

BARISTA LAVAZZA

Corporate Profile

Background, Market Entry & Growth:

Barista coffee was established in 2000 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. Aim was to combine intelligent positioning with the right product mix and carefully designed cafés. In other words, customers seek an “experiential lifestyle brand”.



The Barista Café Logo

A 34.3% equity stake was sold to Tata Coffee in 2001. C Sivasankaran bought the remaining 65 per cent in Barista from the Amit Judge-controlled Turner Morrison in 2004, and his Sterling Group also bought out Tata Coffee's stake later. In 2007, the Sterling Group sold Barista to Lavazza. Barista Lavazza is currently owned by Lavazza. The coffee is supplied by the Indian roaster Fresh and Honest, headquartered in Chennai, which is also owned by Lavazza. As of 2009, the chain has 200 stores in India, with an estimated annual revenue of ₹ 200 crores. 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 days, 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.

MISSION STATEMENT:

At Barista Lavazza our objective is to provide an authentic Italian coffee drinking experience in a warm, friendly, no pressure environment.

VISION STATEMENT:

Our aim is to passionately deliver the highest levels of experiential services. Maintain consistency in serving the highest quality products and become a globally competitive organization – one that is driven by an insatiable thirst for excellence.

SWOT Analysis

Strength:

- Strong Brand Image
- Excellent Human Resource
- Ambience and Décor
- Strong base for expansion and growth
- Large Number of outlet
- In house sourcing of coffee beans

Weakness:

- Expensive coffee
- Self-service for the customers
- Quality of food- Stale breads

Opportunity:

- Large Untapped Market
- Presence of large number of outlets
- Tie-ups with other companies for promotion

Threat:

- Entry of Foreign players like Georgia, Starbucks etc
- Large unorganized market
- Coffee substitute

Marketing mix:

Pricing:

Barista has a 'Skim Pricing Policy'. They began with a higher price, and skimmed the cream for the market. With the sudden spurt of growth in number of outlets, came the benefits of economies of scale. Because of this, they have been able to gradually lower their prices, and appeal to different segments of their target 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 prices are constantly changing though, and the last 1-year has seen 3 changes (mostly reductions) in prices. This gradual price reduction meant that Barista could maintain its profit-maximization policy until it could earn large cost savings because of the benefits of high volume. 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-sources.

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.

Positioning:

Consumer Profile:

According to research, over 65% of Barista's customers are in the 15 - 30 age-group. The majority of these are students and young urban professionals.

Brand Image:

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 coffee and looks for a nice quiet time.

Promotions:

Barista currently carries out mass promotion campaigns. This is mainly in the form of promotions in the Press, TV and Radio Medias. At present, they do not rely heavily on advertising, but rely more on sponsorships and strategic alliances with other corporations. Barista also takes part in various sales promotion activities to help increase sales at their outlets.

Distribution:

Distribution of outlets

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, and at their current rate, they are opening a new

outlet approximately every 10 days. 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 outlets.

Location: this is a prime factor in determining the success of a retail chain. However, Barista Coffee has adopted a top down approach, wherein they first identify the cities and then decide on precise locations within its limits.

They are also pursuing an equally aggressive international business expansion strategy. They have over 50 overseas locations presently under their consideration. They have already done their groundwork in terms of getting brand and name registrations in over 30 of these locations. To facilitate their global expansion, they plan to work with strategic partners, who share the same vision of expanding and promoting the brand worldwide. Currently they have opened new outlets in Sri Lanka and Dubai as a part of their international strategy.

Distribution of Stock

The distribution of stock at Barista begins from the coffee beans being sent abroad for roasting. The roasting takes place in Venice, and the beans are then supplied to the main warehouse in Delhi. Stock is then distributed to the various Regional Warehouses, and then to the local Warehouses. The outlets get their stock from the Local Warehouses. Barista uses a *Re-Order Level* system for the distribution of their stock. Barista out sources its transportation needs from external organizations, and currently uses trucks as the preferred means of distribution.

KEY STRATEGIES:

- ❑ Lifestyle brand with Italian neighbourhood
- ❑ Brew masters from Italy to create blend
- ❑ Alliance with Tata
- ❑ Make customer's occasional indulgence into a habit
- ❑ Store-in-store concept with specific themes
- ❑ Branded merchandising
- ❑ Home brew segment – fresh coffee

CORE COMPETENCIES:

- ❑ Effective supply-chain management
- ❑ Quality of coffee beans and technology involved in making coffee
 - ❑ Usage of top-grade Arabica Beans
 - ❑ Brew-masters from Italy to create blends
 - ❑ Best Italian Machines for brewing
- ❑ Employee management

Areas Needing Improvement

1. Average taste & quality of products:

According to the market survey, other than their *Dessert*, Barista 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.

2. Perceived as an expensive brand:

Customer perceptions of Barista's prices and value for money are quite negative.

3. Inconvenient delivery process:

On a smaller note, Barista's self-service delivery process received almost unanimous complaints from respondents of the market survey. They found it inconvenient to go back to the counter just to receive their order.

Awards

Barista Lavazza received the Times Group and Business Standard 'Brand of the year' award in 2002.