

EXECUTIVE SUMMARY

A significant change in beverage industry has been the growth of coffee industry in India. India had been traditionally tea-drinking country for ages but recently, a new mode of distribution for coffee has emerged in form of coffee chains. There has been a sudden rise in the number of coffee parlours in India like Barista, Café Coffee Day etc in India. The research objective is to find the growth behaviour of coffee industry in India. Since Barista is the largest and the fastest growing chain of coffee cafes in India, its marketing strategies are studied and its competitors Café Coffee Day, Qwickys and Nescafe are compared with it. The research will certainly help Barista coffee company and the other coffee parlours to understand the customer's needs and preferences and so they can devise their marketing strategies accordingly.

The conceptual framework which is provided in Chapter 2 has three models namely consumer decision making process, brand value pyramid and Michael porter five force models. The consumer decision making model helps to understand how the consumer makes the decision to purchase coffee from coffee parlours. The Brand value pyramid helps to evaluate Barista brand and helps us to understand it better from the customer's point of view. Michael five force model is applied to the coffee parlours in India and helps to understand the existing players in this industry and their substitutes and the threats that they face.

The Secondary information has been provided with the help of various books, journals, magazines, reports, and websites.

After analyzing the secondary data, it has been found out that domestic coffee consumption is increasing in India. The coffee parlours have become very popular in India as people feel that they are a third place between home and work where one can go and relax.

It was found out that among the coffee parlours in India, Barista coffee parlour is the most preferred among people. Most of the people feel that there are two main factors

that distinguish Barista from its competitors, which are ambience and quality of coffee.

Its marketing strategies are discussed in four parts, which are product, price, place and promotion. Its competitors Café Coffee Day, Qwicky's, café Nescafé are compared. In terms of staff service, product range and quality, Barista is considered better than its competitors. While in terms of price, most of the customers feel that the price of Barista coffee parlour should be reduced.

Starbucks, one of the strongest brands in the world is also planning to enter Indian market. The major impact is likely to be on Barista Coffee Parlour. This industry is surely growing at a fast pace in India, as there are upcoming players in this industry both domestic as well as foreign.

that distinguish Barista from its competitors, which are ambience and quality of coffee.

Its marketing strategies are discussed in four parts, which are product, price, place and promotion. Its competitors Café Coffee Day, Qwicky's, café Nescafé are compared. In terms of staff service, product range and quality, Barista is considered better than its competitors. While in terms of price, most of the customers feel that the price of Barista coffee parlour should be reduced.

Starbucks, one of the strongest brands in the world is also planning to enter Indian market. The major impact is likely to be on Barista Coffee Parlour. This industry is surely growing at a fast pace in India, as there are upcoming players in this industry both domestic as well as foreign.

Chapter 1: INTRODUCTION

1.1 Background of study

Coffee is one of the most popular beverages in the world. The coffee bean comes from an evergreen tree grown in the narrow subtropical belt around the world. The history of coffee begins in Ethiopia (Abyssinia) where coffee plants were discovered growing wild. According to ancient writings, the Arabs brewed coffee nearly one thousand years ago. The Venetians were the first to import the beans and the French first took coffee plants to the Americas. The three major growing regions are Latin America, Africa and Indonesia. Coffee is also grown in Hawaii, India and in Southeast Asia.

Coffee in India

The beverage industry in India has gained importance in the last few years. The beverage retail has become a fashionable concept today. A significant change in this industry in particular has been the growth of coffee industry. India had been traditionally tea drinking country for ages. Recently, a new mode of distribution for coffee has emerged in form of coffee chains. The coffee consumption by Indians has increased in the last 4 to 5 years. The coffee demand was 169 MT in 1990-91 has increased to 306 MT in 2003-04 and is further estimated to increase to 405 MT in 2009-10. “Traditionally coffee in India was restricted to the south and that too, predominantly in people’s home” explains Sudipta Sengupta, former head of marketing operations of café coffee day. The main reason responsible for this proliferation of cafes is the increased spending power among the youths apart from other reasons.

By the turn of the 20th century, the face of the Indian retailing industry had changed significantly. Earlier this was largely dominated by unorganized sector but the entry of organized sectors brought significant changes in this industry. The coffee drinking revolution has had its biggest boost due to opening of thousands of coffee parlours like Barista, Café Coffee Day, Qwiky among others in the country. These brought prominent changes in the eating habits of Indian consumers. In India, Café Coffee Day opened its first outlet in 1996 at Bangalore which is a chain from amalgamated coffee. Soon Qwiky's started in Chennai and Barista opened its first outlet in Delhi. Barista coffee parlour established in 1999 introduced a new concept to India-coffee drinking. These chains have initiated a new coffee culture in India. With coffee becoming so popular in India, Starbucks, the world leader in the coffee retailing market and counted as one of the strongest brands in the world is also planning to enter the Indian market very soon. Starbucks C.E.O Howard Schultz guessed that American consumers would enjoy drinking fresh, gourmet coffee if exposed to it in the right atmosphere. He also recognized that consumers were beginning to place higher value on customer service and were also seeking a third place between work and home.

Inspired by the espresso bars in Milan, Italy, Howard Schultz wanted to introduce the coffee bar culture to America. So, Starbucks was founded in the early 1970s, and opened its first location in Seattle's Pike Place market in 1971. Starbucks, with about 8,500 stores worldwide, has the long-term expansion goal to have 30,000 cafes worldwide. It especially aims to enter the Russia, India and Brazil markets.

Starbucks has plans of expanding its operations in India as India over the past few years has become a favorable destination for a lot of foreign companies, for example-Fast food joints like McDonald's and Pizza-Hut among others have entered the Indian market

In India, People go to the coffee parlours to just sit over a cup of well-brewed coffee, chill out and chat for hours at length with friends or simply to be with oneself in such a relaxed atmosphere. Even working people meet to discuss work in the peaceful environment. These chains offer a wide variety of things. These coffee chains offer the "total experience" which consists of right coffee, food and ambience

with Wi-fis and jukeboxes for customers. For example, Barista offers latte to cappuccino, flavored coffee and even desserts. It offers games and television for the customers. A single Barista outlet at Basant Lok in Delhi claims to get around 200-300 customers everyday. It is open for 14 hours a day from 9.00 am to 11.00 pm. Barista has even set up outlets in Sri Lanka and UAE and has ambitious plans to open 1000 outlets in different countries by 2010. When anyone enters a typical Barista outlet, one notices its design and ambience where a warm orange colour dominates. It has cedar wood furniture, round tables with wooden seat chairs and recently it has introduced lounges which enable one to sit comfortably for hours.



Inside there are posters which are witty and interesting. For example one of the most common one which is found in all outlets is. “In the old days to get a cup of coffee you had to smuggle beans from Arabia at the risk of death. Now all you need to settle for is self service.” The good quality coffee, the great ambience with the aroma of fresh coffee is the positive points of Barista. Barista follows a typically Italian model which believes in providing a world class experience and very specialized coffees. The idea is to provide an ambience where anyone could walk in and feel comfortable.

These coffee chains work because they provide an ambience where people can enjoy and have a nice time. Some branches of Barista have bookstores in them. Ravi Deol MD of Barista says 'we don't sell coffee, we sell an experience'. As is evident from the fact that People like to go there to just sit and chat for hours with no interference. People spend Rs.30-75 for a cup of coffee at Barista because it is not the coffee that we pay for but the Barista Experience i.e. we are willing to pay so much to be a part of the experience. Coffee has now become a lifestyle drink. There was a time when everyone liked tea and now almost everyone is drinking coffee because it is cool to be seen drinking coffee in these parlours. "A café is all about recharging and relaxing the customer" says Brotin Banerjee, Barista chief of marketing and strategy "That's where value additions such as music and books come in". The people visiting these places are just everybody. Some youngsters feel a good cup of coffee inspires good conversation while some of them feel that it was a nice meeting joint and place to hang out. Most of them are teens, even working professionals to old couples visit these coffee parlour. Barista coffee company ltd has been recently listed among the top 100 brands in India by "Super Brands" India. It will be featured as one of the strongest Indian Brands in the "Super Brands" volume to be printed in Italy.



