MARKETING STRATEGY OF COFFEE INDUSTRY

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CHAPTER 1: AN OVERVIEW
1.1 Executive Summary

Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results. Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned.

To be successful in markets in which economic growth has leveled and in which there exist many competitors who follow the marketing concept, a well-developed marketing strategy is required. Such a strategy considers a portfolio of products and takes into account the anticipated moves of competitors in the market.

Marketing strategy involves careful scanning of the internal and external environments. Internal environmental factors include the marketing mix, plus performance analysis and strategic constraints. External environmental factors include customer analysis, competitor analysis, target market analysis, as well as evaluation of any elements of the technological, economic, cultural or political/legal environment likely to impact success.

Coffee is a world famous beverage and it is widely drunk in almost every part of the world. Thus coffee has been a big business for a very long time, and surprisingly is still the world’s 2nd largest legally traded commodity in the world behind the oil. Humans have been consuming coffee for 120 years, the first coffee shop opened 500 years ago.

The coffee industry of India is the sixth largest producer of coffee in the world, accounting for over four percent of world coffee production, with the bulk of all production taking place in its Southern states. India is most noted for its Monsooned Malabar variety. It is believed that coffee has been cultivated in India longer than anywhere outside of the Arabian Peninsula.

In spite of the fierce competition in the coffee industry, there are still opportunities that are present in ‘gourmet coffee’ where coffee purchasing decision-process can be motivated by quality, image, and service.
1.2 Purpose of the Study

1.3 OBJECTIVES OF STUDY

- To study about the major coffee brands available in market and the marketing strategies and techniques practised by them.
- To analyse various efforts and media adopted by different major brands of coffee for promotion.
- To conduct a market research for understanding the effectiveness of marketing strategies implemented by respective coffee brands, by considering Mumbai as a target market.
- To analyse the changing Business environment and trends in competitive global market of coffee.
- To study pricing, distribution channels and sales strategies followed in coffee league.
- To determine consumer perceptions towards different available coffee brands.

1.4 Scope of the Study

1.5 Limitations of the Study

CHAPTER 2: OVERVIEW OF COFFEE INDUSTRIES IN INDIA

2.1 INTRODUCTION

Marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy is a process or model to allow a company or organization to focus limited resources on the best opportunities to increase sales and thereby achieve a sustainable competitive advantage.
Companies rely on marketing strategies for established product lines or services as well as for new products and services.

Consequently, marketing became the process of focusing business on the customer in order to continue providing goods or services valued by consumers. Marketing includes a plethora of decisions that affect consumer interest in a company: advertising, pricing, location, product line, promotions, and so forth.

The majors concerns of marketing are usually referred to as the "four Ps" or the "marketing mix": product, price, place, and promotion.

Hence, marketing involves establishing a company vision and definition and implementing policies that will enable a company to live up to its vision or maintain its vision. Marketing strategy is the process of planning and implementing company policies towards realizing company goals in accordance with the company vision. Marketing strategies include general ones such as price reduction for market share growth, product differentiation, and market segmentation, as well as numerous specific strategies for specific areas of marketing.

Coffee is a brewed beverage with a dark, slightly acidic flavor prepared from the roasted seeds of the coffee plant, colloquially called coffee beans. The beans are found in coffee cherries, which grow on trees cultivated in over 70 countries, primarily in equatorial Latin America, Southeast Asia, South Asia and Africa. Green (unroasted) coffee is one of the most traded agricultural commodities in the world. Coffee can have a stimulating effect on humans due to its caffeine content. It is one of the most-consumed beverages in the world.
BABA BUDAN HILLS-BIRTHPLACE OF INDIAN COFFEE

INTRODUCTION TO THE INDIAN COFFEES

Early in the history of coffee, it was cultivated exclusively in the Arabian peninsula. To maintain this monopoly on coffee production, the Arabians forbade the export of coffee beans that had not been roasted or boiled enough to prevent germination. However, in the 17th century, Baba Budan, an Indian pilgrim to Mecca, smuggled seven coffee beans back home to India. There he planted the beans in the Mysore region, establishing the first coffee plantation in India. By 1840, under British rule, India began to grow coffee for export.

There are over 170,000 coffee farms in India, cultivating nearly 900,000 acres of coffee trees. Most coffee production in India is on small farms, with over 90 percent of all farms consisting of 10 acres or fewer. However, such farms account for just over half of all land used for coffee production and a minority of all coffee produced[6].

The world's best shade-grown 'mild' coffees. Indian coffee is the most extraordinary of beverages, offering intriguing subtlety and stimulating intensity. India is the only country that grows all of its coffee under shade. Typically mild and not too acidic, these coffees possess an exotic full-bodied taste and a fine aroma.

Indian coffee has a unique historic flavor too! It all began with a long, arduous journey around four hundred years ago. When the legendary saint bababudan brought seven magical beans from distant Yemen and planted them in the chandragiri hills of Karnataka. The sensations of aroma, flavor, body and acidity that you enjoy with each coffee experience is rooted in these mystical beginnings.

It is often said, the Indian coffee grower pours his life into the crop. Is it any wonder then that India has consistently produced and exported a remarkable variety of high-quality coffees for over one hundred and fifty years?

GROWING CONDITIONS
India cultivates all of its coffee under a well-defined two-tier mixed shade canopy, comprising evergreen leguminous trees. Nearly 50 different types of shade trees are found in coffee plantations. Shade trees prevent soil erosion on a sloping terrain; they enrich the soil by recycling nutrients from deeper layers, protect the coffee plant from seasonal fluctuations in temperature, and play host to diverse flora and fauna.

Coffee plantations in India are essential spice worlds too: a wide variety of spices and fruit crops like pepper, cardamom, vanilla, orange and banana grow alongside coffee plants.

India's coffee growing regions have diverse climatic conditions, which are well suited for cultivation of different varieties of coffee. Some regions with high elevations are ideally suited for growing Arabicas of mild quality while those with warm humid conditions are best suited for Robustas.

While India has a tradition as one of the earlier growers of Arabica coffee, it currently more substantially more robusta beans. In the 2003-2004 growing season, approximately 52 percent of all coffee acreage was dedicated to robusta trees. However due to the higher yields of this tree, robusta accounted for 64 percent of all coffee produced in India.

It is believed that coffee has been cultivated in India longer than anywhere outside of the Arabian peninsula.

COFFEE GROWING REGIONS IN INDIA CAN BE GROUPED UNDER

THREE DISTINCT CATEGORIES

1. Traditional areas representing the southern states of Karnataka, Kerala and Tamil Nadu.
2. Non-traditional areas comprising Andhra Pradesh and Orissa in the eastern Ghats of the country.
3. The northeastern region comprising the 'seven sister' states of Assam, Manipur, Meghalaya, Mizoram, Tripura, Nagaland and Arunachal Pradesh.

CHANNELS OF DISTRIBUTION

India has always been predominantly a tea drinking nation. Coffee had been only moderately popular in some southern states. However, there has been a sudden change in this trend with coffee becoming more and more popular in recent times especially among the youth. Thanks to the new entrants in the segment including Barista, Café Coffee Day (CCD) and others.

The coffee industry has started emphasizing on three channels of distribution, namely cafe chains, vending machines and ready to drink products.

A coffeehouse or coffee shop is an establishment which primarily serves prepared coffee or other hot beverages. It shares some of the characteristics of a bar, and some of the characteristics of a restaurant, but it is different from a cafeteria. As the name suggests, coffeehouses focus on providing coffee and tea as well as light snacks.

Consequently, marketing has become all of the more important by coffee industries to continue being profitable.

The Coffee Café industry is currently one of the biggest and fastest growing sectors in business. The industry consists of a mix of individual cafés, hotel cafés and retail café chains.

In the Indian retail market.” And thus chains like CCD, Barista, Costa Coffee, Coffee World, The Coffee Bean and Tea Leaf (CBTL), some Indian and some overseas chains, have been cultivating their ground in this niche segment and offering desired delicacies to millions across the country.

In spite of the fierce competition in the coffee industry, there are still opportunities that are present in ‘gourmet coffee’ where coffee purchasing decision-process can be motivated by quality, image, and service. To do well in the existing market condition, organizations have to
reinvent a commodity by acquiring something aged and exhausted and ordinary as coffee and plait into it some sense of romance and identity in the region of it.

In keeping with the global coffee culture, purveyors in India have been offering the products in a wide range of variants that include hot coffee, cold coffee, coffee add ons, powder coffee etc. The chains have also been adopting state-of-the-art store formats and some even offer wi-fi access to their customers. As a step forward achievement, CCD has incorporated formats like music cafés, book cafés, highway cafés, lounge cafés, garden cafés and cyber cafés targeting a diversified customer profile.

**2.2 Evolution of Coffee Cafés**

The beginning:

It all began around 1000 A.D. when Arab traders began to cultivate coffee beans in large plantations. They began to boil the beans creating a drink they called ‘qahwa’ which translates to ‘that which prevents sleep’. The drink became widely popular, and the need for coffee beans grew. The brief timeline for the growth of coffee, cafés and everything related is given below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>850</td>
<td>First known discovery of coffee berries. Legend of goat herder Kaldi of Ethiopia, who notices goats are friskier after eating red barriers of a local shrub. Experiments with the berries himself and begins to feel happier.</td>
</tr>
<tr>
<td>1100</td>
<td>The first coffee trees are cultivated on the Arabian Peninsula. Coffee is first roasted and boiled by Arabs making ‘qahwa’.</td>
</tr>
<tr>
<td>1475</td>
<td>The world’s first coffee shop opens in Constantinople.</td>
</tr>
<tr>
<td>1600s</td>
<td>Coffee enters Europe through the port of Venice. The first coffee house opens in Italy in 1654.</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
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<tr>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>1652</td>
<td>The first coffee house opens in England. Coffee houses were called ‘penny universities’ (a penny is charged for admission and a cup of coffee) because a person could visit a café to discuss current affairs and social issues.</td>
</tr>
<tr>
<td>1672</td>
<td>The first Persian coffee house opens.</td>
</tr>
<tr>
<td>1683</td>
<td>The first Persian coffee house opens. The first coffee house opens in Vienna.</td>
</tr>
<tr>
<td>1688</td>
<td>Edward Lloyd’s coffee house opens. It eventually becomes Lloyd’s of London, the world’s best-known insurance company.</td>
</tr>
<tr>
<td>1695</td>
<td>The first sign of the French Revolution had its roots in Parisian cafés where the people’s movement started gathering steam.</td>
</tr>
<tr>
<td>1700</td>
<td>The Dutch becomes the first to transport and cultivate coffee commercially. Coffee is smuggled out of the Arab port of Mocha and transported to Sri Lanka and India for cultivation.</td>
</tr>
<tr>
<td>1721</td>
<td>The first coffee house opens in Berlin.</td>
</tr>
<tr>
<td>1750</td>
<td>One of Europe’s first coffee houses, Café Greco opens in Rome. By 1763, Venice has over 2,000 coffee shops.</td>
</tr>
<tr>
<td>1822</td>
<td>The prototype of the first espresso machine is created in France.</td>
</tr>
<tr>
<td>1885</td>
<td>A process of using natural gas and hot air becomes the most popular method of roasting coffee.</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
</tr>
<tr>
<td>-------</td>
<td>-------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1905</td>
<td>The first commercial espresso machine is manufactured in Italy.</td>
</tr>
<tr>
<td>1908</td>
<td>The invention of the world’s first drip coffeemaker. Melitta Bentz makes a filter using blotting paper.</td>
</tr>
<tr>
<td>1933</td>
<td>Dr. Ernest Illy develops the first automatic espresso machine. There is enormous interest from cafés all around Europe.</td>
</tr>
<tr>
<td>1945</td>
<td>Achilles Gaggia perfects the espresso machine with a piston that creates a high pressure extraction to produce a thick layer of cream.</td>
</tr>
<tr>
<td>1980s</td>
<td>Coffee is now the world’s most popular beverage, which leads to a boom in retail and hotel cafés. The American retail café Starbucks is born.</td>
</tr>
<tr>
<td>1990s</td>
<td>With the growth of the Internet, cyber cafés are born, providing Internet access and coffee to users.</td>
</tr>
<tr>
<td>2000s</td>
<td>With an increased penetration of PCs in homes, cyber café chains close, and re-immerge as retail coffee café chains.</td>
</tr>
</tbody>
</table>

**Interesting facts about Coffee & Cafés:**

- Coffee was first known in Europe as Arabian Wine.

