Other Tamp and Pulls are operating with other profile.

3.

Flyers, advertisements are used to promote the barista trainings, barista-school but they are usually seasonal, as the trainings. The Tamp and Pull had a program for secondary school students, by advertising the barista trainings as a good way how to spend the summer holiday, to get an extra profession. It is also cooperating with the universities, mainly with the Corvinus because of the location. It is always organising forums, events, workshops due to promote the espresso bar, bring the specialty world closer to the students, to make it get to know among them. It is actually successful and effective, because new graders are coming in every year, and the opportunity has to be spread among them.

Cooperation with the Werk Academy

The new gastro revolution can be experienced also in Specialty, slowly it is happening, and there is a hope that it is possible to make people get to know the Specialty, and its advantages.

It was present on different kind of Street food, Craft beer festivals, events, but it wasn't so successful because of the rush, the quality is hardly dominating on the street that is why the drink samples, and other marketing tools are also not appropriate. These events cannot give back the cosy, friendly atmosphere of the small espresso bar, it ruins the experience.

5.

There is not enough forums to be present, even they could be useful, and good opportunities

### **My Little Melbourne**

1.

Complex, quality service contains the outer appearance, interior, equipment (grinder, espresso machine, equipment for alternative brewing), barista (knowledge, skills, and personal relationship, interaction, and friendly, home-like atmosphere), and quality of coffee

2.

The Specialty became a trend, popular, hyped activity to do, also to share on social media sites. It has good, central location, mainly tourist are the guests, TripAdvisor, Swarm, Foursquare helps a lot, Workshop, and additional guest coffees changing in every 2 weeks, and using darker roasted coffee to provide an Italian option for those, who does not like the light-roasted coffee

3.

Facebook, Instagram posts, mugs, bags, loyalty card, to go cup (Movember), Barista-school

4.

Marketing has a key role, it advertises itself, working for itself, huge turnover, not so close relationship between the baristas and customers, lots of people, personal side can decrease, it is impossible next to this high transit traffic

5.

Events, appearance on coffee events, advertisements, articles

**Fekete:**

1.

It is new, offering quality: it is working like wine making: the origin, light-roasting technology, measurements, knowledge of the baristas is important

The importance of the coffee shop is not as important as the quality of the coffee.

From beans to the end products it is trying to keep the characteristics of the coffee itself in contrast with the Italian coffee processing, which is changing a lot on the beans original taste marks etc.

What is given to the customers, what is said about the coffee in case of walking guest is relative, depend on the barista, but it is usually not good to be pushy. They can only recommend to taste it without sugar etc.

2.

People who are good in their profession, they can set the coffee perfectly, more times a day, because the quality can change because of lot of things (moisture content change in the air etc.). It has family-like atmosphere, appearance, natural materials used in the design, it is operating with different coffee roasters, no just one kind. Who is opening a specialty espresso bar is usually humbled, not profit oriented.

3.

Self-branding, mug, T-shirt, bag, loyalty card, Instagram, Facebook posts

4.

Social media, videos, gifs, coffee tour, present in different places

5.

Giving samples would throw back its profile, we are not giving quality wine samples on the street either

Pop-up restaurants, promotion, be part of events (Wamp Design Centre)



Alchemy the barn, White Label roasters

**Kontakt:**

1.

Quality of brewing is the most important, it is offering a cleaner, fair catering profile, no mysteries, bringing the coffee closer to the customer, it is known where it comes from (origin), the quality of the interior, profile also shows another level of quality

2.

Authentic, constant quality, regulars are in the focus, not the transit traffic of the customers dominates in the production of income

3.

T-shirts, bags, brand products: glasses, muesli, granola bars, sticker, Facebook, Instagram posts, photos, loyalty card, coffee tour Budapest, selling equipment, design products

The Rocket is an individual project, but part of the Kontakt espresso bar

Word of mouth dominates, personal interaction, marketing itself, its concept provides the marketing activity

4.