1.2 Coffee consumption increases despite economic meltdown

Consumption of coffee across the world has increased despite the global economic meltdown. The International Coffee Organisation (ICO) made an upward revision for consumption for the year 2008, indicating continued dynamism in the annual rate of increase. The ICO estimated that the global consumption during 2008 was 130 million bags (60-kg per bag). During the period between 2000 and 2008, the world's annual consumption increased at an average rate of 2.4%. In 2009, there has not been any indication so far to suggest that the world economic crisis has had a significant impact on consumption, Nestor Osorio, executive director of ICO, said in a statement. This assessment is reinforced by the performance of exports in July 2009, which stood at 7.8 million bags, bringing the cumulative total for the first ten months of the coffee year (October 2008 - July 2009) to 82.3 million bags compared to 80.2 million bags for the same period in 2007-08, an increase of 2.6%. Brazil, the largest coffee producing country, exported 26.32 million bags during the first 10 months of the current year, up from 22.77 million bags exported in the same period a year ago. Coffee exports of Vietnam, the second largest producer in the world, increased to 15.7 million bags from 14 million bags.

Chapter 2: RESEARCH METHODOLOGY

This chapter discusses the various steps which are taken to fulfill the objectives in the study. It also discusses the sampling procedure and the various sources of information which is collected for further analysis

2.1 Research Question

The research answers the following questions

- a) What are the factors responsible for growth behaviour of coffee industry in India?

- b) Why the brand of “Barista” is being more preferred among other coffee parlours in India?
- c) What are the marketing strategies adopted by Barista coffee parlour in India?

2.2 Mode of Data Collection

The research’s objective is to find out the growth behavior of coffee industry in India.. Also, why is Barista coffee preferred over other brands of coffee? For this purpose, secondary data was collected from company websites and magazines. The last objective was to study the competition prevailing in this industry. In this case, data was collected from secondary sources.

2.3Relevance of the research

The reason of this research is to understand the coffee industry growth in India. There has been a sudden rise in the number of coffee parlours in India like Barista, Café Coffee Day etc. Barista coffee parlour alone has around 230 outlets in India and claims to serve around 35000 customers daily. Moreover, even Starbucks is planning to open outlets in India. This research will be helpful in understanding why consumers have started preferring these coffee chains. Since Barista is the largest and the fastest growing chain of coffee cafes in India, its marketing strategies and the reason for its success are studied and stated in this research. Its competitors Café Coffee Day, Qwickys and Nescafe are also compared with it. The research will certainly help Barista coffee company and the other coffee parlours to understand the customers needs and preferences and so they can devise their marketing strategies accordingly. Like many others, the coffee is a favourite drink of the researcher and that’s why an area of interest was chosen for the present study

2.4 Research Objectives

By keeping in view the above stated relevance of the research, the following objectives have been taken for the present study. The research objectives can be classified as follows

➤ **Primary Objective**

- a) To study the growth behavior of coffee industry in India
- b) To find out why Barista coffee is preferred over other brands of coffee

➤ **Secondary Objective**

- a) To critically evaluate the marketing strategies of Barista coffee parlour.
- b) To study the competition prevailing in coffee industry in India.

2.5 Limitations of the Research

Though the research contains reliable results but still it suffers from a number of limitations. Firstly, the research was carried in a limited time period when there was academic pressure as well so there was a time constraint. Secondly, the sample size taken is small which is mainly due to the time constraint.

Chapter 3: CONCEPTUAL FRAMEWORK

This chapter has three models which are applied to our research. These are Consumer Decision Making Model, Michael Porter Five Forces Model and Brand Value Pyramid.

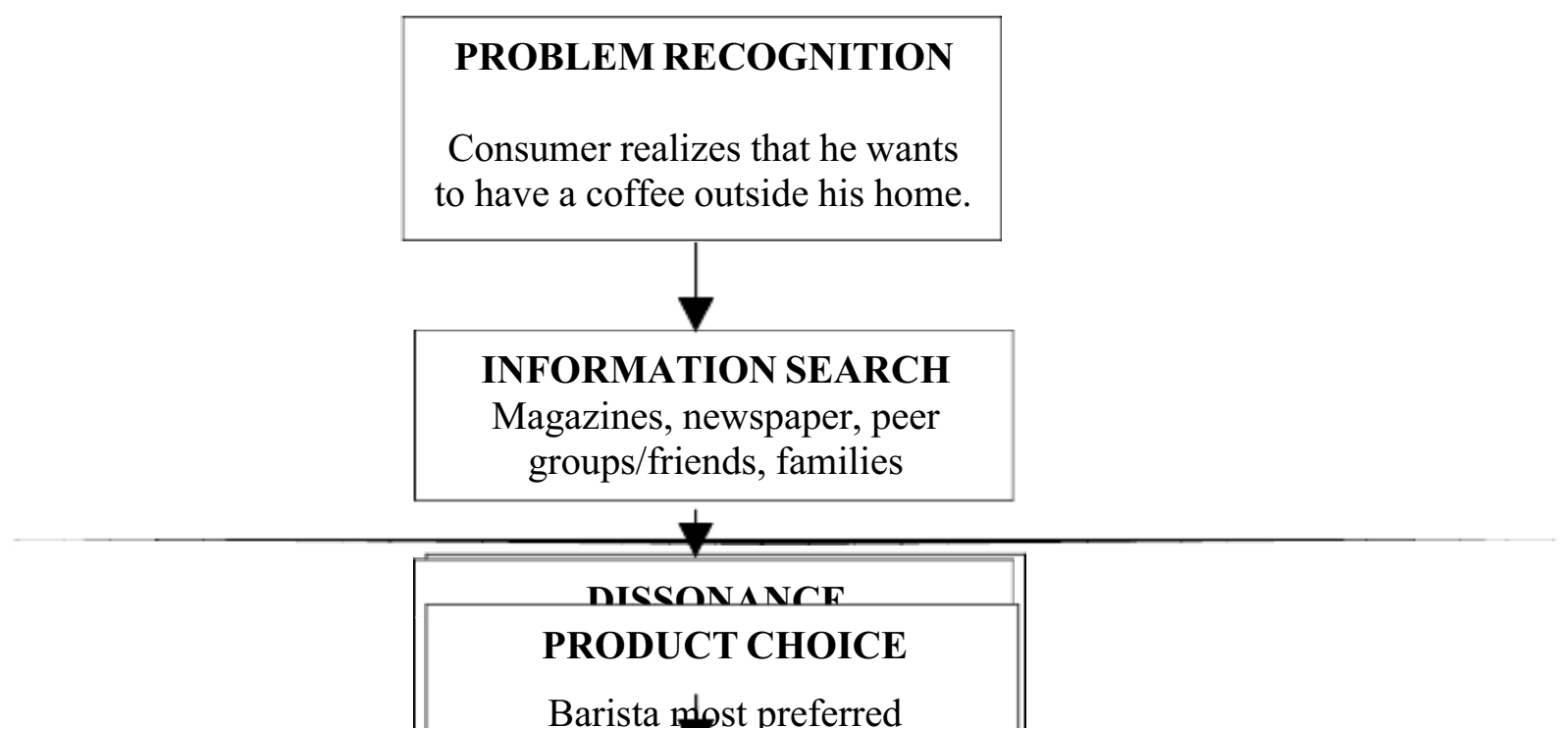
3.1 Consumer Decision Making

The consumer decision making model is used to understand how the consumer makes the decision to purchase coffee from the coffee parlours. The following stages take place.

- 1) Problem Recognition

- 2) Information Search
- 3) Alternative Evaluation
- 4) Product choice
- 5) Outcome
- 6) Dissonance

The following flow chart explains the process.