- Coffee is presently the second most traded commodity in the world. It is second only to oil.

- Nescafe was invented by Nestle because it had to assist the Brazilian government to solve its coffee surplus problem.
2.2 Departments in Coffee shops

a) Business Development

The team decides upon a suitable site where the cafes can be setup. They identify, shortlist, and finalize a site by negotiations with property owners. A significant effort is involved in getting legal clearances and statutory compliances. After all formalities are completed, the site is handed over to the Projects Team.

b) Projects

The team comprises of some of the best designers who ensure that the coffee culture is spread across the country through beautiful outlets. All new cafes are built with a standardized design and the look of the cafes in the shortest possible time, at the least possible costs to capital outlay.

c) Operations

This team achieves their sales objectives and is responsible for the daily running of their cafes in a profitable manner. Customer interaction is very important for this teams, as they are the ones who interface with the customer and provide them with a satisfactory service and product experience. Café managers train all their employees who are involved in day-to-day operations.

The café staff are the brand ambassadors because the Brand Image of the Café will be reflected through them i.e. by the way they dress, behave and carry themselves, both within the organization and outside. They are the face of the company since they will be the first point of interaction with the customers.

d) Food and Beverages
Café houses serve a wide assortment of savories and desserts. The various coffee concoctions that they serve are the creations of their F&B team. They ensure highest level of hygiene and food quality.

They impart training to the team on the preparation of the best quality of coffees and food at their cafes. The F&B team sources and manages vendor who supply food to the cafes.

e) Marketing

The marketing team is responsible for the brand Positioning and all brand building activities that result in increased sales and greater visibility. They are also responsible for the various sales promotion activities and tie-ups. This team designs and manages the merchandise category, which is displayed and sold at their cafes.

They constantly track loyalty programs and promotions at the cafes to help minimize sales. The café citizen program is a unique customer loyalty tool which helps them to create new customers and retain existing ones by rewarding them with handsome points which can be earned and redeemed at cafes.

f) Human Resource and Training

The HR team deals with all matters pertaining to people within their team. They are responsible for recruitment and selection at all levels from team members to the management staff. They are responsible for employees salaries, career development and counseling.

Constant efforts are made for employee upgradation in terms of improving skills and job satisfaction to meet the aspirations of all the employees.

g) Accounts

They look after the day to day accounting and financial activities and also provide them with the financial reports, which will help them, find out the profitability of the outlet. They help them reduce the costs and ensure compliance and fiscal discipline at the cafes.
h) Management Information System

Their function is mainly to update the point of sale software and the café website and provide MIS report to aid management. They also look into any other system malfunctioning, repairs, and replacements at cafes and offices.

The café staff is trained on the billing software by this team. Their new initiative is the phased roll-out of the Wi-Fi point of sales billing system.

i) Supply Chain Management

This is the team which ensures that all stock keeping units of items used in cafes are received at stores from vendors and distributed to the cafes on time. They receive store orders and maintain the inventory stock of keeping units so that cafes do not run out of critical supplies at any point.

j) Business Development Team

Coffee café houses have a department as a Business Development team who are in touch with a lot of property owners who are interested in franchising and licensing. They normally prefer taking up places on long lease basis.

k) Quality check

Quality checks take place all the time and in several aspects. The operational in-charge will go around checking business, record keeping, service and check the feedback forms. The food in-charge look at the way food is being stored, coffee is being made, what is the time taken to extract the coffee and so on.

2.3 Steps of Processing Coffee

Processing of coffee is the method converting the raw fruit of the coffee plant into the coffee. The cherry has the fruit or pulp removed leaving the seed or bean which is then dried.
While all green coffee is processed, the method that is used varies and can have a significant effect on the flavor of roasted and brewed coffee.

1. **Picking**

   A coffee plant usually starts to produce flowers 3–4 years after it is planted, and it is from these flowers that the fruits of the plant (commonly known as coffee cherries) appear, with the first useful harvest possible around 5 years after planting. The cherries ripen around eight months after the emergence of the flower, by changing colour from green to red, and it is at this time that they should be harvested.

   **Strip Picked:**

   The entire crop is harvested at one time. This can either be done by machine or by hand. In either case, all of the cherries are stripped off of the branch at one time.

   **Selectively Picked:**

   Only the ripe cherries are harvested and they are picked individually by hand. Pickers rotate among the trees every 8 – 10 days, choosing only the cherries which are at the peak of ripeness.

2. **Processing**

   **Wet process**

   In the Wet Process, the fruit covering the seeds/beans is removed before they are dried. Coffee processed by the wet method is called wet processed or washed coffee. The wet method requires the use of specific equipment and substantial quantities of water.

   **Ferment-and-Wash Method:**

   In the ferment and wash method of wet processing the remainder of the pulp is removed by breaking down the cellulose by fermenting the beans with microbes and then washing them
with large amounts of water. Fermentation can be done with extra water or, in "Dry Fermentation", in the fruit's own juices only.

**Machine-assisted wet processing:**

In machine-assisted wet processing, fermentation is not used to separate the bean from the remainder of the pulp; rather, this is done through mechanical scrubbing. This process can cut down on water use and pollution since ferment and wash water stinks. In addition, removing mucilage by machine is easier and more predictable than removing it by fermenting and washing.

However, by eliminating the fermentation step and prematurely separating fruit and bean, mechanical demucilaging can remove an important tool that mill operators have of influencing coffee flavor.

**Dry process**

Dry process, also known as unwashed or natural coffee, is the oldest method of processing coffee. The entire cherry after harvest is first cleaned and then placed in the sun to dry on tables or in thin layers on patios:

**Semi dry process**

Semi dry is a hybrid process used in Indonesia and Brazil. In Indonesia, the process is also called "wet hulled", "semi-washed" or "Giling Basah". Literally translated from Indonesian, Giling Basah means "wet grinding".

3. **Milling**

The final steps in coffee processing involve removing the last layers of dry skin and remaining fruit residue from the now dry coffee, and cleaning and sorting it. These steps are often called dry milling to distinguish them from the steps that take place before drying, which collectively are called wet milling.
4. **Hulling**

The first step in dry milling is the removal of what is left of the fruit from the bean, whether it is the crumbly parchment skin of wet-processed coffee, the parchment skin and dried mucilage of semi-dry-processed coffee, or the entire dry, leathery fruit covering of the dry-processed coffee.

5. **Polishing**

This is an optional process in which any silver skin that remains on the beans after hulling is removed in a polishing machine. This is done to improve the appearance of green coffee beans and eliminate a byproduct of roasting called chaff. It is described by some to be detrimental to the taste by raising the temperature of the bean through friction which changes the chemical makeup of the bean.

6. **Grading**

Grading is the process of categorizing coffee beans on the basis of various criteria such as size of the bean, where and at what altitude it was grown, how it was prepared and picked, and how good it tastes, or its cup quality. Coffees also may be graded by the number of imperfections (defective and broken beans, pebbles, sticks, etc.) per sample. For the finest coffees, origin of the beans (farm or estate, region, cooperative) is especially important.

7. **Decaffeination**

Decaffeination is the process of extracting caffeine from green coffee beans prior to roasting. The most common decaffeination process used in the United States is supercritical carbon dioxide (CO₂) extraction. In this process, moistened green coffee beans are contacted with large quantities of supercritical CO₂ (CO₂ maintained at a pressure of about 4,000 pounds force per square inch (28 MPa) and temperatures between 90 and 100 °C (194 and 212 °F)), which removes about 97% of the caffeine from the beans. The caffeine is then recovered from the CO₂, typically using an activated carbon adsorption system.
8. Roasting

Although not considered part of the processing pipeline proper, nearly all coffee sold to consumers throughout the world is sold as roasted coffee. Consumers can also elect to buy unroasted coffee to be roasted at home.

2.4 Classification of coffee /Types of Coffee

A coffee bean is the seed of the coffee berry, that's the parts inside the red or purple fruit. Even though they are seeds, they are referred to as coffee beans simply because they resemble beans.

The coffee plant fruit, called the coffee cherry or coffee berry, almost always generates two seeds, which grow with their flat sides together. However, in a standard crop some of the coffee berry will generate just a single bean, and this is called a peaberry.

Coffee beans consist mostly of endosperm that contain from 0.8 to 2.5% caffeine, which is the main reasons the plant is cultivated.

Types of Coffee Bean Plants

Different species of the coffee bean plant include ...

- Coffea arabica
- Coffea benghalensis
- Coffea canephora
- Coffea congensis
- Coffea excelsa
- Coffea gallienii
- Coffea bonnieri
- Coffea mogeneti
- Coffea liberica
- Coffea stenophylla.

The seeds or coffee beans of the different plants produce coffee with slightly different characteristics.

**The three main types of coffee beans are Coffea Arabica, (simply referred to as Arabica), Coffea Canephora commonly referred to as Robusta and Kona**

These two coffee bean types make up over 90% of coffee beans sold all over the world.

1. **ARABICA BEANS**

   The Arabica type of coffee beans, typically produce higher quality coffees and good Arabica coffee beans will have an even, bright appearance

   Coffee produced using the Arabica coffee bean is usually considered a superior grade of coffee. The blends that coffee drinkers refer to as gourmet coffee.