Since the word of mouth dominates it is more important than the other marketing activity in creating new customer groups, regulars

5.

Promotions, events, merchandise products, organic to go cups with more recognizable label of the coffee shop, platforms for the coffee- education of people.

Suki tea, La Cabra, Drop, Hot chocolate

## **Bean Busters**

1.

Opposite of the Italian tradition, standard, quality product, origin, quality oriented in every aspects, the origin of products is known, and every steps are controlled, cleaning, tasting, and setting of the machines

2.

Using international roasters, lot of different kind of coffees are used, personality of the owners, managers, democratic, family-like atmosphere. Farm selected coffee, not using blends, only single-origin coffees, new kind in every 2 weeks, ultra-light roasting, personalized, everybody is named, who was making the bakery products, smoothie etc., happy staff

3.

The quality promotes itself, Facebook, Instagram, mugs, bags, own labelled products, samples from bakery products, free for the new customers, own labelled coffee from Nude roaster, smoothies, fresh milk, ingredients, own new ideas, homemade coffee cream filling, regulars from the offices, every bakery product was free for the first week

4.

It matters, but mainly the ‘it promotes itself’ ideology counts

5.

Always offering something new, stay interesting, pop up espresso bar, the skills, knowledge of the baristas develop together with the growing selection of the brewing equipment

Suki tea, Da Matteo, Kii AB, Nude, Audon

## **Questionnaire**

## Specialty Coffee

My name is Noémi Krekó, I'm studying Catering and Hotel Management at the Budapest Business School. I am writing my Dissertation on the Specialty Coffee places (like Espresso Embassy, MyLittleMelbourne, Fekete, Tamp and Pull, Kontakt etc.) in Budapest and I would like to ask you to help my research by filling out this form. The aim of my questionnaire is to find the reasons behind the success of the New-wave coffee-shops in Budapest. The answering is anonymous, voluntary and untraceable. The results are processed together. Thank you very much for your help!

\*Required

### **How did you get to know the Specialty Coffee/ Coffee places?**

More options are possible

- Through a friend
- Social sites/applications/pages (Facebook, Instagram, Foursquare, TripAdvisor, Twitter, WeLoveBudapest)
- Read about it in an (online) Magazine
- Met it abroad
- Walked in (did not know Specialty Coffee before)
- Other:

### **How often do you visit Specialty Coffee places?**

- Daily
- 2-3 times a week
- Once a week
- Less frequently

### **How much do you usually spend at once in a Specialty Coffee place?**

- ~ 500-1000 HUF (2-3 EUR)
- ~ 1000-1500 HUF (3-5 EUR)
- ~ 1500-2000 HUF (5-7 EUR)
- More

**On 1 to 5 scale how much do you find the prices of the Specialty Coffee places reasonable? (Quality vs. price)**

1 2 3 4 5

Not reasonable (too expensive)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Reasonable (fair price, it's worth the quality)
--------------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	---

**Do you prefer Specialty Coffee places over the present big coffee chains (McCafe, Costa Coffee, Starbucks etc.), smaller cafes?**

- Yes
- No

**Coffee drinks offered in Specialty Coffee places have better taste; more flavour can be sensible without any additives (sugar, syrups, cinnamon, etc.) than coffee drinks offered in big coffee chains (McCafe, Costa Coffee, Starbucks etc.) and smaller cafes.**

On 1 to 5 scale tick how much you agree with the statement

1 2 3 4 5

Disagree	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Agree
----------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	-------

**Coffee drinks offered in Specialty Coffee places have nicer appearance (latte art) than coffee drinks offered in big coffee chains (McCafe, Costa Coffee, Starbucks, etc.) and smaller cafes.**

On 1 to 5 scale tick how much you agree with the statement

1 2 3 4 5

Disagree	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Agree
----------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	-------

**From the listed elements, choose the ones you think they have important role in the success of the Specialty Coffee places!**