The various stages under the consumer decision making are:

Problem Recognition

The need arises when the consumer realizes that he wants to have a coffee outside his home. Indian customers want to have coffee in a new and more relaxed setting as provided by these coffee parlours

Information Search

To find out about these parlours, search for information by inquiring about it from through magazines and newspaper. The information of the coffee parlours can be either internal i.e. by scanning our own memory banks to gather information . It is further divided in to information actively and passively acquired. The actively acquired are through word of mouth, magazines, newspaper or Internet, which took place before deciding to go the coffee parlours while on the other hand it can be external that is information obtained after making the decision to go to the coffee parlours. This information is obtained by magazines and by actually visiting the place by chance. External information can only be actively acquired.

Evaluation of Alternatives

The consumer compares Indian brands of coffee parlours like Barista, Café Coffee Day, Nescafe, Qwiky's.

Product Choice

Most of the people choose Barista because of its ambience and decor, quality of coffee, variety of coffee at a single spot and the staff service provided at the outlet.

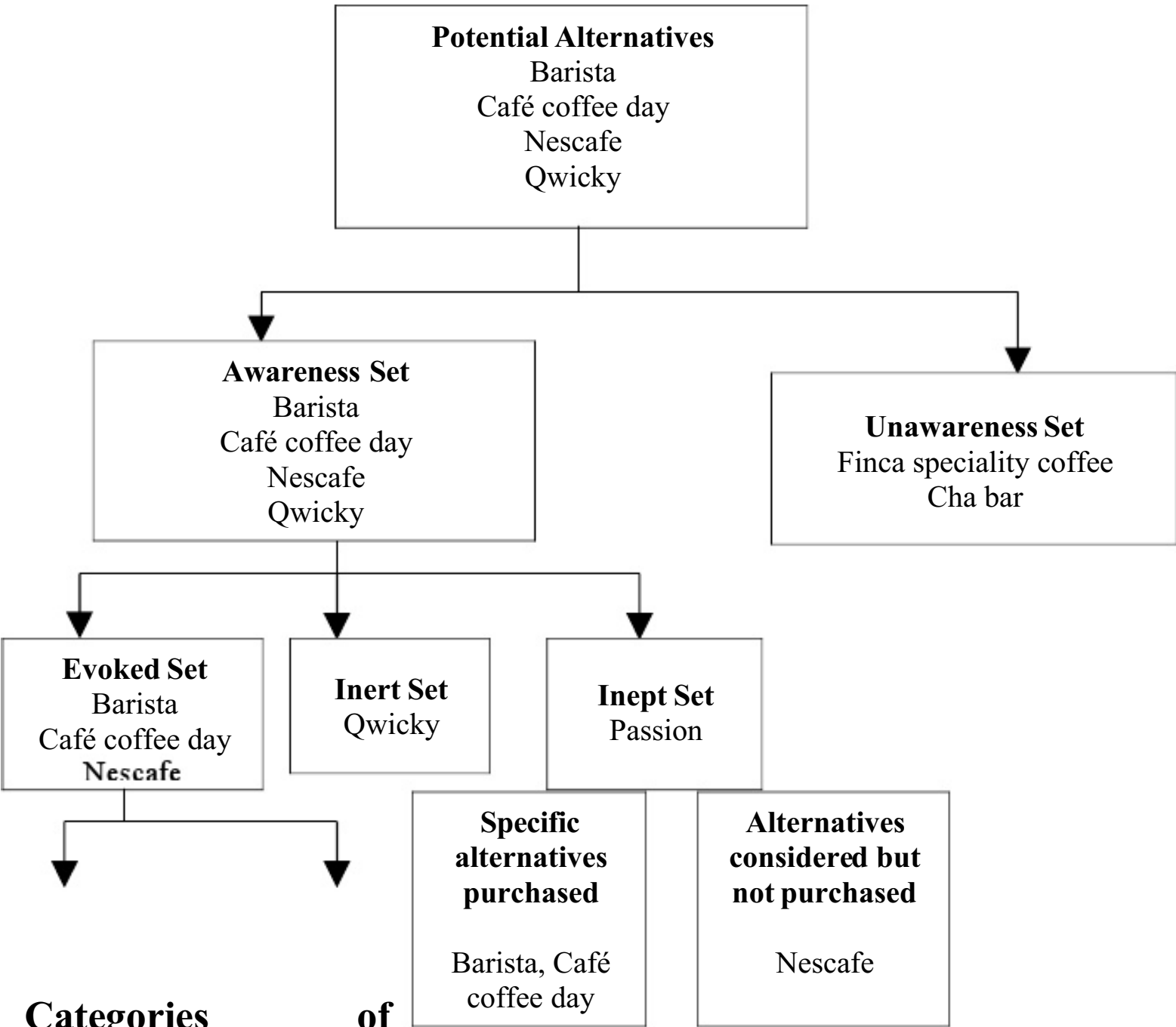
Outcomes

People go to Barista coffee parlour and consume the product

Dissonance

Dissonance is very high since Barista is a service industry. As a result the company has to take steps to overcome dissonance which is overcome by the quality of coffee, ambience of place and personalised service provided at the outlet. In case of dissatisfaction, Barista changes the coffee or any other food item without charging anything extra for the replacement.