   Arabica coffee beans contain about half the caffeine of Robusta beans and are more flavorful and aromatic. Much of the world’s coffee producers grow the arabica types of coffee beans, but only a few meet the exacting standards set by the Speciality Coffee Association of America.

2. **ROBUSTA BEANS**

   Robusta coffee beans are favored more for their robust coffee blends.

   Robusta coffee is considered a lower grade of coffee, as it is usually grown at lower elevations. It has a more astringent flavor and contains a higher amount of caffeine.

   Robusta trees are normally easier to grow and simpler to maintain. They are also more resistant to disease and produce a higher yield.
The Robusta types of coffee beans are typically used to produce a lower priced coffee blend.

3. Kona

Compared to Robusta and Arabica in the commercial world, Kona is much smaller yet very expensive. This type of coffee bean normally grows in the country of Hawaii. Though Kona is not being patronized as much by most common people in the market, it still has a very high demand worldwide due to its powerful aroma.

Having a very powerful aroma and desirability, Kona is rarely blended with other kinds of drink flavorings.

Types of coffee

Espresso

Espresso coffee is the true essence of all coffees. From the light creamy top, to the rich, thick and flavorful body. Some coffee drinkers prefer to drink espresso coffee straight up, thick and strong. But espresso coffee is often used as the base for many delightful coffee drinks, such as cappuccinos, lattes and mochas.

Embody the dark, musky, but smooth and silky, rich flavor you expect from a fine Espresso coffee.

Dark Roast

Gourmet Coffee can be roasted to almost any degree, from a very light roast to, a medium roast, to a very dark one. The same coffee can change color, from cinnamon through chestnut, chocolate, and on from mocha to ebony, as it is roasted darker and darker. And, the same coffee will have a change in taste according to the roast as it brings out different flavors.
The direct and bold taste of Dark Roast coffee has become very popular with the core coffee drinking crowd. The deep, full roast develops the coffee beans to their fullest body, while not completely roasting out its fabulous high altitude flavors.

Often described as fully embraceable and invigorating, with smoky aromatic tones. This is a fully satisfying coffee experience. The Dark Roast coffee is the least bright (or acidic) and most bitter.

**Medium Roast**

Gourmet Coffee can be roasted to almost any degree, from a very light roast to, a medium roast, to a very dark one. The same coffee can change color, from cinnamon through chestnut, chocolate, and on from mocha to ebony, as it is roasted darker and darker. And, the same coffee will have a change in taste according to the roast as it brings out different flavors.

Medium Roast coffee is a perfect interpretation of the perfect coffee roast. Robust in body, deep flavor, bursting aroma and gentle acidity. Medium roast coffee is the most well balanced of all roasts. It has good body, lowered acidity, complex aroma, integrated, elegant, charismatic, with average levels of bitterness. Perfect as an all day sipper.

**Light Roast**

Coffee can be roasted to almost any degree, from a very light roast to, a medium roast, to a very dark one. The same coffee can change color, from cinnamon through chestnut, chocolate, and on from mocha to ebony, as it is roasted darker and darker. And, the same coffee will have a change in taste according to the roast as it brings out different flavors.

Light Roast coffee is lighter in body with a bright smooth edge and intoxicating exotic highland mountain coffee aroma. The Light Roast coffee is the least bitter, with a clean finish (or acidic) and has the least body of our select roasts.

**Organic**
Organic coffee has been allowed to mature without any chemicals. No artificial chemicals have been used to grow or process this organic coffee.

Most cultivation of coffee uses some sort of chemicals. Chemicals although aiding many farmers in cultivating large coffee crops and keeping down costs of coffee cultivation is better for the farmers and workers, but also for their families, neighbors, land, water, plants, animals, birds, and, finally, for you, the consumer if they can be avoided. Shade-grown coffee is a natural way to avoid the use of herbicides, allows for rich compost, and integrates habitats for migratory and native bird species.

The types of coffee beans and/or coffee blends are more usually identified by geographic location rather than primary coffee bean type.

These include ...

- The Tanzanian Peaberry
- The Kona Peaberry and Kona Extra Fancy from Hawaii
- The Organic Sumatra Reserve
- The Madriz from Nicaragua
- Klatch, from the Yirgacheffe region of Ethiopia
- The Bourbon Santos from Brazil

And of course, there are many, many more coffee bean types.

2.5 Coffee Industry Market Trends / Dynamics

India has emerged as one of the favored destinations for coffee shops popularly termed as Cafes. The coffee chains market in India has witnessed a robust growth so far and is expected to grow rapidly during 2010-16. With the Indian middle class consumer ready to spend more and be a part of global lifestyle and culture, coffee parlors in the country are on an expansion spree.
From small-sized coffee parlors to classy coffee lounges leading coffee retailers such as Cafe Coffee Day, Barista, and Costa Coffee have all been fighting hard to lure India's growing middle class.

According to our analysis Coffee Chains market in India will witness phenomenal growth in near future. The outlook for the cafe outlet market in India seems very promising as the overall consumer spending is increasing in the country. Rising per capita income, increased literacy and rapid urbanization have caused rapid growth and change in demand patterns.

The availability of more disposable income is driving consumers to experience high end products. Having said this, the players in the industry need to be more innovative in order to gain a big share of the ever growing coffee consumption market in India.

Well-established coffee shop chains, such as Cafe Coffee Day (CCD) and Barista, enhanced their pan-India presence in the latter part of the review period. In 2010, Cafe Coffee Day and Barista had 970 and 200 stores, respectively, and they aim to continue expanding in the next few years. Meanwhile, several relatively new players, such as Costa Coffee, Coffee Bean, Gloria Jean’s and Java Coffee, are trying to establish a footing in Indian coffee retailing. Both these factors drove on-trade.

### 2.7 Growth of Café Industry in India

Hot beverages have always been a part of the tradition of India, especially South India. Coffee took the first seat in South India when the traditional Brahmin classes brought down the beverage from the ruling British around the 1930s.

During the early years the drink was confined only to traditional rich Brahmin families who served filter coffee in a ‘davra- tumbler’. Coffee is no more confined to the rich Brahmin class now, though the tradition of serving filter coffee in the ‘davra- tumbler’ continues to this day.

In order to spread the drink, coffee houses emerged at various places in the country, which also served as the opposite places for lawyers and the educated class to hold discussions.
ranging from politics to cinema. It is also believed that many scripts and ideas for films evolved here. One of the oldest coffee houses in South India is the Raayars mess, Chennai, which serves first class filter coffee even today.

The mess was established in the 1940s and continues the tradition of coffee but supplements it with tiffin also. The vintage location of the mess attracts huge crowds even today early in the mornings, Coffee however was not the only item on the menu. These places also served food and other drinks to their customers.

The drink also became famous and as a result even five star hotels began cashing in on it. Several hotels all over the country started opening coffee-shops that catered to high-end customers. This showed the popularization of coffee cafés, to all sections of society.

The drink has now become more of a concept than merely a drink itself. The last decade witnesses the growth of numerous coffee pubs in the country. A number of coffee café owners tried to westernize the taste in contrast to the filter coffee.

Now, large retail chains like Qwikys, Barista, and Café Coffee Day have opened up around the country. The concept of a café today is not merely about selling coffee, but about developing a national brand. Retail cafés now form a multi-crore industry in the country, and have huge potential for growth locally, and internationally.

These cafés form the main focus of this project.

2.6 Pros and Cons of Coffee to Human body

2.6.1 THE "PROS"

ANTIOXIDANTS

- Coffee is rich source of antioxidants like chlorogenic acid and melanoidins. Antioxidants help prevent oxidation, a process that causes damage to cells and contributes to aging. Melanoidins from roasted coffee have antioxidative effects depending on the way the coffee is treated.
• Researchers found that a typical serving of coffee contains more antioxidants than typical servings of grape juice, blueberries, raspberries and oranges. Coffee contains the most amount of polyphenols in comparison to green teas, herbal tea, and cocoa.

2. DIABETES

• Coffee consumption is potentially protective against the development of type 2 diabetes. Health Study found that moderate drinking of coffee may lower the risk of type 2 diabetes in younger and middle aged women.
• The finding that higher consumption of decaffeinated coffee was also associated with a reduced risk of diabetes suggests that the protective effect could not be attributed exclusively to caffeine, but rather should be explained by various antioxidants, most probably chlorogenic acid.

3. PARKINSON’S DISEASE

• Regular coffee consumption reduces the risk of Parkinson's disease. A number of studies have demonstrated that people who drink coffee on a regular basis are significantly less likely to develop Parkinson's disease

4. LIVER DAMAGE

• Coffee drinking may protect against liver cirrhosis, especially alcoholic cirrhosis. A study found a 22% reduced risk of developing alcoholic cirrhosis for each cup of coffee drunk per day.
• Drinking three or more cups of coffee daily also lessens the risk of progression of chronic hepatitis C.

5. GALLSTONES

• There is some evidence that coffee drinking may be protective against gallstone formation in men and women.
• The study shows that regular coffee drinkers (four or more cups a day) have 25 percent less chance of developing gallstones compared to those who drink none.

6. KIDNEY STONES

• Coffee consumption lowers the risk of kidney stones formation. According to the results of research, the risk of developing a stone fell by 10% in response to 240 ml/day of coffee.

7. GOUT

• Hyperuricemia (high level of uric acid in the blood) can contribute to both gout and kidney stone formation.
• Drinking one to three cups of coffee a day lowers gout risk by only 8%, whereas four or five cups a day may decrease the serum uric acid level and the risk of gout in men by 40%.

8. WORK PERFORMANCE

• Caffeine is a well-known stimulant. Many studies demonstrate the beneficial effects of coffee on alertness, attentiveness, and wakefulness.
• The cup of coffee can increase information processing.

9. ASTHMA

• Caffeine in coffee is related to theophylline, an old asthma medication.
• There is some evidence that coffee may help manage asthma and even control attacks when medication is unavailable. Caffeine can open and improve airways function modestly, for up to four hours, and improve asthma symptoms.

10. ALZHEIMER'S DISEASE
• Several studies comparing moderate coffee drinkers (about 2 cups a day) with light coffee drinkers (less than one cup a day) found that those who drank more coffee at midlife were significantly less likely to develop Alzheimer’s disease later in life.
• The recent research in mice proves that drinking five cups of coffee a day could even reverse memory problems seen in Alzheimer's disease.

2.6.2 THE "CONS"

These were benefits of coffee drinking. Now let’s look at the potential health risks associated with coffee. Coffee, mainly in large doses, can cause several problems for susceptible persons. However, despite several detrimental health effects, people who drink coffee regularly are not at increased risk of mortality.

