

Café Coffee Day - Brand Strategy in India

Case Study

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1. Introduction

*“CCD today has become the largest youth aggregator, and from a marketing stand point, the success has come by focusing on the 3As: **Accessibility, Affordability and Acceptability.**”*

- **Bidisha Nagaraj**, the Marketing president of Cafe Coffee Day

"Although demographically, a typical consumer would be male or female between 15-29 years of age, belonging to middle or upper middle class, we call our consumers young or young at heart. We are about juke boxes, good and affordable coffee and food. The brand fit is with youth or the young at heart. So we often look out for brands that are aspirational in nature."

- **Sudipta Sen Gupta**, Marketing head, Café Coffee Day.

1.1. CCD - an established brand image in India

Cafe Coffee Day (CCD) has an established brand image in India and ranks No 2 in the Brand Equity's Most Trusted Brands 2008 survey - in the food services category. Rival Barista is at No 5. CCD has been able to make a connection with the Indian consumers, predominantly among the youth. CCD is the market leader in India and was awarded the 'Exclusive Brand Retailer of the Year' by ICICI Bank in its Retail Excellence Awards 2005 for the organized retail sector.

1.2. CCD's wide network - the anytime, anywhere cafe

CCD has been able to make its brand presence felt through the sheer number of stores. CCD has 620 cafes at present and it has ambitious plans to launch more than 900 cafes by the end of the current financial year. This means launching one store every other day which is not surprising from a company which launched a cafe (in 2005) in Vienna, the coffee capital of the world. CCD also has three cafes in Vienna, and two in Karachi, Pakistan. Lagging behind CCD in the Indian market, Barista has about 200 cafés, Java Green (around 75 cafés) and Mocha (around 25 cafés). The Indian organized sector has potential for around 5,000 cafés but fewer than 1,000 cafés exist currently.

1.3. Exhibit 1: Total number of stores/cafes of Café Coffee Day and its competitors

Coffee Brand/Company	Number of stores/Cafés
Café Coffee Day	620 (plans to have more than 900 by end of year)
Barista	200
Java Green	75
Mocha	25

1.4. 1996 – 2008, CCD's first store launch to building a strong competitive advantage

CCD launched its first cafe store in Bangalore's Brigade Road in 1996. At the time it had 18 cafes from its 1996 launch. It now has a network of 620 cafes in 102 Indian cities which are more than its close competitor Barista. CCD has the competitive advantage over Barista not only in consumer reach (with its wide network), but also with the innovation in areas of customer service, logistics and supply chain efficiency. CCD plans to become a big global chain by 2012-13¹.

1.5. Innovative formats to woo new customers

"During our college days, we would be satisfied drinking coffee in the canteen or the roadside dhaba, but young people today want a posh environment to chill out."

– **Sudipta Sen Gupta, Marketing head, Café Coffee Day.**

"The three formats—movie, sports and books—will attract all kinds of customers. The average age of visitors to CCD currently ranges from 18 to 30. With the new formats, the company will cater to a varied customer base."

- **Café Coffee Day president (marketing) Bidisha Nagaraj**

CCD's experiment with various formats (like cafes, garden cafes, lounge cafes and Xpress Cafes) depending on the target audience has been fairly successful. CCD has targeted different catchments area like high streets, malls (30 of CCD's 620 cafes are located in malls), multiplexes, offices, educational premises, and railway stations.

Rising disposable incomes have made unique lasting experiences more valuable to the consumer. Therefore, CCD is all set to add more formats to its portfolio like the book cafes, movie cafes and sports cafes². During the afternoons, when the footfalls are less, CCD is planning to tie-up with publishers and producers for organizing book launches and having movie festivals. The plan includes selling books in the cafe premises where authors can also read excerpts and sign autographs for book lovers. A Cafe Coffee Day pick of the month will also be organized. CCD also tied up with BPCL petrol pumps to have outlets in their premises³. CCD has even adapted its' formats to be present in educational institutions and corporate campuses either in the form of detailed Cafes or its economical model of CCD express. As per the new strategy, around 15% of the stores will be based on the new formats while the remaining ones will follow the 'vanilla' format.