CATEGORIES OF DECISION ALTERNATIVES

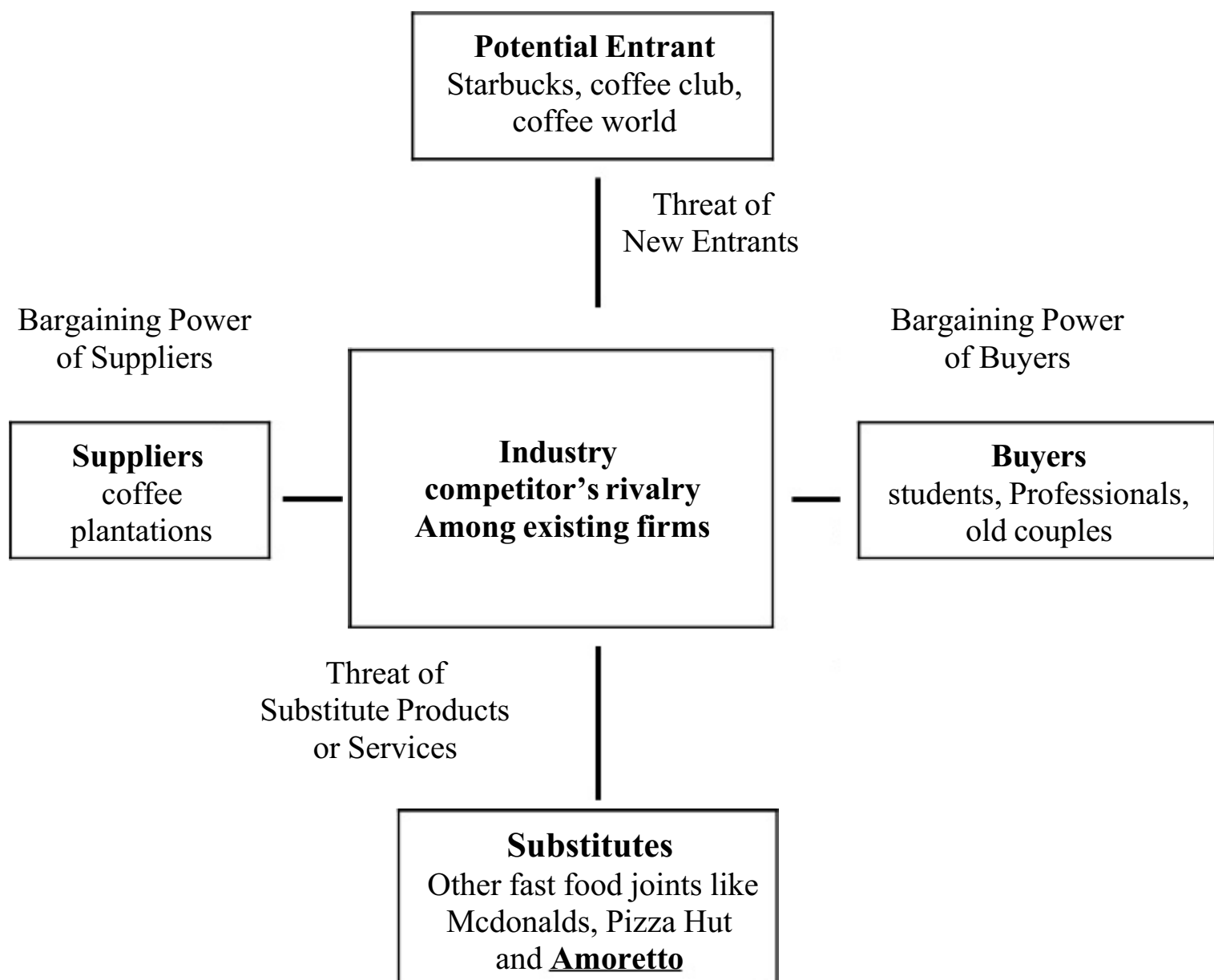


Categories of Decision Alternatives

This stage is explained in detail. The potential alternatives that are considered by the consumers are Barista, café coffee day, Qwicky, Nescafe, passion, Finca speciality coffee and Cha bar. The customers considered Finca specialty coffee and Cha bar in the unawareness set and rest all were categorized under the awareness set. The awareness set is further divided into three sub categories within which the customers considered Barista, café coffee day, Nescafe in their evoked set. Further, the brand Qwicky was considered in inert set of the customers, i.e. they do know much about this brand and considers buying it only after the evaluation of the brands considered in evoked set. Passion is categorized under the inept set, as they are avoided alternatives i.e. the customers do not prefer them as compared to the other alternatives though they still have knowledge about these brands. Evoked set is further divided into two categories, specific alternatives purchased and alternatives considered but not purchased. People usually visit Barista and café coffee day as they are considered as parlours which usually provide good quality products and experience and so it is under the category of specific alternatives purchased while Nescafe is considered but not purchased.

3.2 Porter's five force model used for the present study

The Porter's five force model is applied to the coffee parlours in India and helps to understand the existing players in this industry, their substitutes and the threats that they face.



These have been discussed in detail:

Potential Entrants

- The Singapore based coffee club Ltd and Starbucks ,which is the world leader in the coffee retailing market and is one of the strongest brands in the world is planning to enter the Indian market very soon
- Promoted by Singapore-based Global Franchise Architects which also runs the pizza retail chain Pizza Corner here, Coffee World is planning to start its operations.
- Coke has launched its coffee product which is named Georgia gold and it is available across all McDonald's restaurants in India.
- There are many local chains which have opened like cha bar, Finca Specialty Coffee, Passion and many more are expected to open up soon based on the same concept.

Buyers

- The potential buyers are teens i.e. students, working professionals and old couples in the cities
- The volumes of customers coming into these outlets are very large as the target segment for such outlets is the young generation.
- The buyer's knowledge about the product is large and they are well informed as to the choices that they make as many choices are available for the buyer.

Suppliers

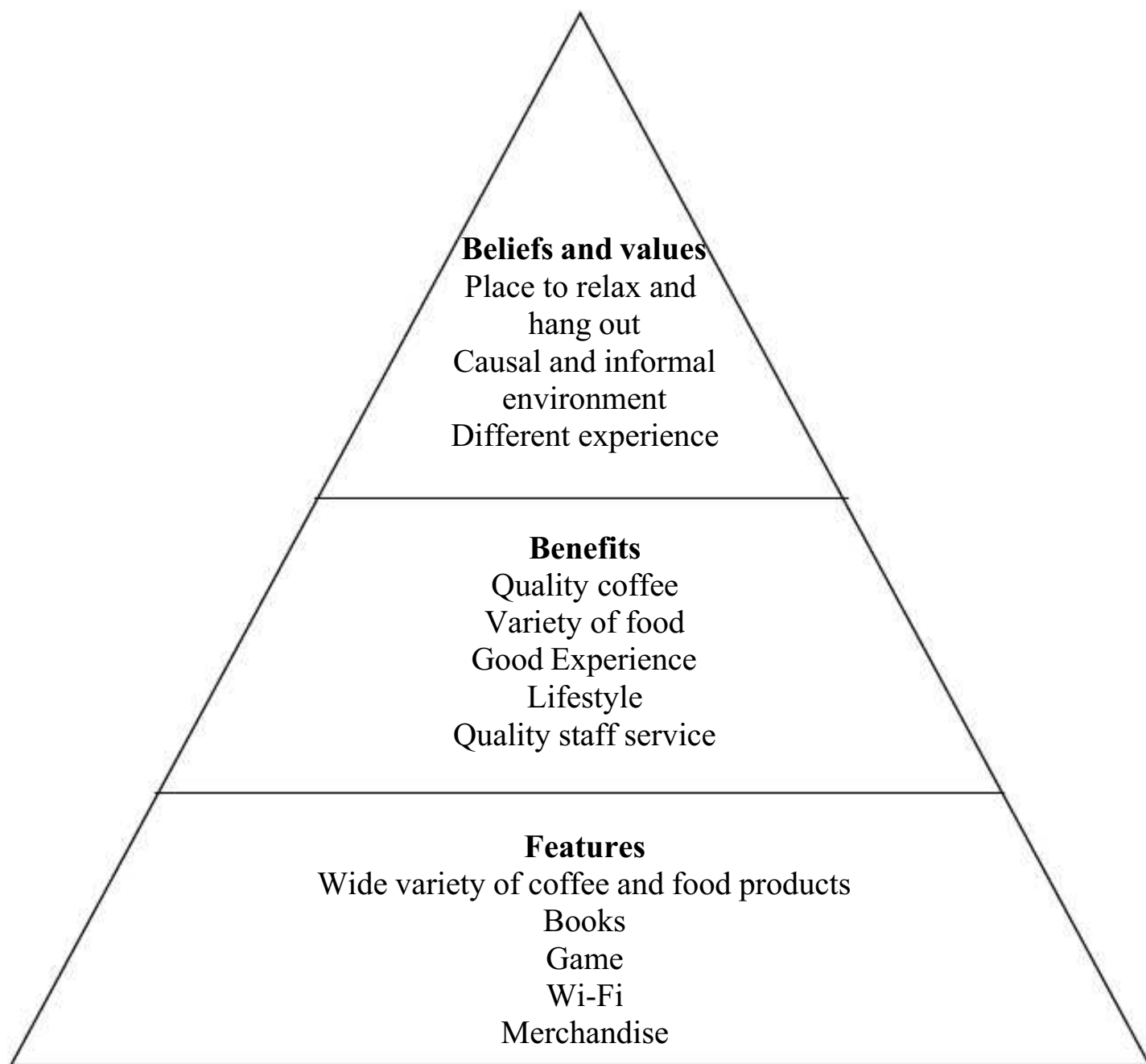
- The production done in these outlets are not outsourced but are done by resources owned by the companies themselves, most of the companies own coffee plantations. For example café coffee day
- In case of Barista coffee parlour, earlier coffee was made with high quality Arabic beans and Barista's from Italy were invited to create blends. Due to strategic alliance with Tata Coffee in 2001, coffee beans are provided by Tata coffee as well
- Substitution is very low in this business as the main focus of the producers is not economy but more towards the quality of the product produced.

Threat of substitute products

- The core-competency of these companies is their ambience and décor that is the lifestyle they provide, these lifestyle needs of the consumers are also been satisfied by other fast food joints like Mc Donald's, Pizza Hut and Amoretto.

3.3 Brand Value Pyramid

The Brand value pyramid helps to evaluate Barista brand and helps us to understand it better from the customer's point of view. It involves three parts which are explained below.



The Brand Value Pyramid best demonstrates the power of a brand. Barista brand has been studied here using the brand value pyramid.