1. HEART DISEASE

• The relation between coffee consumption and risk of cardiovascular disease has been examined in many studies, but the results remain controversial. Most prospective cohort studies have not found coffee consumption to be associated with significantly increased cardiovascular disease risk.
• On one hand, diterpenes cafestol and kahweol present in unfiltered coffee and caffeine each appear to increase risk of coronary heart disease. High quality studies have confirmed the cholesterol-raising effect of diterpenes. Coffee consumption is also associated with an increase of plasma homocysteine, a risk factor for coronary heart disease.
• On the other hand, a lower risk of heart disease among moderate coffee drinkers might be due to antioxidants found in coffee. Besides that, caffeine can increase the risk of heart attack, especially among those people who carry the "slow" gene variant for the enzyme that metabolizes caffeine.
• The relation between coffee and risk of cardiovascular disease has been examined in many studies, but the results remain controversial. Most studies have not found coffee
consumption to be associated with significantly increased cardiovascular disease risk. The strongest evidence for the suggestion that coffee is associated with increased risk of coronary heart disease comes from the case control studies.

2. **INCREASED CHOLESTEROL LEVELS**

- Heavy consumption of boiled coffee elevates blood total and LDL cholesterol ("bad cholesterol") levels. Unfiltered coffee is a significant source of cafestol and kahweol, which are responsible for cholesterol-raising effects of coffee.
- Diterpenes are extracted by hot water but are retained by a paper filter. This explains why filtered coffee does not affect cholesterol, whereas Scandinavian boiled, cafetiere, and Turkish coffees do.

3. **BLOOD PRESSURE**

- Although coffee consumption is not a significant risk factor for hypertension, it produces unfavorable effects on blood pressure and people prone to hypertension may be more susceptible.
- Recent Italian study found that coffee drinking can slightly increase the risk for development of sustained hypertension in persons with elevated blood pressure.
- But even in people who don't have high blood pressure, caffeine can cause a short, but significant increase in blood pressure.

4. **OSTEOPOROSIS (BONE LOSS)**

- Coffee intake may induce an extra urinary excretion of calcium. Heavy coffee consumption (4 cups=600 ml or more) can modestly increase the risk of osteoporosis, especially in women with a low calcium intake.

5. **DISRUPTED SLEEP**

- Most of us are aware of the stimulatory effects of caffeine. Excess caffeine can over stimulate the central nervous system. Caffeine taken before going to sleep, can cause
restlessness and difficulty falling asleep, tendency to be awakened more readily by sudden noises, and a decreased quality of sleep. However, some people can drink coffee and fall right asleep.

6. HEARTBURN

- Some people suffer from heartburn after drinking coffee. Coffee promotes gastro-oesophageal reflux, but is not associated with dyspepsia.

7. DEHYDRATION

- The caffeine in coffee is a mild diuretic and can increase the volume of urine excreted. However, this effect can be easily counteracted by the drinking extra glass of water.

8. RHEUMATOID ARTHRITIS

- Decaffeinated coffee may increase the risk of rheumatoid arthritis. Researchers speculate that rather than the presence or absence of caffeine being the culprit, there may be something in the way decaffeinated coffee is processed that triggers an arthritic response, perhaps industrial solvents.
- Interestingly, the study linking decaffeinated coffee and rheumatoid arthritis suggests that, “Women who drink more than three cups of tea a day are much less likely to develop the disease than those who don’t drink tea”.

The key is quantity and quality. The old principle - "everything in moderation" - holds true for coffee. It is not bad unless you abuse it. Coffee has its downsides, but offers enough good points to make it a worthwhile drink. For moderate coffee drinkers (3-4 cups/day providing 300-400 mg/day of caffeine), there is little evidence of health risks and some evidence of health benefits. And for sure you can enjoy your coffee as part of a healthy diet.

At least, coffee is far less toxic and more healthier than the sugar-laden drinks like soda.
CHAPTER 3: COFFEE RETAILING BUSINESS HOUSES

3.1 CAFÉ COFFEE DAY (CCD)

CCD pioneered the café concept in India in 1996 with the inauguration of its first outlet in Bangalore. CCD saw the potential of the youth market and embarked on a dynamic journey to become the largest organized retail café chain with a distinct brand identity of its own.

It was in the golden soil of Chikmagalur that a traditional family owned a few acres of coffee estates, which yielded rich coffee beans. Soon Amalgamated Bean Coffee Trading Company Limited, popularly known as Coffee Day was formed. With a rich coffee growing tradition since 1875 behind it coupled with the opportunity that arose with the deregulation of the coffee board in the early nineties, Coffee Day began exporting coffee to the connoisseurs across USA, Europe & Japan.

In the calendar year 2000, Coffee Day exported more than 27000 tonnes of coffee valued at US$ 60 m to these countries and, for the second time in its short career of 7 years retained the position as the largest coffee exporter of India. Coffee Day has a wide and professional network in the major coffee growing areas of the country comprising over 48 agents and 50 collecting depots. Coffee Day's two curing works at Chikmagalur and Hassan cure over 70,000 tonnes of coffee per annum, the largest in the country.

Coffee Day has a well-equipped roasting unit catering to the specific requirement of the consumers. The process is carried out under the control of experienced personnel to meet highest quality standards. The most modern technology available is used to maintain consistency and roast the coffee beans to the demanding specifications of the discerning coffee consumers.

a) History
Taking pride in 130 years of coffee growing heritage, CCD is the first chain to enter retail by incorporating Amalgamated Bean Coffee Trading Company Ltd (ABCTCL) in the year 1994. Pioneering the café concept in India in 1996 by opening its first café at Brigade Road in Bengaluru, ABCTCL today is one of Asia’s top 500 companies and aims to be among the top three coffee retailing companies in the world. It currently operates 683 cafés in India, Pakistan and Austria. ABCTCL also has an ambitious growth plan of opening 1,000 cafes by 2010 marking its presence across 102 Indian cities and also establishing 50 cafes in 10 foreign countries.

b) Marketing Mix

1. PRODUCT

Café Coffee Day (CCD) product mix constitutes a wide range of products that appeal primarily to Indian coffee and snacks lovers. Products have a decided Indian taste to be it a food or coffee. Most of the eatables have been adopted to meet the Indian taste buds like samosa, biryani, masala sandwich, tikka sandwich, etc. thus they have been trying to capture the Indian taste along with classic coffee. The best selling item in summer is frappe, which is coffee and ice cream blended together. The young people favour it. In winter it is cappuccino. Their merchandising includes funky stuff like t-shirt, caps, etc.

2. PRICE

Considering that CCD knows its major customer lies in the bracket of 15-29, it has tried to derive a policy whereby it can satisfy all its customers. The price for a cup of coffee ranges from Rs. 45 to 80. From the time it first started its operations, there has been only minor changes in the pricing policy of Café Coffee Day. The changes have been more due to the government taxes than anything else.

3. PLACE
The strategy CCD has adopted is to place a café in every possible location where some business can be generated. This is a prime factor in determining the success of a retail chain Café Coffee Day looks to cater to their target market with strategically located outlets. Their outlets are generally located in High Street/ Family Entertainment Centers, gas stations, near Colleges, etc.

4. PROMOTION

CCD is involved in all the areas of serious consumer passion like

**Television:** Café Coffee Day held a contest around a very popular programme on Zee English called FRIENDS. All the six lead character are shown often visiting a coffee shop. They have tied up with Channel [V]'s Get Gorgeous contest.

**Tie-ups:** Besides that Café Coffee Day also tie up lot of the young brands. So they have a contest going on with Levis, another one with Scooty, Liril, latest one with Airtel Friends.

**Association with movies:** CCD can be seen in movies like Khakhee, Fashion, Main Hoon Na and many more.

**Sales Promotion:** Café Coffee Day uses special ‘Café Citizen Card’ for rewarding Café Coffee Day’s customers. It is a loyalty program to gain new customers and retain the existing ones.

5. PROCESS

The ordering and delivery process in CCD was earlier based on self-service. But now in most its coffee shops, the waiter comes and takes away the order and delivers the order on table.

6. PHYSICAL EVIDENCE
Logo, Image, Brand: Café Coffee Day has used bright red and green colors in its logo. RED stands for leadership, vitality, passion for coffee. The GREEN stroke harke back the coffee plantations that they own. Café is noticeable larger in the logo to denote that Café Coffee Day pioneered the café concept in India way back in 1996. The font looks as though the letters have congealed out of a liquid.

Architecture and Décor: Largely wood and granite based interior with young colours of today, like limegreen, yellow, orange, and purple predominate.

Literature: The literature provided by Café Coffee Day is indicative of its youthful image. The menus, posters, pamphlets are all designed to attract young and young at heart.

7. PEOPLE

People at Café Coffee Day believe that “People are hired for what they know but fired for how they behave”. Motivation and personal skill are laid emphasize upon. Their employees are like friend to the customer but at the same time they know about the international standards of hygiene and cleanliness and personal grooming.

Product Line

Advertising Strategy

Areas of Excellence

1. Highly rated Taste & Quality of products:

Café Coffee Day got a high rating in the market survey, for the Taste & Quality of their products. If they work on this aspect, there is huge potential for them to attract customers, just based on the taste and quality of products. This is also helped by the fact that they grow their own coffee beans, and this provides an important base for future

2. Value for money proposition:

Café Coffee Day is projected as an “affordable” brand. This strategy has worked extremely well so far, and Café Coffee Day got a high rating, both for their prices and for their value for money, in the market survey.

3. Strong youth orientation:

The Café Coffee Day brand is, and always has been, extremely youth-oriented. In a country where over 40% of the population is under the age of 20, there is huge potential for Café Coffee Day to become one of the country’s largest youth brands. The untapped market share and potential for growth is enormous.

Segmentation

SWOT Analysis

3.2 BARISTA

Barista is a coffee retailing chain which started operations in India in February 2000. It was promoted with an initial capital of Rs. 20 Crores by Java Coffee Company Ltd., a company owned by the Turner Morrison group of Lacosté fame. Thereafter Barista has undergone several ownership changes as well as changes at the helm.
Barista coffee was established in 1999 with the aim of identifying growth opportunities in the coffee business. Increasing disposable incomes and global trends in coffee indicate immense growth potential in one particular segment.

More significantly, they believe they have been quick to spot a latent need waiting to be trapped: Coffee lovers seek a complete experience. One that combines intelligent positioning with the right product Mix and carefully designed cafés. In other words, customers seek an “experiential lifestyle brand”. As of today, Barista exists in over 22 cities, and operates over 140 outlets nationally. In the last 2 years, Barista has opened over 100 outlets in the country and with a new outlet opening nationally every 14 dates, Barista is currently experiencing phenomenal growth.

With outlets opening in Sri Lanka and Dubai, Barista is looking at potential growth opportunities in Asia, making it highly competitive international brand.

a) History

Barista traces its roots back to the old coffee houses in Italy – the hotbeds of poetry, love, music, writing, revolution and of course, fine coffee. Offering alternative options and pleasures of coffee to millions, the chain is also revolutionising the coffee drinking experience in most Indian cities. Barista, which owns 206 stores currently, including 17 overseas, plans to boost the number of stores to 300 by the end of fiscal year 2008-09, says India Retail Report 2009.

b) Marketing MIX

1. PRODUCT
Barista sources its coffee beans from around the world, but a major supplier is TATA Coffee, part of TATA Group that owns a large stake holding in Barista. These coffee beans are then sent to Venice, Italy, where they are roasted into a blend exclusive for Barista. The food and deserts at Barista is exclusively catered to by the Taj.