¹ In December 2007, CCD raised \$100 million from Darby Templeton and Deutsche Bank for expanding its café network.

² CCD has already tied up with IPL (Indian Premier League) cricket teams to introduce the new format—the sports café.

³ Barista tied up with Indian Oil Corporation.

1.6. Reinforcing brand image with the cluster approach strategy

Ever since its entry in India, CCD created an entry barrier for competition with as many as four CCD cafes dotting a single street. The cluster/blanket strategy aimed at getting consumers habituated to the brand. Within the Mumbai suburb of Bandra, for instance, CCD has six outlets. At another location it has six cafés within a span of half-a-kilometre. The latent need in the market countered the cannibalization of footfalls as was evident from the four successful cafes at its single catchments area at Indira Nagar in Bangalore⁴. The strategy also made operations easier with supplies management and quick replenishment whenever one cafe ran out of stock. Having one manager for a set of cafes improved efficiencies and reduced costs.

1.7. Company-owned stores instead of franchises to not dilute brand value

A crucial part of CCD's business strategy is that all its outlets are company-owned. None of CCD's outlets is a franchise. While self-owned cafés are more expensive in the short term, the company believes that a too-hasty switch to the franchisee model may cost it its brand value. Besides, self-owned cafés mean greater control on product quality, service and training.

1.8. Lower pricing and 'no-segmentation' approach

Though competitor Barista had the first mover advantage⁵, CCD brand pitch aimed at 'the young and the young at heart' and lower price offering (lower by 30%-40 % when compared to similar offerings at Barista) helped it overcome and leave Barista behind. The age group from 18 to 29 (and above 29 also) flocked CCD cafes while the brand Barista lost out due to constant change in management. Barista changed ownership from Turner Morrison to Tata Coffee to Sivasankaran to Lavazza further destroying brand equity.

1.9. From a largely south Indian retail chain to a national brand

"We've seen the hard days when every customer had to have every item on the menu explained. That's one reason we waited until 2000-01 to start expanding nationally."

- CEO, Naresh Malhotra in a conversation with Business Standard

While CCD was among the first coffee cafés to start operations in India, it was the last to go national (by end of 2001). Till the late 90's, India was restricted to the intellectual, the South Indian traditionalist and the five star coffee shop visitors. CCD faced a huge challenge from being recognized primarily as a south Indian brand. North India was not primarily a coffee drinking market compared to the south. Even the south Indians loved pure filter coffee instead of instant coffee). Besides, India was always known to be a 'chai country' (Tea-drinking nation). Another problem was logistics. Transporting fresh roasted coffee from its estates in Chikmagalur to faraway places like Mussourie in the north and Jamshedpur in the east was a nightmare.

⁴ There are 6 CCD outlets in a 2 km radius and over all 120 cafes in Bangalore alone.

⁵ In 2002, Barista had some 85 cafés around the country, while Coffee Day had just 35.

CCD established its brand by its food offerings and adapting it to local taste. Once consumers were used to the food offerings, they would try coffee. CCD also set up cafés in B- and C-class towns such as Lucknow, Kanpur and Jamshedpur.

1.10. Co-branding

CCD never opted for mass media advertising and believed the chain's 600 stores would speak for the brand. The retail chain has involved itself successfully with co-branding activities with reputed brands like Levi's, Apple iPod and Airtel. This made sense as these brands also targeted the audience, CCD targeted. CCD was first seen in an ad when the brand appeared in a co-branded TV commercial for one of Yamaha's motorbikes. CCD also promoted its brand via barter deals (in-film promotion deals). E.g. the brand was placed smartly in two Bollywood movies starring India's topmost actors like Amitabh Bachchan, former Miss World's Aishwarya Rai & Priyanka Chopra and Salman Khan. The movies chosen had a target audience that matched with that of the consumers at Cafe Coffee Day. Shooting a few scenes in the café helped prominent Cafe Coffee Day brand placement. CCD also got into a barter deal with Enrique Iglesias, Elton John concerts and WWE (and also HDFC bank where the ad was shot in the cafe).