It has the following stages-

Belief and Values

These are beliefs and values which the customer associates with a particular brand. In case of Barista, the customer believes it be a place to relax and hang out with friends. It is an informal and casual place. It provides a different experience of having coffee in a relaxed setting outside home

Benefits

The benefits provided by a brand are in terms of the functional or emotional benefits provided by it. The various benefits provided by Barista are Quality coffee ,Variety of food, Good Experience and Quality staff service

Features and Attributes

The features and attributes are wide variety of coffee and food products, Books, Game, Wi-Fi and Merchandise that it offers in its outlets

3.4 Explanation of terms used:

Differentiation

A market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.

Lifestyle

A Person's pattern of living as expressed in his or her activities, interests, and opinions or a set of shared values or tastes as reflected in the consumption patterns.

Focus group

It's a kind of personal interviewing that involves inviting 6 to 10 people to gather for a few hours with a trained interviewer to talk about product, service or organization. The interviewer focuses the group discussion on important issues.

Brand

A name, term, sign, symbol or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

Target group

A set of buyers sharing common needs or characteristics that the company decides to serve.

Ambience

Means the Surroundings or the environment around a place

Coffee parlour

Is the Sitting room in a coffee house

Word of mouth

Means information provided by individuals in an informal way

Chapter 4: ANALYSIS & EVALUATION

4.1 EVALUATION OF MARKETING STRATEGIES OF BARISTA COFFEE PARLOUR

For this purpose, information was gathered from various newspapers, magazines and the company's websites.

4.1.a Product

The core product offered by Barista is coffee. Their menus also consist of traditional favorites like cappuccino, espresso, iced mocha and other varieties of coffee and tea, juices and other beverages, sandwiches etc and variety of desserts, breads like paninis, ciabattas and French baguettes. It is surrounded by warmth, good taste, good aroma and the ambience of place. It serves not only coffee but also an experience. Now Barista even offers branded merchandise like caps, T-shirts, coffee mugs and other coffee paraphernalia. It gives the customers a very interactive social environment by providing newspapers, magazines, a guitar, games and television on, music playing as well as message boards to pen down your thoughts. Some stores also have an outlet of Corner Bookstore (they joined hands in November 2003) which sells all varieties of books. This year, Barista has launched Swiss Hot chocolate, sundaes in two flavors, frozen Swiss chocolate, pastas and rolls, chilly cheese toasts, a new range of sandwiches with wafers besides a health range of sandwiches-slimmers's choice with brown bread and low fat option. In another change, Barista is diversifying its hot beverages menu and introducing several speciality teas. It has introduced Wi-fi services where executives and students can access the internet from any of the numerous access points. It plans to introduce music downloads next.

Brotin Banerjee, marketing head Barista coffee company says" delighting the customer is our USP" (unique selling proposition).

4.1.b Pricing

The pricing of Barista beverages is quite high as unique brands often command higher prices. It is much highly priced than its competitors, with the starting price of coffee at Rs.35 going on till Rs.100, whereas, Café Coffee Day's price ranging between Rs.28 to Rs.60 and whereas Qwiky's starts low at Rs.15 going on till Rs.60. Now it has started revising its prices. Recently, Barista cut prices of nearly all items in its menu card by 25 per cent. Now, a cup of standard cappuccino coffee cup at Barista is available for Rs 30, down from Rs 40 earlier, while cold coffee Frappe is available for Rs 40 per cup against Rs 55 earlier. Also Classic cold coffee is now cheaper by Rs 12 at Rs 33 a cup. Apart from this, Barista has also introduced new low-priced beverages.

4.1.c Place

The first Barista outlet was started in March 2000 in New Delhi. There are over 230 Barista outlets. It is the fastest growing retailing chain in India after expanding in large parts of Delhi and Mumbai they started to spread in small towns and cities in Uttar Pradesh, Punjab and also neglected eastern markets like Orissa, West Bengal, and Assam. Recently it has expanded operation to Sri Lanka and Dubai and now have plans to open in Kuwait.

Barista is opening its outlets in various offices, i.e. HSBC, GE. Barista has also tied up with BPCL- Bharat Petroleum Corporation limited to open coffee kiosks in its retailing outlets. Barista bar chain, has tied up with Taj group of Hotels for setting up exclusive Barista espresso bars at the Taj hotels in metro cities recently. The company also plans to have a new concept bar called "pavement bar" at the Taj poolside which would be a 24 hrs coffee shop. It is also opening outlets at Planet-M and PVR Cinema. Barista is seeking to expand through the franchisee route model and plans to enter B-class towns in the country and middle-class localities in the metros such as North and East Delhi. In the past year Barista has expanded through tie-ups with major retail chains and setting up outlets in their premises. With ABN Amro, Barista has introduced a concept called Bancafé - a café in the bank premises.

By 2010-2011, Barista plans to have over 300 outlets across the country up from 230 at present.

4.1.d Promotion

Barista is also positioning itself through its marketing partners. Lacoste, which also aims at younger, wealthier consumer base in urbanized areas. Barista's collection of coffee shade cosmetics, now marketed by Elle-18 targets the younger women. Barista has come up with its new coffee product named 'Exclusive Original Coffee of the Month', June' Mexico Altura Organic Month' is one such example. The most recent promotions techniques it has adopted are musical performances at Bangalore Barista outlets on some days. Then it is offering scratch cards across all Barista outlets where everybody wins. Moreover, it is launching Barista coffee cards soon. The company also has frequent promotional associations with CNBC, Singapore airlines and Evian.

4.1.e Segmentation strategies

Barista follows the psychographic lifestyle segmentation strategy which considers lifestyle, age group and the income. It has positioned itself as a lifestyle brand, with concentrated positioning aiming at young students, professionals and working couples. The target age is about 15-25 years. The premium segment is the domain of the Barista chain. Now Barista is changing its positioning from a premium retail outlet to that of a hangout or a meeting place frequented by young people. Company officials say this is because the nature of Barista's clientele ranges from young college-goers to young professionals Barista is not only satisfying the coffee need of the customers but what came across during our study was a major reason why people go to Barista, apart from other reasons, was lifestyle.

4.1.f Differentiation Strategy

In the case of coffee palours, the differentiators identified on the basis of the study are as follows

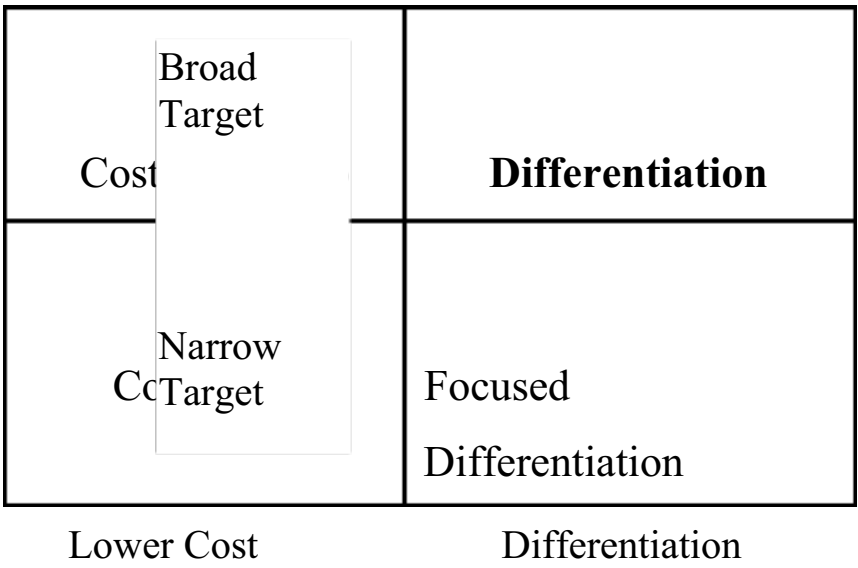
- Ambience and Décor
- Quality of staff Service
- Food
- Presentation
- Cleanliness
- Price
- Wide product range
- Quality of products
- Customer relationships

Barista opted for the differentiation strategy to gain a competitive advantage over its competitors. The most important attribute of Barista is ambience. This is the actual uniqueness in a broad market consisting of various coffee players. Barista did realize that the consumers were not just looking for a place to have a cup of coffee but were looking for a place to hang around and relax. Thus, they decided to create a place where the consumers would feel at home.