2. PRICE

- Barista has a ‘Skim Pricing Policy’. They began with a higher price, and skimmed the cream for the market.
- Currently, their prices are the lowest they have ever been, and they can competitively match their prices against Café Coffee Day’s prices.
- The main factors that affect their pricing are their cost of goods sold. The costs are quite high because imports a majority of its products and product.
- Since Barista’s current consumer profile is quite young, their prices are mostly inexpensive, and at par with their competitors.

3. PLACE

- Every Barista outlet is owned by the company, and not franchised out to anyone.
- Barista can thus control and make quick changes to its entire retail chain. Barista currently operates in over 120 outlets all over the country.
- They have a market presence in over 20 cities. Mumbai alone has over 30 outlets, and the number of outlets in the city is increasing at a phenomenal pace.
- Barista has a thumb rule for selecting cities and locations for the distribution of outlet.

4. PROMOTION

- Barista positions itself as a brand for anyone who loves coffee.
- Their products, services and outlets are more like the traditional European cafés, where people would meet for the love of coffee, and for an intellectual appealing time.
- They position their outlets as a place “where the world meets”, and they look to appeal to anyone in the 14-60 age group that loves good.
5. PROCESS

- The order and delivery process at Barista is based on self-service, where a customer goes up to the counter to place his order, and goes back to the counter to pick his delivery once it is prepared.

6. PHYSICAL EVIDENCE

- **Logo, Colors, Images:**
  
  Barista, since the beginning has looked to use colors in its café interiors, logos and images; to project a “warm, earth glow, synonymous with coffee. The logo is a combination of Brown, Orange and Light Yellow; with the word “Barista” written in an upward curve, and the word “Coffee” underneath. A simple logo that perfectly expresses Barista’s brand image: A traditional café for coffee lovers.

- **Décor and Architecture:**
  
  Barista’s internal décor and architecture expresses the simplicity you would normally associate with traditional cafés. The furniture is made of light shades of wood, and there are comfortable sofas in bigger cafés. The walls are shades of orange, with various photographs of the love for coffee spread around each outlet.

- **Literature:**
  
  The literature provided by Barista is indicative of its brand image. The menus, posters, pamphlets are all traditionally designed, with a classic and simple look.

7. PEOPLE

- The people at Barista are characteristically trained to be Pleasant, Polite and Positive.
- They ensure you have a quiet, uninterrupted visit and provide an escape from the daily pressures of life.
- Their uniforms are in sober shades of brown and orange, and contribute to the overall laid-back feeling of the café.
e) Areas of Excellence

1. Strong Brand Image:

Barista has a strong and clear brand image. Their customers can easily identify and relate to the Barista brand. This helps increase and maintain brand loyalty.

2. Excellent Human Resource:

According to the survey, Barista received an excellent rating for the service and behavior of their staff. This is a huge advantage, especially in a service organization. Barista must strive to keep this advantage.

3. Ambience & Décor:

Another significant area of excellence is the kind of ambience and décor Barista cafés have. Respondents to the survey, including whose who chose Café Coffee Day as their choice of café, gave Barista a near perfect rating for their Ambience & Décor.

4. Strong base for expansion & growth:

Barista have worked hard on heir brand image and human resources, and have a strong base for future expansion and growth- whether nationally or internationally.

f) Segmentation

g) SWOT Analysis
3.3 COSTA COFFEE

Costa Coffee is a British coffeehouse company founded in 1971 by Italian brothers Sergio and Bruno Costa, as a wholesale operation supplying roasted coffee to caterers and specialist Italian coffee shops. Since 1995 it has been a subsidiary of Whitbread, since when the company has grown to over 1700 stores in the UK and abroad. The company's current managing director is John Derkach and Adrian Johnson is Chief Operating Officer. It is the largest coffeehouse chain in the United Kingdom and second largest in the world (behind Starbucks).

a) History

As part of its overseas expansion, British coffee retail chain Costa Coffee launched its outlet in New Delhi, becoming the first international coffee chain to start operations in India in September 2005. It has also been expanding its business through exclusive franchisee partnership with Devyani International. The chain is currently operational with 36 outlets and expanding aggressively to tap this potential market.

b) Marketing MIX

1) PRODUCT
   - Their brand name is their signature. The name of Costa signifies luxury, excellence and perfection all over the world.
   - The image of Costa is luxury.
   - The theme of Costa, from the brand logo, the color scheme of the premises, to the entire feel of our business is warm tones and relaxing colors.
   - Service. Costa’s reputation for excellence applies not only for the exceptional coffee but also the insistence of perfect service.

2) PRICE
   - The prices of all the products are comparatively higher at. But this is offset by the outstanding quality and discerning tastes at.
- One of the reason for choosing the privileged and higher middle classes in the target market is the prices.

3) PLACE
- After thorough research and competitive analysis by Costa, the perfect locations in terms of exposure, accessibility and competitive edge have been acquired.
- The inventory and easy transport facilities have also been a part of the deciding factors while choosing the appropriate locale.

4) PROMOTION
- Brand name is enough to muster the required target market.
- Most of the awareness will be through the word of mouth of people amongst the masses.
- Hence the reputation is more that counts.

5) PROCESS
- THE ORDER PROCESS AT Costa Coffee is based on self-service, where the customer goes to the counter to place his order.
- Whereas they have a flexible delivery process, where they wait for some time for the customer to pick up the order, but if the customer takes too long then the order is delivered on his table.

6) PHYSICAL EVIDENCE
- Color Scheme
  The theme of Costa, from the brand logo, the color scheme of the premises, to the entire feel of the business is warm tones and relaxing colors.
- Décor and architecture
  Costa coffee had gone in for image change and revamping of interiors in the last quarter. Costa interiors have been given a whole, new look.

7) PEOPLE
CHAPTER 4: MARKETING STRATEGY

4.1 Consumer behavior towards Coffee

CONSUMER TASTES AND HABITS ARE CHANGING IN INDIA AS COFFEE BAR/CAFES SPRING ONTO THE SCENE. ESPRESSO, LATTES, AND CAPPUCINOS ARE FAST BECOMING POPULAR BEVERAGES IN THIS TEA CONSUMING NATION.

India, the country with a rich tradition and cultural past, has a history of coffee cultivation. It dates back a few centuries to when a Muslim divine who was returning from a pilgrimage to Mecca brought back seven coffee seeds from Yemen and germinated them in his backyard in the Nananudan Hills. Ever since, there has been no looking back for Indian coffee, and today our coffee industry is one of the country's biggest foreign exchange earners. We have changed not only in size, but also in the ways we consume coffee. The traditional method of drinking coffee entailed roasting the coffee beans at home and then hand-pounding them into a powder and mixing the powder with hot water. The decoction could then be mixed with milk and sugar and was served hot. This mixture evolved from a combination of coffee and chicory (root extract), which was also brewed in the same method.

Ever since the multinationals such as Nestle and Unilever entered our country, instant coffee's popularity has also begun to rise. Due to the influence of western culture through cable
television channels and the liberalization of our economy, a large number of multinationals have set up shop in our country, causing people to be exposed to a variety other cultures. A large number of entrepreneurs have cashed in on this ongoing change and have started offering the Indian consumer a variety of coffees which were previously unavailable.

The espresso culture has already started in India; however, it is limited to four cities and eight odd suburbs. This in itself is a large market, given that around 26% of our population (about 846 million) constitutes a huge market. Additionally, the people living here are quickly adapting to these new changes. Given this golden opportunity, many espresso bars have sprung up in these places and are providing the consumer with an opportunity to choose from a variety of coffee beverages. Some have come out with new marketing concepts, such as cyber cafes wherein visitors enjoy their coffee while surfing the internet.

All the big hotel chains - Viz., Le Meredian, The Oberoi, Taj Group of Hotels, etc. - have exclusive coffee shops with a wide choice of coffees to offer their clients and corporate visitors. A more amazing fact is the way in which people have readily accepted these new varieties of coffees. The majority of the market for these coffees lies between the age groups of 18-45 years old.

Even though not many people have thought of this idea, some coffee exporters, ABC Ltd. for example, have opened espresso bars and are doing quite well. And while the country's EXIM policy does not allow the import of coffee beans in any form for home consumption, India itself produces a wide variety of specialty coffee such as the Mysore Nuggets (grown at an elevation of over 4,000 ft.), the Kaapi Royale, the high grown Girls, the Robusta Parchment AB's, and the Monsooned Malabar AA. These coffees have been used in various blends to produce a fine cup of espresso. India is a bird-friendly country; our coffee is grown under natural shade, which makes for a bolder, more uniform bean than coffee grown under open conditions.

Even though the per capita consumption of coffee in India is very low at 54 grams, the government of India has chalked out an ambitious plan (as declared in the National Coffee Conference held at Bangalore on December 11, 1998) to improve this low per capita consumption through generic promotion.
It is a well accepted fact that, given these changing trends, there is great potential for setting up these espresso coffee bars in India. I don't see any reason why potential investors such as Starbucks and machine manufacturers such as La Marzocco, Rancilio, or Brasilia should not set their eyes on our country.

If we can change the coffee drinking habits of the Indian consumer and at the same time increase domestic consumption, then we will probably be looking at a huge potential market for specialty coffee.

4.2 Role of Coffee Industry in Indian Economy

In India, coffee bean cultivation is largely confined to the hilly regions of the southern states of Karnataka, Tamil Nadu and Kerala.

Karnataka accounts for 70 percent of country's total coffee production followed by Kerala (22 percent) and Tamil Nadu (7 percent).

Only one fifth of the coffee bean produced in India every year is consumed in the domestic markets, while rest of it is exported.

Most of the exports are to Russian federation, Germany, Italy and us. Till recently, the coffee board directed coffee sales in India. Coffee growers with a total coffee cultivation area of above 10 hectares were required to sell a minimum of 30% of their production to the coffee board. This quota system has now been abolished to encourage exports and now growers can export 100% of their produce in order to boost the coffee consumption the coffee industry has started emphasizing on three channels of distribution, namely cafe chains, vending machines and ready to drink products.
4.3 Branding by Coffee Industries

Branding is an essential consideration for any company. Successful branding determines not only the company's market share and profits, but also the ability of the company to compete for financing and other resources, such as employees. The coffee industry, already heavily "industry branded" by such coffee giants as Starbucks, Cafe Coffee Day, Barista, and Costa relies on branding to continue driving the boom the industry is enjoying.

As recent economic considerations drive market leaders such as Starbucks to consider cost-cutting measures and other means to retain customers who grow increasingly cash-conscious, branding presents an awesome opportunity for an up-coming competitor in the marketplace (Businessweek, 2007).