More options are possible

- Coffee origin
- Quality (coffee, milk, equipment)
- Knowledge of baristas (about the coffees, coffee making procedures, latte art, service)
- Atmosphere (home-like feeling)

- Barista-customer relationship
- Taste, flavour of the coffee drink
- Appearance of the coffee drink (latte art)
- Social media/ applications/ internet sides (Instagram, Facebook, Twitter, Foursquare, Swarm, TripAdvisor, WeLoveBudapest etc.)
- Other:

**Baristas in Specialty Coffee places have higher knowledge of the product they are selling than baristas in big coffee chains (McCafe, Costa Coffee, Starbucks, etc.), smaller cafes.**

On 1 to 5 scale tick how much you agree with the statement

1 2 3 4 5

Disagree	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Agree
----------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	-------

**Baristas in Specialty Coffee places are friendly, and they try to create a home-like atmosphere for the customers.**

- Disagree
- Agree

**Gender: \***

- male
- female

**Age: \***

- < 19
- 19 - 25
- 26 - 35
- 36 - 50
- 50 <

**Place of residence: \***

- Hungary, Budapest
- Hungary, other settlement
- Other country
- Other:

**Highest level of education: \***

- Primary School Certificate
- Graduation Certificate (Secondary School/ Gymnasium)
- Degree (BA/MA)

**Financial situation:**

- Below average
- Average
- Above average

## REFERENCES

### BOOKS:

Hoffmann, James (2014): World Atlas of Coffee: from beans to brewing, coffees explored, explained and enjoyed/ James Hoffmann (Denise Bates)

James Freeman, Caitlin Freeman, and Tara Duggan (2012): The Blue Bottle Craft of Coffee- Growing, Roasting and Drinking, with Recipes Berkeley [Calif.]: Ten Speed Press

G. Tóth Ilda (2015) HVG, March 14/11. p. 40.

Norway and Coffee, The Flamekeeper, Spring 2003

Tim Wendelboe (2010): Coffee with Tim Wendelboe, Schibsted Forlag AS, Oslo  
Firefly Books

Philip T Kotler, Kevin Lane Keller: Marketing Management 14th Edition

### INTERNET:

- <http://allnightcrash.com/free-tips/best-coffee-shops-in-budapest.html>  
(downloaded: 20.09.2015)
- [http://archive.fortune.com/magazines/fortune/fortune\\_archive/2002/12/09/333463/index.htm](http://archive.fortune.com/magazines/fortune/fortune_archive/2002/12/09/333463/index.htm) (downloaded: 08.07.2015)
- <http://coffeegeek.com/opinions/bgafiles/04-02-2005/> (downloaded: 08.07.2015)
- <http://dailynewshungary.com/> (downloaded: 21.09.2015)
- <https://foursquare.com/about> (downloaded: 08.11.2015)
- <http://franchising.hu/>(downloaded: 20.10.2015)
- <http://global.lamarzocco.com/en/company-profile/> (downloaded: 30.08.2015)
- <http://malackaraj.hu/a-hipszterkave-titkai-1733971222>  
(downloaded: 19.10.2015)
- <http://tamppull.hu/> (downloaded: 20.09.2015)
- <http://tastehungary.com/>(downloaded: 12.10.2015)