The ambience inside is comforting and casual which is one of the major reason of its success. They created a coffee bar with a typical Italian environment where people could get together over a cup of coffee and enjoy themselves in a comfortable and relaxing environment. It offers customers a very interactive social environment by providing newspapers, magazines, a guitar, games and television on, music playing as well as message boards to pen down your thoughts. Some stores

also have an outlet of Corner Bookstore (they joined hands in November 2003) which sells all varieties of books.

Moreover, most of the people feel that its ambience and aroma of coffee which is a major driving force. It has games like scrabble, pictionary etc and books available to keep one engaged. People can also play guitar which is kept against the corner wall. It also has magazines and newspaper which can be read while sitting there and a take away newspaper which is quite popular. The strategy of Barista coffee parlour is shown in the figure below.



(Source: Michael E. Porter, The competitive Advantage of Nations, p.39)

This has been very successful in attracting customers, especially their target market of teenagers, youngsters, professionals and families.

They have promoted themselves as a fine café and not as a coffee pub that Café Coffee Day is or Qwiky's did. Thus, the experience of having a coffee at a Barista is definitely different than having it at any other coffee parlour.

4.1.g Product Mix

Barista goes beyond providing coffee at the bars, offering a more complete experience by combining the coffee drinking experience with books, magazines and merchandise. On offer besides a large variety of premium coffee, is a selective range of sandwiches and desserts. The product offerings of Barista includes a diverse range food and beverages with coffee remaining the main focus. To begin with, there's the Barista House Blend – Barista's signature blend of coffee and select international coffees from some of the most noted coffee growing regions of the world. Followed by an extensive list of steaming hot espressos, cappuccinos and lattes made from the finest Arabica beans. They also offer a host of fruit smoothies and chilled granitas in tropical flavors.



During the first four years Barista focused on two categories of foods: sandwiches and desserts. Today the list includes more items. In addition to this, Barista has been evolving its menu, keeping pace with the changing consumer needs. Barista also launched one of the most affordable cold coffees across India, Iced Latte. Barista maintains that the rationale behind introducing more food items in its menu is that while providing the 'coffee experience' remains its motto, to improve the experience of food is also an on-going affair. The special focus on Indian food is because, typically, a consumer who walks into a Barista spends 30 to 45 minutes and often the consumer would like to have something along with her coffee. Simultaneously, it

continues to sustain the beverage experience through promotions, offerings to include non-coffee lovers through ice tea, tea, smoothies et cetera.

4.2 COMPETITION PREVAILING IN COFFEE INDUSTRY IN INDIA

Secondary information is collected on the major players in coffee retailing. These were collected from the company's websites and also collected by books magazine and newspaper various company sites.

4.2.a The Big Players in Coffee Retailing

Barista and its competitors are described below.

Barista



Barista was promoted by the New Delhi based Java Coffee Company. It is the fastest growing retailing chain in India. The brand takes its name from the Italian term for a coffee brew master. The first Barista outlet was started in March 2000 in New Delhi.

There are over 230 Barista outlets across India and has cafes in other countries such as SriLanka, Bangladesh, Oman and UAE. . Earlier Coffee was made with high quality Arabic beans and Barista's from Italy were invited to create blends. Due to strategic alliance with Tata Coffee in 2001, coffee beans are provided by Tata coffee as well. It has access to top grade raw material, and even infusion of capital from

TATA which has enabled extensive expansion. said it has completed the process of integration with Italy- based player 'Lavazza'. After the completion of integration process, all the Barista Espresso and Barista Creme outlets across India will be known as Barista Lavazza and Barista Creme Lavazza respectively, the company said in a statement. In April 2007, the Italian company has bought Barista and since then, Barista brand has adapted itself to several nuances of the Lavazza brand identity in various stages, it added. Lavazza is the sixth largest coffee roaster in the world and has a 46.5 per cent share in the Italian retail market and the company has recorded sales worth USD 1.6 billion in 2008. Barista even offers branded merchandise like caps, T-shirts, coffee mugs and other coffee paraphernalia. Their menus consist of traditional favorites like cappuccino, espresso, iced mocha and other varieties of coffee and tea, juices and other beverages, sandwiches etc and variety of desserts, breads like paninis, ciabattas and French baguettes.

Café Coffee Day



Amalgamated Bean Coffee Trading Co. (ABC) is the largest exporter of coffee from India and owns coffee estates in Karnataka. The company has ventured into the domestic market with a filter coffee brand "Coffee Day". It was the pioneers of the coffee café concept in India. It opened its first café at Brigade Road, Bangalore in

1996. This was opened as a cyber café initially but later it was converted into a coffee parlour as it realized the business potential of coffee bars because the customers were attracted to their coffee bars more than the Internet. By year 2000 they started opening their coffee bars.

At present, Café Coffee Day owns and operates 213 cafes in all major cities in India. Its unique and distinguishing feature is that it grows the coffees it serves. Café Coffee Day in-house journal, juke box and other innovations have made it successful. Presently, there are Café Coffee Day outlets in operation over 50 cities in Bangalore, Mangalore, Chennai, Hyderabad, Delhi, Pune, Mumbai, and other cities. A typical customer visits the Café's between the ages of 15-29 years. Its unique features are its affordable prices. Its menu consists of hot coffee, international coffee, cold coffee, hot chocolate, tea, cool drinks, sodas, deserts which consist of ice creams, pastries, and even samosas, pizza, sandwich, rolls etc. It offers merchandise such as caps, t-shirts, bags, mugs, filter, coffee powder, pens, shoulder bags etc.

Cafe Formats

Café Coffee Day has been experimenting with café formats for quite sometime. Backed by the motivation of providing customers with exciting choices as well as constantly redefining 'the café experience', CCD has ventured into the following formats:

- 1) Music Cafés
- 2) Book Cafés
- 3) Highway cafés
- 4) Lounge cafés
- 5) Garden cafés
- 6) Cyber cafés

Qwiky's



Inspired by the specialty bar concept in the US, Sashi Chimla and Syam, two software engineers from Silicon Valley set up Qwiky's Corporation with a vision to set up coffee pubs around the globe. They went to Chennai to establish the first Qwiky's coffee Pub in October 1999. By 2001, Qwiky's had 13 pubs and Islands and 15 Xpress kiosks, in Chennai, Hyderabad, Bangalore, Delhi and Pondicherry. Mr. Shashi Chimala, CEO of chimayo chains which owns the Qwikys brand of coffee chain says "coffee pubs in the country are still selling ambience and not the product." Its specialty is the wide variety of coffee it offers – ranging from the usual espressos and cappuccinos to coffee based mocktails with a choice of toppings. They even offer merchandise like coffee powder, mugs and caps and even greeting cards, cell phone accessories and other lifestyle items

Café Nescafe



Bravo Coffee began its successful collaboration with Nestlé in the year 2002 and since then has established a total of 13 branches in Gauteng. In the last 2 years substantial work has been done to successfully establish the Café Nescafé brand in the South African market and we are now ready for the next level, further expanding the concept and going beyond the concept of a coffee shop. Nescafe is a pocket-friendly outlet. It offers cappuccino for Rs.12 ,Frappe for Rs.15 and iced-tea for Rs.10 which is very less as compared to the other outlets. It has only 3 outlets in Delhi and is suited for those people who like quick snack and drink. Nescafe do not feature any sitting arrangements. Moreover the drinks are not freshly brewed. The café host serves from the vending machines. Their menu consist of hot and cold coffee, badam milk, ice tea, hot tea, Maggi soup, muffins, chocolates and roll. Nescafe made an early jump by giving its product at low price and made ties with many colleges but lacked in the variety of products this led failure in it's growth .