The majority of coffee shop coffee drinkers tend to be in the under forty crowd, with the biggest market potential being in capturing the late teen market. Once people join the work force or go to college their tendency to drink coffee in general sharply increases, although as money issues grow, the gourmet market is expected to experience some sag. The key to capturing the coffee drinking consumer is branding.

Coffee is a commodity and can be attained cheaply for home use from any grocery store; coffee shop prices are frequently three or more times the cost of brewing at home. Branding is more than simply an attitude or logo, it encapsulates who the company is, what the company stands for and what kind of person would patronize that company. The two, marketing strategy and overall strategy are intertwined.

In the modern corporate environment it is not enough to merely state what a company stands for, but action must follow words. Consumers are increasingly savvy and want to see companies that take an active leadership role in their communities (and always have). Consumers obviously prefer to support causes that they support or, at the very least, prefer that the causes do not directly conflict with their interests. In this way, it is highly critical that a company assess the consumer base to guard against offending the sensibilities of the base.
Furthermore, it is important for your brand to support and encourage the things your company stands for. For example, if a company strongly supports local economic growth the company should, whenever possible shop locally and prominently display locally-made items. The branding efforts must promote things about the Business that are real, not inflated promises or complete fabrications. Consumers are increasingly intelligent and savvy so false promises and surface-level modifications will not last long.

4.4 Sales and Distribution Strategy of Coffee Industry

The coffee industry currently has a commodity chain that involves producers, middlemen exporters, importers, roasters, and retailers before reaching the consumer.

- The initial stage is coffee production and distribution involves farmers from smallholder's through to large farms and estates.
- The next stage for the smallholder's and medium sized coffee farms is collection and will involve cooperatives and traders.
- Initial processing is then carried out by manufactures. Curing is then taken care of by cooperatives or state and private manufactures.
- Intermediation then occurs through the use of coffee auctions and brokers. Shipping of coffee products is then taken care of by exporters.
- Middlemen exporters, often referred to as coffee "coyotes," purchase coffee directly from small farmers. Large coffee estates and plantations often export their own harvests or have direct arrangements with a transnational coffee processing or distributing company.
- Green coffee is then purchased by importers from exporters or large plantation owners. Importers hold inventory of large container loads, which they sell gradually through numerous small orders. They have capital resources to obtain quality coffee from around the world, capital normal roasters do not have.
- Roasting then typically occurs in the country that is to consume the product.
• In India, there are around 1200 roasters. Roasters have the highest profit margin in the commodity chain. Large roasters normally sell pre-packaged coffee to large retailers, such as Maxwell House, Folgers, and Millstone.
• This is followed by distribution by wholesalers and retailers.
• Then the final piece of the coffee economics jigsaw involves the consumption of the coffee by the paying customer.

Coffee reaches the consumers through cafes and specialty stores selling coffee, of which, approximately, 30% are chains, and through supermarkets and traditional retail chains. Supermarkets and traditional retail chains hold about 60% of market share and are the primary channel for both specialty coffee and non-specialty coffee. Twelve billion pounds of coffee is consumed around the globe annually, and the United States alone has over 130 million coffee drinkers.

Coffee is also bought and sold by investors and price speculators as a tradeable commodity.

As a matter of fact, these chains, nowadays, have been opening small-sized coffee parlours to provide a neighbourhood coffee experience and lure more people. Despite their best efforts, the question still haunting many of these players is how long will they be able to sustain these high cost, high turnover business models? How long before they are able to turn a tea drinking nation into coffee lovers?

**TYPES OF COFFEE PARLOURS**

*Individual Cafés:*

The main bulk of revenue is earned by small, individual cafés, run mostly by families and friends. It is a relatively unorganized sector. There are millions of such cafés around the world, and they provide customers with a homely, casual experience.
The bulk of these cafés are mainly in Europe, where every little town or village has local cafés, where people gather together for a conversation over coffee, or just to be alone with their thoughts.

Diagram 1 – Individual Cafés

These cafés have been the birthplace and sanctuary for various creative minds, revolutionaries and thinkers of our time. The most recent example is the author J.K. Rowling, who has written most of the *Harry Potter* series of books, sitting at her local café.

These cafés set themselves apart from retail chain cafés and hotel cafés because they provide customers with a homely, classic appeal, which cannot be emulated.

*Hotel Cafés:*

Ever since the popularization of coffee, hotels all over the world started opening 24-hour coffee shops where visitors to the hotel could walk in for a cup of coffee and some food at any time.

These coffeehouses are extremely important, because they provide international visitors to the hotel with a universal drink- coffee. Any customer can walk into any major hotel in the world, and enter the coffeehouse, and know what to expect. These cafés are not really major
players in the coffee café industry, but rather provide supplementary services to the hotel industry.

**Diagram 2 – Hotel Cafés**

*Retail Café Chains:*

The last, and the most organized sector in the coffee café industry, is the retail café chain. Off late, these chains have become extremely popular and are growing at an ever-increasing pace. These retail chains have work with an organized structure of man, material and money. The work on developing a recognized brand consistent to all their outlets, which customers can easily relate to, wherever they go. They provide customers with a standardized level of service and quality at each of their outlets.

The vast popularity of these retail chains is shown in the rapid international growth of brands like Starbucks. Customers can do to any Starbucks across the world and know exactly what to expect. The main focus of my project is on two nationally recognized retail café chains: Barista & Café Coffee Day.

**Diagram 3 – A popular Retail Café Chain logo**
Cafés are increasingly becoming more than places to sip coffee. A lot many things in life and work happen over a cup these days. India has now become one of the fastest growing coffee markets in the world. It is taking great strides on both counts; making its presence in the world market as well as in the domestic retail arena as more and more Indians prefer the drink.

4.5 Future of Coffee Industry

Now in the 21st century we have many different styles, grinds, and flavors of coffee. We have really come a long way even with our coffee making machines. There's no sign of coffee consumption decreasing. Researchers are even finding many health benefits to drinking coffee. Drink and enjoy!

4.6 Pest Analysis

The PEST analysis examines changes in a marketplace caused by Political, Economical, Social and Technological factors.

P: Political change, from one party to another in control- for example the rise in private healthcare and privatisations under Conservative governments.

Political Analysis

Non-alcoholic beverages fall within the food category under the FDA. The government plays a role within the operation of manufacturing these products in terms of regulations. There are potential fines set by the government on companies if they do not meet a standard of laws.

The following are some of the factors that could cause Coffee company's actual results to differ materially from the expected results described in their underlying company's forward statement:-
Changes in laws and regulations, including changes in accounting standards, taxation requirements, (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions.

Changes in the coffee business environment. These include, without limitation, competitive product and pricing pressures and their ability to gain or maintain share of sales in the global market as a result of action by competitors.

Political conditions, especially in international markets, including civil unrest, government changes and restrictions on the ability to transfer capital across borders.

Their ability to penetrate developing and emerging markets, which also depends on economic and political conditions, and how well they are able to acquire or form strategic business alliances with local dealers and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology.

E: Economic change, for example a recession creating increased activity at the lower ends of product price ranges.

Rate of interest rises depressing business and causing redundancies and lower spending levels.

Economic Analysis

Last year the global economy was strong and nearly every part of it was growing and doing well. However, things changed. Most economists loosely define a recession as two consecutive quarters of contraction, or negative GDP growth. On Monday 26, the government officially declared that the U.S. has been in recession since March.

Future Outlooks:

The Federal Reserve is doing all that it can help the economy recover. They have cut the interest rate ten times this year. The rate now lies at a 40-year low of 2%. Lowering the interest rates will
ultimately excite consumer demand in the economy. Companies will expand and increase use of debt as a result of the low borrowing rates.

- Coffee manufacturer and coffee houses can borrow money for investing in other products as the interest rates are low. It can use the borrowing on research of new products or technology. As researching for new products would cost less. The Company will sell its products for less and the people will spend as they would get cheap products.
- Consumers are now resuming their normal habits, going to the malls, car shopping, and eating out at restaurants. However, many are still handling their money cautiously. They believe that with lower inflation still to come, consumers will recover their confidence over the next year.
- The non-alcoholic beverage industry like coffee and tea has high sales in countries outside the India. According to the Standard and Poor's Industry surveys, "For major coffee manufacturing companies, there has been economic improvement in many major international markets, such as US, Brazil, and Germany."
- These markets will continue to play a major role in the success and stable growth for a majority of the non-alcoholic beverage industry.

**S: Social change-** involves changing attitudes and lifestyles. The increasing number of women going out to work.

For Example, led to the need for time-saving products for the home.

**SOCIAL Analysis**

- Many Indian citizens are practicing healthier lifestyles. This has affected the industry. Many are switching to packed fruit juices, instant coffee and ice Tea instead of cold drinks or any other alcoholic beverages.
- The time management has changed, the need for non-alcoholic beverages like coffee, tea and other more convenient and healthy products are in important in the average day-to-day life.
- Consumers from the ages of 15 to 40 are also increasingly concerned with nutrition. There is a large population of the age range known as the baby boomers.
- This will continue to affect the coffee industry by increasing the demand overall.

**T- Technological change**- creates opportunity for new products and product improvements and of course new marketing techniques- the internet, E-commerce.

**Technological Analysis**

Some factors that cause company’s results to differ materially from the expected results are as follows:

- The effectiveness of company’s advertising, marketing and promotional programs. The new technology of internet and television which use special effects for advertising through media.
- The advertising makes the products look attractive. This helps in selling of the products. The technology is being used in media to sell products. The same is adopted by coffee houses and coffee manufacturers.
- Introduction of instant coffee sachets and cold coffee cans have increased sales for Coffee as these are easier to carry and also easy to bin them once they are used.
- As the technology is getting advanced there has been introduction of new machineries all the time. Due to introduction of this machineries the production of the Coffee company has increased tremendously then it was few years ago.
- Nescafe has factories which use the most state of the art drinks technology to ensure top product quality and speedy delivery. The factory has the technology to produce cans of Cold Coffee faster that bullets from the machine gun.

**4.7 Trade Policy**

Coffee market can be segmented as instant and filter coffee. Filter coffee can further be segmented into pure and chicory blend coffee. With regards to agriculture, Coffee is a major export commodity in many developing countries. Many countries like India, USA depends
heavily on coffee as a source not only to foreign exchange but also of employment in rural areas. Before liberalization heavy taxation made coffee an important source of government revenue.

Governments of developing countries regulated coffee marketing not only because coffee was as important as a source of export earning and foreign exchange, but also for institutional and political reasons. The main intergovernmental organization for coffee, bringing together the world coffee sector through international cooperation is the international coffee organization (ico).