1.11. Reinvigorating the brand and taking it to the next level

Consumers, especially the youth, are no longer just a 'target audience', but partners that brand must connect with. Various in-café collaterals (like Posters, Tent Cards, Dangles, Leaflets, Brochures, Coasters, Drop boxes, Contest Forms, Stirrers, Standees etc.) to impart brand visibility and to add the element of interactivity to a campaign are available inside the café. In 2002, CCD launched a 12-page tabloid – Café Beat with articles on fashion, general interest and news about the chain. The tabloid was published monthly and circulated at all cafés. New uniforms were designed by students from the National Institute of Fashion Technology (NIFT).

1.12. Projecting a feeling of togetherness

In August 2008, CCD announced that leading international brand consultant Landor will help it to reinvigorate its brand and take it to the next level. Only the brand name and logo saying 'A lot can happen over coffee' will remain the same. CCD will now focus more on projecting a feeling of togetherness (friendship, romance or office meeting in an informal environment) and celebration which are critical core values. Accordingly the cafe ambience, the look and feel inside is set to be changed.

1.13. Silent brew masters – special employee program

As a socially conscious brand, CCD successfully employed (with training and orientation) about 25 physically impaired (deaf and mute candidates referred to as 'silent brew masters') across Mumbai, Bangalore and Hyderabad with the help of NGO, Enable India⁶.

⁶ Bangalore-based NGO.

2. Background Note

“ Hence, even as our first café was set up in Bangalore in 1996 — an idea that struck our chairman V G Siddhartha, while on a visit to a coffee shop in Singapore — it proved to be an idea whose time came only by the turn of the century. By then, most other players had joined the bandwagon.” – CEO, Naresh Malhotra

Café Coffee Day (popularly known as Coffee Day) is a division of India's largest coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd. (ABCTCL). CCD is worth more than Rs. 300 crore and is an ISO 9002 certified company. CCD's head quarters in India are located in Chikkamagaluru, Bangalore, Karnataka known as the home of some of the best Indian Coffees. CCD pioneered the café concept in India in 1996. In the first five years of operations, CCD had just a handful of cafés in six cities. But by 2004, CCD was the largest chain in the country with 153 cafés in 37, while Barista, its closest competitor, had 120 outlets.

The company sources coffee from 10,000 acres (40 km²) of coffee estates, the 2nd largest in Asia, that is owned by a sister concern and from 11,000 small growers. It is one of India's leading coffee exporters with clients across USA, Europe & Japan. Sequoia Capital invested \$20 million in ABCTL around two years back. ABCTL announced plans to expand CCD outlets in 10 countries⁷ (including Germany, Switzerland and Eastern Europe). ABCTL has 775 Xpress outlets, 7,000 vending machines in diverse locations such as railway stations, hospitals, gas stations and office campuses, and 400 Fresh 'n Ground outlets.

⁷ At the time, ABCTL's coffee-café expansion into international markets is routed in the EU through the Coffee Day International Company it has registered in Cyprus. In addition to Austria and Pakistan, CCD plans to open in markets like Poland, Hungary, Russia, Dubai, Saudi Arabia, Kuwait and China.