Starbucks



Starbucks originated in Seattle. In 1971, the Starbucks coffee Company opened its first location in Seattle's Pike Place Market. Inspired by the espresso bars in Milan, Italy, Howard Schultz wanted to introduce the coffee bar culture to America. Starbucks has over 8,500 locations in over 30 different countries. Now, Starbucks has plans of expanding its operations in India. It is one of the fastest growing and well-known brands in the world. "We remain highly respectful of the culture and traditions of the countries in which we do business," says Howard Schultz, chairman and chief global strategist.

"India is an important long-term growth opportunity in the Asia/Pacific region," said Martin Coles, president of Starbucks (Research) Coffee International. "We're approaching the Indian market in a thoughtful way and it's important for us to be observers of the Indian market first."

The company plans to initially set up shop in the three metros - Mumbai, Delhi and Chennai. Next it plans to do research on other locations like Bangalore, Hyderabad and Calcutta.

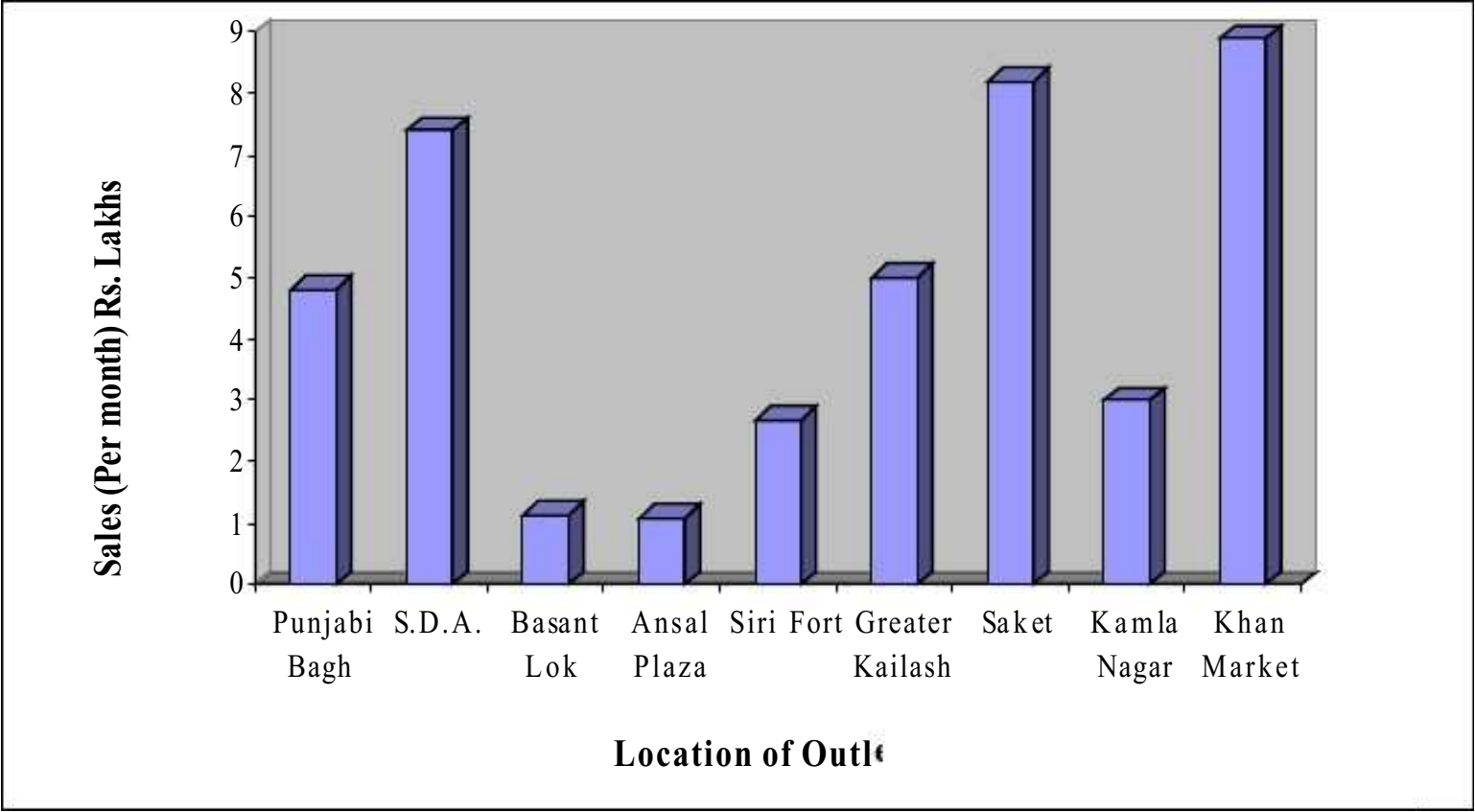
Out of the major competitors, the maximum impact is likely to be on Barista. This is due to the fact that:

- The target market chosen by Starbucks is the closest to the target market of Barista's.
- It is also the closest competitor to Starbucks due to its pricing strategy, i.e. Starbucks is going to be the most highly priced café and next in line will be Barista

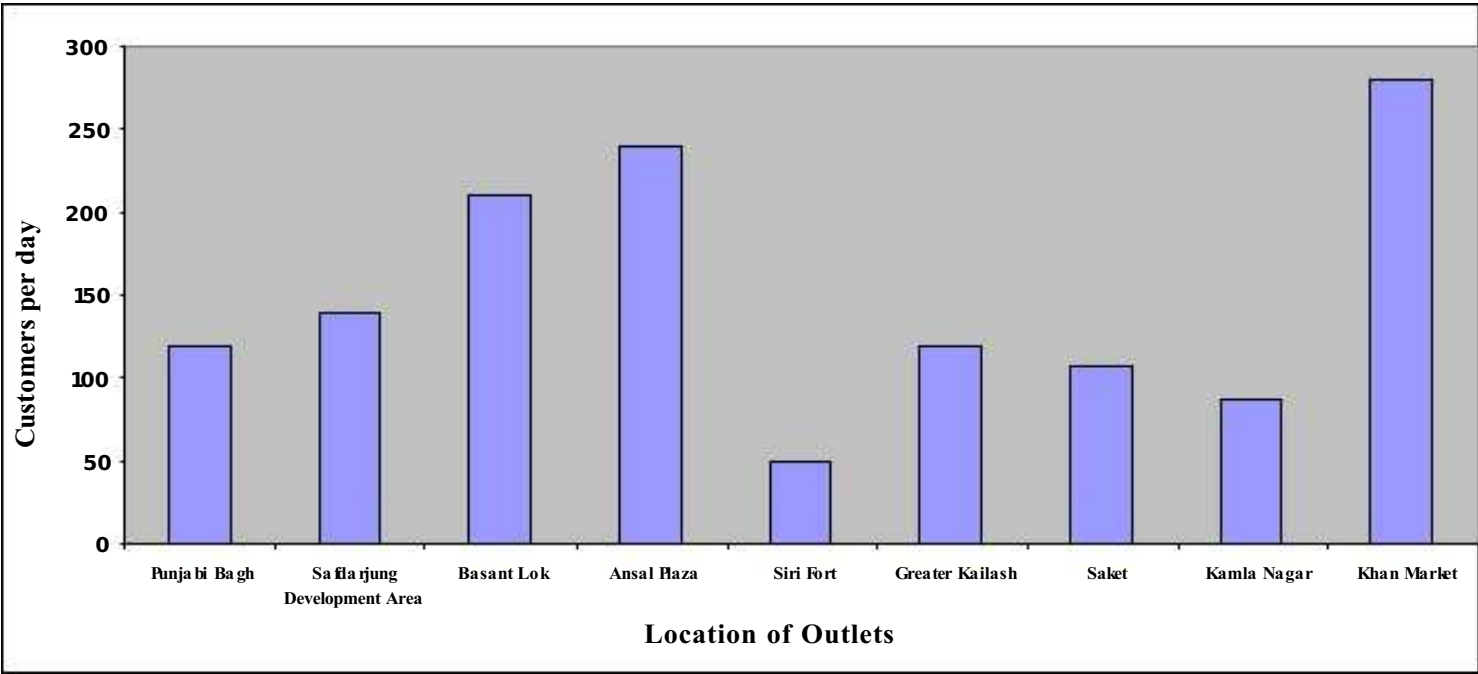
Table Macro analysis of the companies

Brand	Company	Started business	No. Of cafes	Tie ups	Average daily footfall(all outlets)	Turnover (yearly) closing at end of 2005-06
Barista	Barista coffee company	Feb 2000	150	Singapore airlines, evian, CNBC, planet-m, PVR cinema	35000	65 crores
Café coffee day	Amalgamated bean coffee trading company ltd.	1996	213	Music world, mars restaurants, BPCL	30000	10 crores
Qwikys	Chimayo chains pvt ltd	Oct 1999	22	Co-branding with partners like lifestyle stores, ebony wordsworth, idesign, music world and goldflake xpressions	10000	10 crores