Coffee is an export crop in nearly all of the countries that produce it, there are a few exceptions, these tend to be countries that have relatively small production such as Malaysia, Panama and the Philippines; or cuba, which suffers from a trade embargo with the USA; these countries typically export less than 50% of their overall coffee production. The coffee marketing system in the larger coffee producing countries can be broke down into major components, collection, assembling and processing followed by exporting to their trading partners.

**CHAPTER 5: RESEARCH SUMMARY**

Research conducted at INORBIT MALL, Vashi, Navi Maumbai

Research focus on three coffee shops: Café Coffee Day (CCD), Costa Coffee and Barista.

Observed in three different days (1 day for each coffee shop) and different hours

**Things observed in each coffee shop:**

- Environment
- Typical customers (estimation of key demographics: e.g. age)
- Queuing time
- Customer Service
- Serving time
- Atmosphere
• Seats Available
• Quality of coffee
• Variety of food and quality
• Impact of marketing
• Effects of advertising on sales at coffee shops.

5.1 Research Methodology

For the purpose of this study, I prepared two research tools, both questionnaire, to find out the relevant primary data pertaining to the functioning and working of Barista, Café Coffee Day and costa.

The data was collected based on information provided by:

1. The management of the organization.

Besides the primary data collected with the help of the questionnaire, I have also collected the relevant secondary data from various sources like magazines, books and Internet and newspapers.

Based on the relevant primary and secondary data, a comparative analysis has been done so as to find out the areas of excellence and areas of improvement of all the 3 organizations.

The areas of excellence and improvement have been identified based on factual information, in light of which recommendations and suggestions have been provided for the overall improvement of the organizations in the future.

This project was conducted in 2011 in Navi Mumbai, India; so the information is relative to this city.

The research project will be carried out in two main phases utilising both exploratory and descriptive research techniques.

• Exploratory research techniques is used in order to conduct further background research, as well as gathering information for the research project as a whole.
The key methods of exploratory research that is used are, conducting secondary research, observation and focus group.

These techniques involve qualitative research methods as they rely on a great deal of interpretation by the researcher and also because they generally involve smaller non-representative samples. It is more the nature of how the research is gathered and interpreted than of size of the samples that make a study qualitative.

The first phase of our research is exploratory in nature that allow us to gain insights about the typical customers of coffee outlets, their needs, expectations and buying behaviour. This information give the opportunity to build a better questionnaire, one that respondents can understand.

Secondary research will first be conducted to find background information from internal and external data in order to diagnose and understand more precisely the research problem and to formulate an appropriate research design.

When the secondary sources of data fail to provide the information necessary to meet the research objectives, primary data is going to be gathered.

Further an exploratory and qualitative research in the form of observation will be carried out. We want to understand coffee drinking behaviour and brand dynamics and the best thing to do is to get as close as possible to real behaviour as it happens.

Observation was carried out under normal conditions, in a controlled environment. Three or more different coffee shop chains are subject to this technique.

During this procedure we observe coffee being ordered, served, consumed on its own with snacks or pastries, consumed in a group setting, with the mood and atmosphere changing, with different types of consumer drinking different brands. The queuing system, the hygiene of the coffee shop and employee's actions are also observed, so that we get an overall picture of each coffee shop and point out its advantages and disadvantages.

Within a full-scale project we conduct three to six observations in different times of the day so an objective overall picture of each coffee shop will be formed instead of being judged by one observation only.
Once we have carried out exploratory research we will be in position to proceed with the descriptive research- using quantitative techniques-, which will help in formulating a decision for the research question.

In order to get reliable information a survey questionnaire is developed.

This form of quantitative research give us a more refined response and allow us to make resource allocation decisions, because we talk to more people who represent a larger portion of the target population, making our research more reliable. This technique also augment the observation and focus group results and provide primary information about the purposes of research.

The population group for our research is defined as male and female coffee drinkers, who have been to coffee shop chains within the past three months.

The element for this population are men and women coffee drinkers aged between 17-75.

For this research project we use a non-probability sampling method as we do not have a complete list of our population, and therefore clearly understand that we risk not having a representative sample. The sampling technique that is used are quota sampling, a non-probability sampling procedure that ensures that various subgroups of a population represent on pertinent characteristics to the exact extent that the investigator desires.

Ideally our sample size should be determined statistically probably 1000, but our restraints will limit us to only 30 branded coffee shop customers. Within a full-scale project sample size should be determined by statistics, according to the market's current situation.

Even though we will carry out the research face to face the research administration method we would have used if this were a full scale survey would have been Mail surveys, simply because mail surveying remains a popular data collection technique in commercial marketing research.

In fact, more and more people participate in mail surveys than any other type of survey research . On first consideration, mail appears to be an attractive way to collect data. There are no interviews to recruit, train, monitor and pay. The entire study can be sent out and administered from a single location.

Hard to reach respondents can be easily surveyed and can fill out the questionnaires in their spare time and wherever they like, whether they are at work or in the comfort of their own home.
• Mail surveys appear to be convenient, efficient and inexpensive. Like self-administrated questionnaires, mail surveys encounter problems with not having an interviewer present. In particular, no one is there to probe responses to open-ended questions, a real constrain on the types of information that can be sought.

• Finally once we have gathered our data, we will then be in position to analyse the expectations, needs and buying behaviour of the typical coffee shop customers.

5.2 Research Sample size

5.3 Findings and Analysis

DATA ANALYSIS:

From which Coffee Shop, customers were unsatisfied and why.

• The 50% of consumers that chosen were unsatisfied because There was non-smoking policy and very high prices.

• Moreover bad quality of coffee and bad service was the reasons why the 32% of consumers indicated Costa coffee as part of their unsatisfactory experience.

• 6% of consumers have chosen Costa Coffee, due to bad service and long queuing.

Preferred eatables besides coffee.
When consumers were asked what else, besides coffee they buy from a coffee shop 37% of respondents answered sandwiches, 9% answered pastries, 19% answered cakes or biscuits, 21% answered soft drinks, 11% answered chocolates, and the remaining 3% of respondents answered cooked food.

**Importance of healthy eating:**
When asked whether it is important for a coffee shop to have a range of "healthy eating" products, the 53% of respondents answered yes, the 27% of respondents answered no, and the remaining 20% of respondents had no opinion.

Favourite activity during free time:
When customers were asked what they enjoy doing most in their free time, the majority of the people, which is 27%, said that they enjoy watching movies. The second highest rate is the 21% of respondents that said that they enjoy surfing Internet.

Following on, a slightly smaller proportion of 15%, said that they enjoy sports. Further a 10% of questioned customers, admitted enjoying reading books. Moreover, a 18% of customers said that they enjoy listening to rock music. A small 8% of customers, declared listening to classical music. Finally the smallest proportion of 1%, said that they enjoy listening to country music.
Age Range of Customers:

- According to the age range the 55% of CAFÉ COFFEE DAY (CCD) customers are between 18-24 years old, the 27% of CAFÉ COFFEE DAY (CCD) customers are between 25-30 years old, the 9% of CAFÉ COFFEE DAY (CCD) customers are between 31-35 years old and the remaining 9% of Starbucks' customers are between 51-60 years old.

- Moving on, according to the age range the 42% of BARISTA customers are between 18-24 years old, the 30% of BARISTA customers are between 25-30 years old, the 21% of BARISTA customers are between 31-35 years old, the 30% of BARISTA customers are between 36-50 years old, the 5% of BARISTA customers are between 36-50 years old and the remaining 2% of BARISTA customers are between 51-60 years old.

- According to the age range, the 25% of COSTA COFFEE customers are between 18-24 years old, the 36% of customers are between 25-30 years old, the 12% of COSTA COFFEE customers are between 31-35 years old, the 19% of customers are between 36-50 years old, and the remaining 8% between 25-30 years old.
According to the monthly household income range of the respondents:

- The 2% of CAFÉ COFFEE DAY (CCD) customers have income under Rs. 10000, the 4% of CAFÉ COFFEE DAY (CCD) customers have income between Rs. 10000-20000, the 4% of customers have income between Rs. 20001-30000, the 15% of CAFÉ COFFEE DAY (CCD) customers have income between Rs. 30001-40000, the 21% of customers have income between Rs. 40001-50000, the 19% of CAFÉ COFFEE DAY (CCD) customers have income Rs. 50001-60000, the 23% of CAFÉ COFFEE DAY (CCD) customers have income above Rs. 60000, and the remaining 12% of CAFÉ COFFEE DAY (CCD) customers had chosen not to say their income.

- The 3% of BARISTA customers have income between Rs. 20001-30000, the 6% of BARISTA customers have income between Rs. 30001-40000, the 14% and 10% of BARISTA customers have income between Rs. 40001-50000 and Rs. 50001-60000 respectively, the 37% of BARISTA customers have income above Rs. 60000, and the remaining 30% of BARISTA customers had chosen not to reveal their income.

- The 7% of Costa Coffee customers have income between Rs. 10001-20000, the 5% of Costa Coffee customers have income between Rs. 30001-40000, the 19% of Costa Coffee customers have income between Rs. 40001-50000, the 25% of Costa Coffee customers have income
between Rs.50001-60000, the 17% of Costa Coffee customers have income Rs.60001 or more, and the remaining 27% of Costa Coffee customers preferred not to say their income.

According to the marital status of the respondents:

- The 40% of CAFÉ COFFEE DAY (CCD) customers are single, the 28% are in Relationship/Engaged, the 15% of CAFÉ COFFEE DAY (CCD) customers are married’ leaving with partner with no children and have children, while the remaining 17% is living with partner/married and have child.

- The 35% of BARISTA customers are single, the 30% of BARISTA customers are in Relationship/Engaged, the 20% of customers are living with their partner/married but don’t have any child, the 14% of BARISTA customers are married and have children have, and the remaining 1% are widowed.
• The 25% and 32% of Costa Coffee customers are single and in Relationship/Engaged respectively, 14% of COSTA COFFEE customers are living with partners/married but with no children and the remaining 24% of Costa Coffee customers are married and have children, and remaining 5% of COSTA COFFEE customers are widowed.

5.4 Observations and Findings

• Café Coffee Day (CCD) has a very good customer service and coffee quality. It has also many variations of coffee and tea.
• In the CCD outlet they were consumers of all age and marital status. The environment was friendly and the seats very comfortable.
• There was no queuing time at all and from the moment the order was given we were served in 90 seconds. The staff was very helpful as well.
• CCD adopted innovative and modern techniques of marketing strategy which successful made a good and influential image in the mind of people.

• Costa on the other hand although it has an excellent quality of coffee and variety of food, the customer service is not so good.
• There was a long queue and the personnel were not so helpful. We were served in approximately one minute.
• However the atmosphere was very nice and although we barely find ourselves a seat we enjoyed our coffee with a pleasant mood.
• In addition the majority of Costa coffee customers were young people.
• Costa follows old marketing and advertising strategy, which enables it to attract large number of
customers.

