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## A Lot can happen Over Coffee (A Study with Special Reference to Cafe Coffee Day)

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**Abstract:** *Café Coffee Day is a part of India's largest coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd. (ABCTCL). ABCTCL have their own 10,000 acres of estates where the coffee seeds are grown. The net worth of the coffee plantations is around US\$250–300 million. They are one of the largest producers in Asia to produce Arabica coffee beans. To augment the balance, they also procure coffee beans from 11,000 small and medium coffee growers. Cafe Coffee Day was founded by V. G. Siddhartha from the state of Karnataka. The USP of CCD was providing a broadband internet over a cup of coffee. For over two decades they have brought in drastic changes in the Menu. They have modified their logo with easily identifiable bright-purple-and-red identity. CCD is expanding and exploring its layout to embrace sprawling lounge and squares and crafting sub-divisions for everything from highways to hospitals. This paper attempts to study the journey of CCD in brewing fresh formulations to stay relevant in the market.*

**Keywords:** *Café Coffee Day, Coffee Plantations, Food Menu.*

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### INTRODUCTION

#### 1.1. COFFEE- A PRELUDE

Coffee is a brewed beverage with a distinct aroma and flavour prepared from the roasted seeds of the *coffea* plant. 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 or unroasted coffee is one of the most traded agricultural commodities in the world (Pendergrast 2009). Coffee is slightly acidic and can have a stimulating effect on humans because of its caffeine content. It is one of the most-consumed beverages in the world (Villanueva et al 2006). Wild coffee's energizing effect was first discovered in the northeast region of Ethiopia. Coffee cultivation first took place in southern Arabia, the earliest credible evidence of coffee-drinking appears in the middle of the 15th century in the Sufi shrines of Yemen (Weinberg 2001).

From the Muslim world, coffee consumption and cultivation spread to India to Italy, and on to the rest of Europe, Indonesia and the America (Meyers 2005). Before the English came to India, the country was primarily a coffee drinking geography. Tea was very marginal. The English love for tea was then passed from master to slave and coffee was pushed aside. But now, coffee beans are making their way back thanks to coffee chains. Currently, India consumes around 85,000 tons annually.

#### 1.2. COFFEE HOUSE OR COFFEE SHOP- AN INSIGHT

A coffeehouse or coffee shop is an establishment which primarily serves prepared coffee or other hot beverages. It shares some of the same characteristics of a bar or restaurant, but it is different from a cafeteria. As the name suggests, coffeehouses focus on providing coffee and tea as well as light snacks. From a cultural standpoint, coffeehouses largely serve as centers of social interaction. The coffeehouse provides social members with a place to congregate, talk, write, read, entertain one another, or pass the time, whether individually or in small groups of two or three people.

A coffeehouse serves as an informal club for its regular members. Though India's consumption is dwarfed by those in the developed markets, such as Canada and Denmark, it is still among the top five countries in a number of coffee outlets.

India has around 2250 outlets. The US tops the list with about 21,600 outlets, while the UK has 7,500 different stores offering just coffee. It is believed further growth will be fuelled by the rise of tier 2 and 3 cities where the likes of Café Coffee Day and Barista

are already making their imprint and where old school cafes such as Indian Coffee House are changing to attract the youth. It looks like the coffee culture is going to get hotter.

**Table 1.2.1.**  
**Number of Specialist Coffee Shops**

| S.No | Name of the Outlet         | Number of Outlets |
|------|----------------------------|-------------------|
| 1    | Café Coffee Day            | 2000              |
| 2    | Barista                    | 250               |
| 3    | Costa Coffee               | 126               |
| 4    | Gloria Jeans               | 32                |
| 5    | The Coffee Bean & Tea Leaf | 23                |
| 6    | Di Bella                   | 11                |
| 7    | Others                     | 452               |
|      | Total                      | 2894              |

The number of specialist coffee shops is projected to double by 2018 with some 5,000 outlets as coffee consumption has doubled in the last few years, according to the latest study by Rabobank International. The study notes the coffee culture in India is flourishing thanks to the efforts of a few specialist coffee chains and the instant coffee players. This growth is due to favourable demographics, rising income levels, the rise of mid-sized cities and high population density.

### 1.3. CAFÉ COFFEE DAY- A PARADIGM SHIFT

Café Coffee Day is a division of India's largest coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd. (ABCTCL). ABCTCL grows coffee in its own estates of 10,000 acres. The land value of the coffee plantations is US\$250–300 million. It is the largest producer of Arabica beans in Asia. Apart from this, the group also sources coffee from 11,000 small growers. V. G. Siddhartha from Karnataka is the founder-owner of the chain of Cafe Coffee Day outlets. Started off as a premium provider of broadband internet over a cup of coffee, CCD has evolved over the past two decades, expanded its beverage list beyond coffee, overhauled its food menu and is now in the process of re-inventing its easily recognized bright-purple-and-red identity. CCD is expanding its formats to include lounges and squares and creating sub-divisions for everything from highways to hospitals. The team CCD is brewing fresh formulations to stay relevant in the market.