4.3 Average sale of company in Delhi (Per Month)



4.4 Average number of customers (per day) in Delhi.



The above data shows the increasing demand for coffee in just one city for Barista.
The above data shown by Barista during the year 2008.

Chapter 5: SUGGESTION

- Barista has an extremely strong brand image, but they need to work hard on improving their customer perception of being an expensive brand. That's why first recommendation for Barista is, to carry out a promotion campaign to ensure that their target market is well aware of their current low prices. This would help change customer perception and turn Barista into an affordable brand.
- Being a strong traditional café brand image is that customers have very high expectations of the taste & quality of products. Barista needs to work hard at this aspect, especially for coffee and eatables products. Barista should look at its coffee beans suppliers and brewing process. Barista should also look at the Taj, their national suppliers for eatables and desserts, and either improve the taste & quality of eatable, or look at another supplier- because as of now, they are not living up to expectations, and losing customers to Café Coffee Day.
- Barista should carry out a promotion campaign to ensure that their target market is well aware of their current low prices. This would help change customer perception and turn Barista into an affordable brand.
- My second recommendation is for Barista to look at its coffee beans suppliers and coffee brewing process to ensure that it is the best it can be. This is especially important considering the international expansion Barista is undertaking. Barista should also look at the Taj, their national suppliers for eatables and desserts, and either improves the taste & quality of eatable, or look at another supplier- because as of now, they are not living up to expectations, and losing customers to Café Coffee Day.

Chapter 6: CONCLUSION

6.1 Conclusion

The research was carried out to study the coffee industry in India. As per the secondary information collected and shown in the previous chapter, it is evident that a majority of people in all age groups prefer coffee more than other beverages and the domestic consumption of coffee is increasing every year in India. It was found that traditionally coffee was restricted to the south and that to mainly in people's home. Now there is a growing preference for coffee in India in a new and more relaxed setting as provided by these coffee parlours. Due to the proliferations of cafes in India like Barista, Café Coffee Day and others which become important due to the increased spending power among youth and because they offer an informal and happening meeting point for all kinds of people. The coffee consumption by Indians has increased in the last 4 to 5 years. The coffee demand was 169 MT in 1990-91 has increased to 306 MT in 2003-04 and is further estimated to increase to 405 MT in 2009-10.

Among the various coffee parlours in India, it was found that the Barista coffee parlour is the most preferred among other coffee parlours. The most important attribute of Barista coffee parlour as compared to other coffee parlour is its ambience and quality of coffee. People feel that these are two most important attributes which distinguishes it from other coffee parlours. Moreover, the people feel that the staff is very friendly and it provides personalized service by calling them by their first name. Thus, the experience of having a coffee at a Barista was definitely different than having it at any other café. People between the age group of 21 and 30 years visit Barista coffee parlours almost daily. This shows that it is the youngsters who prefer it the most.

The marketing strategies of Barista coffee parlour is evaluated in detail in the previous chapter. Its competitors Café Coffee Day, Qwickys and Nescafe are also compared with it.

The conceptual framework which is provided in Chapter 2 has consumer decision making process, Brand value pyramid and Porter five force models. The consumer decision making model helps to understand how the consumer makes the decision

to purchase coffee from these parlours. The Brand value pyramid helps to evaluate Barista brand and helps us to understand it better from the customer's point of view. Michael five force model is applied to the coffee parlours in India and helps to understand the existing players and their substitutes and the threats that they face.

The research will certainly help Barista coffee company and the other coffee parlours to understand the customers needs and preferences and so they can devise their marketing strategies accordingly. With the help of this study, it is clearly evident that while on one hand the domestic companies are aggressively pursuing the markets, on the other hand the foreign players are all set to enter the Indian market triggering more competition .For example, the Singapore based coffee club Ltd., is all set to enter the Indian markets and even Starbucks, which is the world leader in the coffee retailing market and is one of the strongest brands in the world is also planning to enter the Indian market very soon Barista has to change and offer more according to the consumers need to stay as a market leader otherwise with the tremendous competition that is pouring in the country from domestic as well as foreign players , it won't take time for them to take away the number one position from Barista. Moreover, this industry is surely going for future expansion as the coffee market is growing at a fast pace and there are upcoming players in this industry both domestic as well as foreign.

6.2 Areas of excellence

All cafés have certain areas where they have been consistently performing well. These are essentially the strengths of the brand, and Barista need to capitalize on these strengths to increase their market share and brand loyalty. The main areas of excellence on the basis of Case studies are:

- **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 maintains brand loyalty.
- **Excellent Human Resource:** Barista has 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.
- **Ambience & Décor:** Another significant area of excellence is the kind of ambience and décor Barista cafés have.

6.3 Areas needing improvements

Barista and have under performed or not lived up to potential in certain areas. The areas are weaknesses, which need to be improved upon, as that both can eliminate any disadvantage that may have, and improve customer satisfaction. The main areas needing improvement on the basis of Case Studies & Market Survey are:

- **Average taste & quality of products:** Other than their *Dessert*, Barista has got only an average rating for the taste & quality of their products. Considering their strong brand image of being the coffee- lover's traditional café, they have not performed up to expectations in this area.
- **Perceived as an expensive brand:** Customer perceptions of Barista's prices and value for money are quite negative. Even though the prices of Barista and Café Coffee Day are almost identical, Barista is still perceived as the more expensive brand.

Chapter 7: RECOMMENDATION

Customers were asked what additional features they wanted in Barista coffee parlour by the retailers from the survey taken by the company.

- Most of the people complained that the prices were high so for this they should either provide lower price at certain hours like introducing happy hours or offer combo meals at a reasonable rate or complementary meals.
- People want more comfortable sitting in the parlour. Since they have introduced lounges in some of its outlets, they should do that for all the outlets.
- They should consider opening it 24 hours as people often prefer to have coffee after dinner.
- People complained that in some outlets the space is less so they should take this into consideration while opening new outlets
- They should expand their outlets and open in small towns of India as is done by Café Coffee Day
- Since it is mostly preferred by the youngsters as seen in the study so they should open joints near colleges and sponsor events like college fests
- Word of mouth advertising is working for Barista so it can consider using media such as radio and television for advertising
- They can build customer loyalty through promotions like live concerts, live visits of young film stars as it would bring a touch of sophistication and would help them in attracting their main segment.
- Most of the people feel that it is the aroma of the fresh coffee which is a distinguishing feature of Barista as compared to the other outlets so maintaining fresh quality of coffee is imperative for them.

- Starbucks has a prepaid card scheme which is very popular among its customers so Barista can even consider introducing it.

Future Scope

The other researcher or any person interested in the objectives of the present study is recommended to carry out further research so that more information and results can be obtained in this area since the present study was carried out under a time constraint and from a limited sample size.

BIBLIOGRAPHY

- Kotler, Philip, "Marketing Management, Ninth Edition",