3. Café Coffee Day – Quick Facts

Café Coffee Day : Quick Facts	
<i>Company Type</i>	A division of the Rs 750-crore Amalgamated Bean Coffee Trading Company (ABCTCL)
<i>Corporate Headquarters</i>	Chikkamagaluru, Bangalore, Karnataka, India
<i>Revenues</i>	ABCTCL is privately held, and as such does not disclose its financial results. As per estimates, last year revenues were approx. Rs 600 crore (\$140 million),
<i>Industry</i>	Coffee - Organized Retailing
<i>Business Divisions</i>	<ul style="list-style-type: none"> • Coffee Day Exports • Coffee Day Xpress (fast food and beverage outlets that are much smaller than the cafés and are franchised) • Coffee Day Take Away (coffee vending machines) • Coffee Day Fresh 'n Ground (ground coffee retail outlets) • Coffee Day FMCG (packaged filter coffee powder).
<i>Employees</i>	5,000 approx.
<i>Brands</i>	Coffee Day, Café Beat
<i>Major Competitors</i>	Barista, Java Green, Mocha, Starbucks
<i>Business/Growth Strategy</i>	<ul style="list-style-type: none"> • Combination of affordable prices, attention to customer needs and a strong back-end support system • Clusters of cafés • Self-owned cafés to not lose brand value • On-site promotions and localized marketing initiatives instead of mass-advertising • Different food suppliers for different locations • B2C (bean to cup) supply chain strategy • Decentralized distribution strategy instead of a hub-and-spoke model • Web-based ordering and electronic order processing system to cut order-to-delivery lead-time • Regular customer feedback and research • Plans to become a big global chain through a process of both organic growth and acquisitions.
<i>Key Executives Name, Designation</i>	VG Siddhartha, CCD promoter Alok Gupta, Director-in-charge
<i>Website</i>	www.cafecoffeeday.com

3.1. Exhibit 2: Various store/café formats of Café Coffee Day

Café Format	Specialty
Music Cafes	Provides customers with the choice of playing their favorite music tracks on the Digital Audio Jukeboxes
Book Cafés	Perfect solution to people who think that the coffee experience is incomplete without browsing through the bestsellers or reading a classic
Highway cafés	Mysore highway and NH-8, presents the traveler en route not only with good coffee and scrumptious snacks amidst great ambience but also with clean restrooms to get rid of that weariness from the road
Lounge cafés	At Hauz Khas, Delhi and Southern Avenue, Kolkata (Southern Avenue) and Hyderabad (Jubilee Hills) combines the style and luxury of a lounge with the lively ambience and comfort of a café. With exquisite interiors, exotic menu and thematic music CCD Lounge offers a whole new experience to the connoisseur while assisting the latter through its team of hostesses who are poise and style incarnate and are looked upon as fashion icons.
Garden cafés	At M.G Rd, Bangalore and GKII, New Delhi combine the joy of rejuvenating amidst verdant landscapes and pots of coffee.
Cyber cafés	At Brigade Rd, Bangalore, Airport, Bangalore and Airport, Delhi combine the urge to surf, not to mention get connected through the internet while enjoying perfectly brewed cups of coffees, both domestic as well as International blends!
Sports café	New format
Singles café	New format
Fashion café	New format

(Source: adapted from official website of CCD)

3.2. Exhibit 3: Different divisions of Café Coffee Day

Different divisions of CCD include:

- Coffee Day Fresh n Ground (354 Coffee bean and powder retail outlets)
- Coffee Day Xpress (341 Coffee Day Kiosks)
- Coffee Day Take away (7000 Vending Machines)
- Coffee Day Exports and
- Coffee Day Perfect (FMCG Packaged Coffee) division

3.3. Exhibit 4: Brand Logo of CCD and its significance



Red Square stands for Leadership, passion.

White Swirl implies Purity of purpose, invigorating properties of coffee.

Green Stroke depicting 125 years of coffee growing heritage of this vertically integrated Group.

The font used for "Café" is called SLURRY and looks as though the letters have congealed out of a liquid. The word is still forming itself and evolving into something new and better.

(Source: adapted from official website of CCD)

3.4. Exhibit 5: Sample Consumer profile by Age group at Café Coffee Day