### 2.1. REVIEW OF LITERATURE

An attempt has been made to review case studies and the work of individual researchers, magazines, journals, articles pertaining operations of coffee houses and coffee cafes. A wide range of academic literature on tastes and preferences of customers of coffee cafes and coffee houses has been reviewed for the purpose of this study.

**Andrew et al (2011)** aim to explore the presence of fair trade coffee in cafes and the impact of the same in strategic positioning and market differentiation. This paper aims to explore the extent to which this is evident for café customers. Customers were surveyed on their perceptions of café and coffee attributes including taste, price and store atmosphere. Respondents were analysed

by knowledge of the concept of fair trade, and by frequency and place of purchase. The study finds that nearly half of respondents claimed moderate self-assessed knowledge, although objective knowledge was lower. More knowledgeable customers cared more for fair trade products and for café atmosphere, of which fair trade promotional material plays a part. Customers stated they expected to pay more for fair trade coffee, although on average not as much as current margins require. When exposed to more information about fair trade, stated price premium support increased, but coffee taste expectations worsened. Promoting fair trade coffee can help distinguish and position cafés, but not as much as was expected. Customer beliefs about the provision of fair trade products appear to have a stronger influence on their choices than actuality. The paper contributes to understanding customer motives for purchasing fair trade coffee, particularly in the context of cafés/coffee houses, and for their patronage.

**Bernadette Scott (2006)** with an objective to provide a qualitative insight into contemporary issues of consumption and associated lifestyle identities within the branded coffee house sector in Scotland. Based on summary case findings, the ethnomethodological approach has provided a consumer-based focus via the use of narratives which have helped to build pictures on routine aspects of this social phenomenon for analysis. The study has highlighted a number of emergent issues and patterns pertinent to this popular sector as it infiltrates Scottish society. The addictive mix of quality products, sophisticated packaging, high levels of personal service with added social and environmental scruples have led to phenomenal growth in the postmodern Scottish urban landscape. Scottish consumers have become daily devotees to the designer cup with 83 per cent claiming that this type of consumption is fuelled by lifestyle considerations. Fieldwork was facilitated by nominated access in four branded operations across four Scottish cities. Controlled conditions were employed to facilitate generalization with further research desirable over a wider timeframe to allow evaluation of potential relationships between gender, geography and usage patterns. Implications for the ubiquitous Scottish public house are clear in that there is evidence of competition with the branded coffee sector in terms of share of discretionary leisure spend. This, coupled with the apparently increasing feminization of social space with its preference for clean, healthy and positive lifestyle choices as opposed to the negative, predominantly male dominance of Scottish pub culture, indicates potential decline and further gender segregation at a time when companies are trying to involve the family more in the public house market. This paper will be of interest to anyone who has pondered life over a cup of designer coffee in or from a branded outlet and wondered whatever one did before the advent of this US-led revolution which people have adopted and adapted as their own brand of café culture.

### **3.1. NEED FOR THE STUDY**

The arrival of international competition and consolidation are realities of any industry including coffee houses and coffee cafes. Despite an economy downturn of significant proportions, cafes such as CCD seem to have escaped even as consumers have snapped their wallets shut on other purchases. As global brands such as Starbucks and Dunkin Doughnuts look to crash CCD's party, team CCD has been constantly brewing fresh formulations to keep the brand relevant. Hence, this paper makes an attempt to evaluate the efforts of CCD team to in brewing fresh formulations to stay relevant in the market.

#### **4.1. OBJECTIVE OF THE STUDY**

- To study the evolution of Café Coffee Day
- To evaluate the paradigm shift brought in by Café Coffee Day
- To assess the efforts of team CCD to keep their brand relevant in the market

### **5.1. METHODOLOGY**

Information for the study was collected from both Primary and Secondary sources.

**5.1.1. PRIMARY DATA** was collected by interviewing Mr. K.Ramakrishnan, President Café Coffee Day, the executives of CCD and the frequent visitors of Café Coffee Day

**5.1.2. SECONDARY DATA** was collected from various online sources, books, and journals.

#### **5.1.3. LIMITATION OF THE STUDY**

- The study is confined only to Café Coffee Day

### **6.1. CAFÉ COFFEE DAY- A LOT CAN HAPPEN OVER COFFEE**

The first CCD outlet was set up on July 11, 1996, at Brigade Road, Bangalore, Karnataka. Following this, CCD crossed over 1000 cafés throughout the nation by 2011. They currently have (as of August 2012) 1319 outlets spread across 28 states of India including one each in Karachi, Vienna, Prague and Dubai. The number increases almost every week. The first Café Coffee Day logo was a bright red cube with a green stroke above 'e' in 'Café Coffee Day'. The word 'Café' was made to appear dominant to indicate Café Coffee Day's introduction of 'Café culture' in India. The current logo includes a dialogue box which highlights the connection between 'coffee' and 'conversations.' This logo also reflects their current tag line, "A lot can happen over coffee." The company is known for being vertically integrated to cut costs, from owning the plantations, growing the coffee, making the coffee machines to making the furniture for the outlets. The machines cost them ₹1.2 lakh each, which they say is half the cost of an imported coffee machine. The maintenance cost of CCD's machines is also less than foreign machines.