- [www.tripadvisor.com](http://www.tripadvisor.com) (downloaded: 08.11.2015)
- <https://twitter.com> (downloaded: 08.11.2015)
- [http://www.aboutmcdonalds.com/content/mcd/our\\_company/mcdonalds-history.html](http://www.aboutmcdonalds.com/content/mcd/our_company/mcdonalds-history.html) (downloaded: 18.09.2015)
- <http://www.casinomocca.hu/> (downloaded: 21.09.2015)
- <http://www.coffeeshopcompany.com> (downloaded: 19.09.2015)
- <https://www.facebook.com/> (downloaded: 08.11.2015)
- <http://www.folgerscoffee.com/about-us/folgers-history.aspx>(downloaded: 10.06.2015)
- <http://www.gaggia.com/e/the-story.html>(downloaded: 25.10.2015)
- [https://www.google.sk/search?q=california+coffee+company+budapest&rlz=1C1CHFX\\_enUS594US594&oq=californiacoffeecom&aqs=chrome.5.69i57j69i60l3j0l2.5405j0j4&sourceid=chrome&es\\_sm=93&ie=UTF-8#q=california+coffee+company+budapest&rflfq=1&rlha=0&tbm=lcl](https://www.google.sk/search?q=california+coffee+company+budapest&rlz=1C1CHFX_enUS594US594&oq=californiacoffeecom&aqs=chrome.5.69i57j69i60l3j0l2.5405j0j4&sourceid=chrome&es_sm=93&ie=UTF-8#q=california+coffee+company+budapest&rflfq=1&rlha=0&tbm=lcl) (downloaded: 19.09.2015)
- <http://www.latteartguide.com>(downloaded: 26.07.2015)
- <http://www.mcdonalds.hu/mccafe> (downloaded: 18.09.2015)
- <http://www.peets.com/about-us/our-history> (downloaded: 08.07.2015)
- <http://www.portafilter.net/2009/12/decades-top-ten-in-specialty-coffee.html> (downloaded: 12.07.2015)
- <http://www.scaa.org/>(downloaded: 08.07.2015)
- <http://www.slowtravelberlin.com/third-wave-coffee-a-history/>(downloaded: 02.08.2015)
- <http://www.theguardian.com/theguardian/2009/mar/16/best-barista-britain-coffee> (downloaded: 08.07.2015)

## **PICTURES:**

Picture1. History of Coffee



- <http://4.bp.blogspot.com/-BqFhPP9wn6A/UYK26cgGHhI/AAAAAAAAAXU/nbkW7atDMxk/s1600/The+History+Of+Coffee+%7C+Latte+Art+Guide.jpg> (downloaded: 13.10.2015)

Picture2. Illy coffee machine

- [https://www.google.hu/search?q=illy+coffee+machine&rlz=1C1CHFX\\_enUS594US594&espv=2&biw=1366&bih=635&site=webhp&source=lnms&tbn=isch&sa=X&ved=0CAYQ\\_AUoAWoVChMIr\\_OJ5OGcxwIVJRByCh0NbQ\\_Z#tbn=isch&q=first+illy+coffee+machine&imgc=1bnRRe5d7t4FfM%3A](https://www.google.hu/search?q=illy+coffee+machine&rlz=1C1CHFX_enUS594US594&espv=2&biw=1366&bih=635&site=webhp&source=lnms&tbn=isch&sa=X&ved=0CAYQ_AUoAWoVChMIr_OJ5OGcxwIVJRByCh0NbQ_Z#tbn=isch&q=first+illy+coffee+machine&imgc=1bnRRe5d7t4FfM%3A) (downloaded: 11.10.2015)

Picture3. Flavor Wheel

- <http://scaa.org/?page=resources&d=scaa-flavor-wheel>(downloaded: 24.10.2015)

Picture4. Latte Art

- <http://drinks.seriousseats.com/2013/11/share-your-latte-art.html> (downloaded: 11.10.2015)

## **BIBLIOGRAPHY**

Bernard Davis, Andrew Lockwood, Peter Alcott, Ioannis Pantelidis (2008): Food and Beverage Management 4th Edition, Butterworth – Heinemann, 426 pages

Earl R. Babbie (2001): The Practice of Social Research, Wadsworth Thomson Learning, 498 pages

Jacki Baxter (1995): Nagy kávékönyv, Trivium Kiadó 126 pages

Philip T Kotler, Kevin Lane Keller: Marketing Management 14th Edition

Robert Metcalf Smith, Dennis R. Lillicrap, and John A. Cousins (1998): Food and beverage service 5<sup>th</sup> Edition, London, Hodder & Stoughton, 433 pages

Vaszari Tamás (2008): Vendéglátás marketing, Gasztrotop Kft., 352 pages