- Finally, in Barista the majority of customers are teenagers and the coffee quality was not so good.
- We were waiting 5 minutes to be served and we had to wait for a while to find a seat.
- However the food quality was excellent and the staff was very friendly and polite.
- The marketing strategy little developed and was successful to attain its objectives.

5.5 Research Limitations

The current research design has many limitations caused by time, budget and other constrains.

- The sample size of the research is very small relatively to the market that the research had to be done.
- Coffee market is a huge market and coffee drinkers exist in every corner, houses, streets and shops.
- The constrain of only 30 people to be used in the sampling frame forced us to use a non-probability method.
- Furthermore the restriction of time and budget has resulted to the conduction of only one focus group and observation instead of three to six that would have provided a more objective and reliable opinion about coffee shops, their typical customers as well as their needs, expectation and buying behaviour.

5.6 Recommendations
• The main marketing research question was successfully completed through the observation, focus group and questionnaire.
• The typical branded coffee shop customers were identified according to psychographic, demographic and behavioural segmentation criteria. Furthermore, their needs and expectations were ascertain.
• Cafe Coffee Day management should adapt to consumers` habits and expectations in order to gain a competitive advantage and overcome its competitors.
• The company as a whole should take advantage of the competitors’ weaknesses, like high prices, non-smoking policy and bad customer service and try to improve itself.
• On the other hand, it should try to minimize its own weaknesses that some respondents mentioned in the survey, like unsatisfactory service and bad coffee quality.
• The fact that the majority of customers questioned in the survey enjoy watching movies, sports and surfing the Internet, can provide innovative ideas for the improvement of Costa outlets.
• For instance, CAFE management could provide their outlets with wide screen televisions so that customers could at the same time enjoy their coffee and watch their favourite football match or movie. In addition, Internet access could be made available in each one of their outlets.
• Moreover, since a large number of the customers buy sandwiches and other food items with their coffee, what the company could do is to include more kinds of sandwiches as well as a wider variety of low fat eating products.
• If Company makes the necessary adjustments to its stores it would eliminate its threats which are its competitors and establish itself as the number one branded coffee shop in the coffee industry and acquire the largest market share.

CHAPTER 7: CONCLUSION

6.1 Areas of Excellence
Both cafés have certain areas where they have been consistently performing well. These are essentially the strengths of the brand, and Barista & Café Coffee Day need to capitalize on these strengths to increase their market share and brand loyalty. The main areas of excellence, based on the Case Studies & Market Survey, have been identified as follows:

**Barista**

1. **Strong Brand Image:**

   Barista has a strong and clear brand image. Their customers can easily identify and relate to the Barista brand. This helps increase and maintain brand loyalty.

2. **Excellent Human Resource:**

   According to the survey, Barista received an excellent rating for the service and behavior of their staff. This is a huge advantage, especially in a service organization. Barista must strive to keep this advantage.

3. **Ambience & Décor:**

   Another significant area of excellence is the kind of ambience and décor Barista cafés have. Respondents to the survey, including those who chose Café Coffee Day as their choice of café, gave Barista a near perfect rating for their Ambience & Décor.

4. **Strong base for expansion & growth:** Barista have worked hard on their brand image and human resources, and have a strong base for future expansion and growth—whether nationally or internationally.
Café Coffee Day

1. **Highly rated Taste & Quality of products:**

Café Coffee Day got a high rating in the market survey, for the Taste & Quality of their products. If they work on this aspect, there is huge potential for them to attract customers, just based on the taste and quality of products.

This is also helped by the fact that they grow their own coffee beans, and this provides an important base for future expansion and growth. Café Coffee Day even won the “Barista Coffee- Making Championship” for the Best Coffee.

2. **Value for money proposition:**

Café Coffee Day is projected as an “affordable” brand. This strategy has worked extremely well so far, and Café Coffee Day got a high rating, both for their prices and for their value for money, in the market survey.

3. **Strong youth orientation:**

The Café Coffee Day brand is, and always has been, extremely youth- oriented. In a country where over 40% of the population is under the age of 20, there is huge potential for Café Coffee Day to become one of the country’s largest youth brands. The untapped market share and potential for growth is enormous.

6.1 **Conclusion**

6.2 **Annexure 1 (Questionnaire to retailer)**
1. When was your café launched in India?

2. What was the reason for launching?

3. What kind of setup was required, in terms of:
   - Finance
   - Logistics
   - Human Resources

Parameters:

A) Company Profile

1. Are you an independent organization or are you owned by a larger company?
2. What is the size of the parent company, and how is its performance?
3. What is your current size in terms of
   i. Finance:
   ii. Marketing:

B) Market entry and Growth

1. When and where was the first Barista opened?
2. How many outlets have been opened, in how many cities and over how much time?
3. What is the rate of growth in terms of outlets per city and per year?
4. What kind of growth has taken place in terms of:
a. Finance
b. Human Resources.

5. Products & Services

C) Marketing Mix

Product

1. What kind of product variety exists?
2. What is the product line strength and width?
3. What is the source for:
   a. Coffee
   b. Food Items
   c. General items.

4. What are the quality standards for the products?
5. What kind of brand name/recognition do the products enjoy?
6. What sort of packaging do the products have in terms of:
   i. Convenience
   ii. Presentation

7. What is the average serving size for the products?

8. What kind of merchandising products do you give?

Pricing:

1. What sort of pricing policy do you have?
2. What factors affect the pricing policy?
3. What are the prices of your products?
Process:

1. What is the preparation process and time for your products?
2. What kind of automation/equipment do you use?
3. What is the delivery process and time for your products?

Positioning:

1. What is your target market & consumer profile?
2. How have you positioned your brand image?
3. In what way have you positioned the following, to appeal to your target market and sync with your brand image:
   i. Products
      - Product Mix
      - Variety
      - Packaging
   ii. Prices
   iii. People/ Employees
      - Employee profile
      - Uniforms and dress code
      - Employee code of conduct
   iv. Physical evidence
      - Décor & Architecture
      - Colors, images and displays
      - Product literature (Menus, magazines, etc)
      - Websites, magazines.
   v. Locations
Promotions

1. What is the media and mode of advertising?
2. What kind of advertising campaign and sponsorships do you carry out?
3. What are your P.R. activities?
4. What kind of sales promotion activities do you carry out?
5. Do you have any promotional collaboration with external organizations?

Distribution:

1. Are the outlets company owned or franchise owned, or both?
2. What sort of coverage do you enjoy internationally, nationally or locally?
3. What are the locations for your outlets? How and why do you pick these locations?
4. What are the average inventory/stock levels for your products?
5. What sort of inventory/stock distribution takes place?
6. What sort of transport facilities exist for products & equipment?

Human Resources:

1. Employee profile:

   What kind of employee profile do you have for your outlets?

2. Recruitment & Selection:

   a) What are your recruitment/hiring policies?
   b) What are your sources for recruitment?
   c) What is the recruitment & selection process?
   d) How often do you recruit?

3. Training & Development:
a) What is your training & development policy?
b) How often are your employees trained?
c) Do you conduct any kind of skill/ personality development seminars for your employees?

4. Employee working hours & conditions:
   a. What are the average working hours of your employees?
   b. What is the average number of shifts in a day?
   c. What kind of working conditions are provided to the employee?

5. Employee code of conduct:
   a) Do you have a special policy for code of conduct of your employees?
   b) What sort of codes exist for your employees in terms of:
      i. Mannerisms
      ii. Behavior
      iii. Attitude
   c) How is this code of conduct infused into your employees? How often is it regulated?

6. Promotion policy:
   a) What are the promotion opportunities for employees who are a part of your café?
   b) For higher positions, do you promote from within or recruit from outside?

7. Performance appraisal:
   a) How often do you undertake performance appraisal?
   b) Is the performance appraisal conducted downwards?
   c) Does Barista undertake exit interviews also?
8. Employer turnover & retention:
9. What is your current rate of employee turnover?
10. What are your policies to improve employee retention?

Thank you...!!

6.3 Annexure 2 (Questionnaire to consumers)

(1) When was the last time you visited a branded coffee shop?

☐ Today
☐ Yesterday
☐ Last few days
☐ This week
☐ Last week
☐ Last few weeks
☐ Other (please specify)

(2) How often do you visit a coffee shop?
☐ Once per day
☐ Twice per day
☐ 4-6 times per week
☐ 1-3 times per week
☐ Once per week
☐ Once every 2 weeks
☐ Once per month or less

(3) Which is your favorite coffee shop?

☐ Costa coffee
☐ Barista
☐ Cafe Coffee Day
☐ Other (please specify)_______________

(4) Indicate your degree of agreement with the following statements by placing an "x" in the appropriate box:

☐ Strongly Disagree
☐ Disagree
☐ Strongly Agree
☐ Agree
☐ Neither Agree nor Disagree
(5) Your favorite coffee shop offers:

- Superior customer service
- Always has the kind of coffee that I want
- Less queuing time at the till point
- Good Quality of coffee
- Better prices than others
- Good variety of food
- Good Food quality

(6) What time of the day do you typically visit your favorite coffee shop?

(Tick all that apply)

- Morning
- Mid-morning
- Lunchtime
- Afternoon
- Evening

(7) What are the criteria that affect your coffee shop choice (top three)?

- Service
- Coffee Quality
- Price
(8) Have you noticed any changes in your coffee drinking habits in the past 3 months?

☐ Consumption Increased
☐ Consumption Decreased
☐ No change

(9) What changes would you personally make in your preferred coffee shop?

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(10) Have you ever been unsatisfied from a coffee shop?

☐ Yes
☐ No
(11) If yes, which coffee shop and why?

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(12) What else, besides coffees do you buy from a coffee shop?

(Tick all that apply)

☐ Sandwiches
☐ Pastries
☐ Cakes/biscuits
☐ Soft drinks
☐ Chocolates
☐ Other, (please specify)______________________________

(12) According to you, is it important for a coffee shop to have a range of "Healthy Eating" Products?

☐ Yes
☐ No
☐ No opinion

(13) Which of the following do you enjoy doing most in your free time, if any?

☐ Classical Music
☐ Rock Music
☐ Country Music
☐ Surfing the Internet
☐ Sports
☐ Reading books/Newspapers
☐ Watching movies
☐ None

(14) Age
☐ Under 18
☐ 18-24
☐ 25-30
☐ 31-35
☐ 36-40
☐ 41-50
☐ 51-60
☐ 61-70
☐ 71 or older

(15) Which of the following range includes your monthly household income before taxes?

☐ Under Rs. 10000
□ Rs.10000-20000
□ Rs.20001-30000
□ Rs.30001-40000
□ Rs.40001-50000
□ Rs.50001-60000
□ Rs.60001 or more
□ Prefer not to say

(16)Living Status

□ Single
□ In Relationship/ Engaged
□ Living with partner/married- no children
□ Living with partner/married - have children
□ Widowed

6.4 Bibliography

- UK goes coffee house crazy, Marketing week, 5th of January 2001, Factfile, www.mad.co.uk