## **6.2. CCD AND SOCIAL MEDIA**

CCD is eyeing the digital space seriously, aiming to popularise the coffee culture amidst the youth. After revamping its branding and logo, it appears to be shifting its approach. Known to use unconventional marketing techniques and steering clear of mass media, CCD is all set to up its digital ad spends with a new marketing strategy formulated in the wake of its revamped branding and logo change. A vigorous utilisation of the virtual space and social media is on the cards to reach out to its core target group – the youth in the age group of 16-24 years. Currently, CCD invests 2 percent of its top line on marketing, with a marketing budget of Rs 8-10 crore. The virtual initiative, called Friends of Coffee, will make use of social networking platforms such as Twitter and Facebook, where likeminded coffee drinkers will be provided with a space to interact, share notes on coffee related trivia and topics such as sports or music, as well as participate in online contests and games. Community dialogue is extremely important to popularise the café culture – and more so, coffee culture. Further, CCD wants people to connect with the brand through music and intends to facilitate this with the help of sophisticated technology such as Wi-Fi and an integrated broadband pipe. This will enable customers to choose music from the Internet through their mobile phones, while they are in the café. CCD's shift towards social media is prompted by its recently revamped branding. The logo it currently sports has been designed by Landor Associates. The erstwhile square logo, with red and white characters and a green leaf, is now a more geometrical dialogue box. Earlier, the green leaf symbolised the natural, organic nature of CCD's coffee. Now, the dialogue box stands for how coffee inspires dialogue and 'powerful conversations'. The shift, clearly, is a product story to a consumer story. The colour red, which stands for vibrancy and fun, has been retained in the new logo. An effort to expand the reach of the brand is also underway, to coincide with the revamped branding. Key target areas include Tier II towns and non-metro areas such as Rourkela, Kota, and Dharamshala. A complementary aim is to explore shores beyond India and go global with the culture of 'conversation over coffee'; the brand has just finished an acquisition at the Czech Republic, to begin with. The logo, in its universality, ought to be understood across geographical borders, according to CCD executives.

## **6.3. INNOVATIONS AT CCD**

CCD is implementing a lot of innovations to stay ahead in the market. They are the pioneers in making the following innovations to move to the top and to stay there.

### **6.3.1. Brand Experience**

CCD made coffee drinking popular among Indian youth by offering a brand experience environment and other value additions. This meant that customers were willing to pay much higher for a cup of coffee.

### **6.3.2. Reinforcing Brand with Cluster Approach**

CCD created entry barriers by opening multiple outlets within a short distance of each other in major cities. The Mumbai suburb of Bandra, for example, has six outlets.

### **6.3.3. Multiple Formats**

CCD has various formats of Cafes including High Street Cafes, Garden Cafes, Mall Cafes, Highway Cafes etc.

### **6.3.4. Company Owned Franchisee**

All the outlets are company owned. While this makes it more expensive to run, it ensured that there was no brand dilution.

### **6.3.5. Vertical Integration**

By integrating the value chain, 'from bean to the cup', ABCTCL was able to reduce costs, assure adequate supply demand, and gain economies of operation.

## **6.3. 1. THE FIRST EVER TELEVISION COMMERCIAL OF CCD**

In a world where youngsters are asked to stand up for various things, Café Coffee Day urges them to 'Sit Down'. The 'Sit Down' TVC is part of a 360-degree campaign, conceptualized and created by Creativeland Asia, CCD's communication partner. It's the first-ever TVC for CCD in its 16 years of existence. The TVC, in a fun and entertaining manner, captures CCD-goers across cafes in India, telling us, actually singing to us, what they are sitting down for. From sitting down with love and peace to sitting down to make friends and to tweet, to sitting down to read and to dream, the film showcases plenty of 'sit downs' that happen at over 1400 CCDs every single day. The film ends with the line, "Sit Down. A lot can happen over coffee". The unique craft of the TVC intelligently combines two contrarian culture. One is the café space and the other is the social media space. The storyline of the TVC shows how a bunch of youngsters started a movement call sit-down by self-recording videos across various CCDs across the country to the self-anthem and then posting it via various avenues on social media. The central message of the TVC is to stop standing up against things and instead to sit-down talk over a cup of coffee and find a way forward. Over 130 social-media profiles were used. Live posts were diligently crafted and created to become the framework of the TVC.

## **7.1. CONCLUSION**

Success in this business hinges on identifying a good location for a cafe, zeroing in on a large enough audience and building the store around them. CCD's sheer size may prove to be its biggest challenge yet. Keeping food and other service standards uniform and marketing this homogeneity is a real task in front of CCD.

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