

**Integrated Marketing Management**  
**Prof. R. Srinivasan**  
**Department of Management Studies**  
**Indian Institute of Science, Bengaluru**

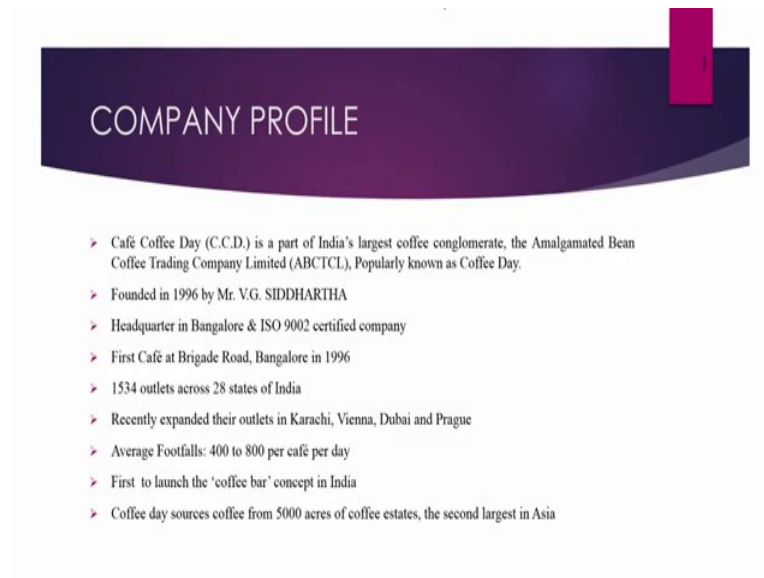
**Lecture - 31**  
**Cafe Coffee Day CCD**

Welcome to this class. We will discuss in the next few classes some real case life studies, which are current. The first of this set is on Cafe Coffee Day; it was in the news very recently due to the unfortunate demise of its founder. But it is a very good example of a wonderful entrepreneurship, in the Indian context; an entrepreneurship which was highly successful.

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## COMPANY PROFILE

- Café Coffee Day (C.C.D.) is a part of India's largest coffee conglomerate, the Amalgamated Bean Coffee Trading Company Limited (ABCTCL), Popularly known as Coffee Day.
- Founded in 1996 by Mr. V.G. SIDDHARTHA
- Headquarter in Bangalore & ISO 9002 certified company
- First Café at Brigade Road, Bangalore in 1996
- 1534 outlets across 28 states of India
- Recently expanded their outlets in Karachi, Vienna, Dubai and Prague
- Average Footfalls: 400 to 800 per café per day
- First to launch the 'coffee bar' concept in India
- Coffee day sources coffee from 5000 acres of coffee estates, the second largest in Asia

If you look at this, incidentally, all these cases which I am going to discuss are taken from my case studies book including this Cafe Coffee Day. At the end of this case each of these cases you will find questions. When I am analyzing these cases I will be answering those questions also. So, this will give you an idea of how to attempt a case analysis in the real context.

The case which we first discussed in the beginning of the course on Suryodhaya was also a real case; if you can recall, it was the introduction of a new product in the Indian market. Then we discussed one more case how the Toyota Company cannibalized one of its very good products namely the Toyota Qualis and came out with Toyota Innova.

Now, this is the Cafe Coffee Day, Cafe Coffee Day popularly known with the acronyms CCD is a part of India's largest coffee conglomerate, the Amalgamated Bean Coffee Trading Company Limited popularly known as Coffee Day. So, this Cafe Coffee Day owes its origin to the entrepreneurship of one individual by name V. G Siddhartha.

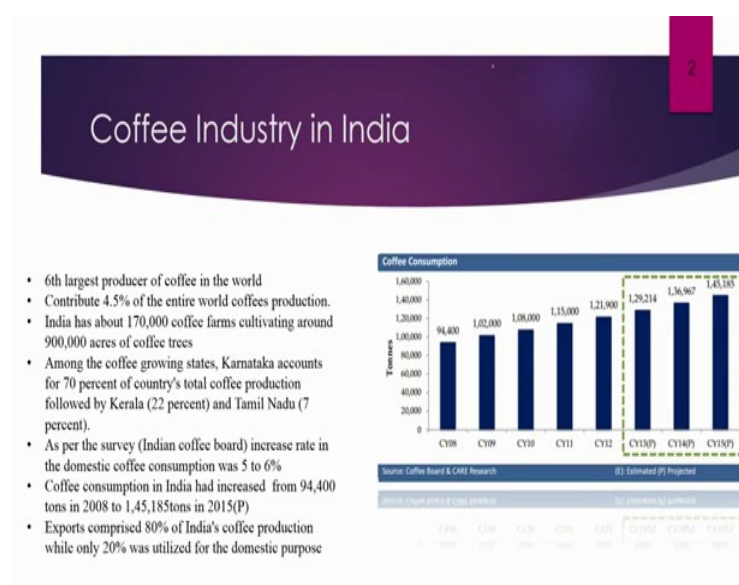
This company was founded in the year 1996, it is head quartered in Bangalore, it is an ISO 9002 certified company. The first Cafe of this Cafe Coffee Day started operating in 1996 at Brigade Road Bangalore considered to be one of the famous up joints in the city. So, frequented by a large number of youngsters, very close to the MG Road and it has almost all the representations whether it be from the companies or from the financial institutions just in and around it.

Started with this, first cafe at Brigade Road this incidentally kindly note that all the case studies which we are going to discuss; it has updated data till about 16, 2015 16's. Suppose you want to update it further, you are welcome to do it, you can go up to 2019 also. So, this starting with this one Cafe Coffee Day in 96 at Brigade Road; this CCD developed 1534 outlets across 28 states of India. It expanded their outlets to Karachi, Vienna, Dubai and Prague.

So, one of these first Indian coffee company is to do so. In fact, it remains the only coffee company even to this day to have these types of outlets abroad. So, if you look at the average foot falls for this CCD, it is between 400 to 800 per cafe per day. So, you can expect this type of sales per cafe per day. So, for the first time this company launched what is called the coffee bar concept in India.

So, this coffee bar concept in India came out for the first time through this Cafe Coffee Day. From where does this Cafe CCD source its coffee seeds? It sources its coffee seeds from 5000 acres of coffee estates basically from the area called Chikmagaluru in Karnataka and it is the second largest in Asia.

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If you look at the type of growth that it has registered it is quite phenomenal. If you see the coffee industry itself in India, it is the sixth largest coffee producer in the world; it contributes to about 4.5 percent of the entire world's coffee production. India has about 170,000 coffee forums cultivating around 900,000 acres of coffee trees. Among this

Karnataka accounts for 70 percent of the country's total coffee production followed by Kerala 22 percent and Tamil Nadu 7 percent. So, if you see Karnataka is the hub of the coffee industry in India.

It is also the reason that the coffee board, the Indian coffee board is also head quartered in Bangalore. As per the survey of this Indian coffee board, increased rate in domestic consumption was 5 to 6 percent that is there was a grow increase in the rate of consumption of coffee between 5 to 6 percent per annum. Coffee consumption in India, had increased from 94400 tons in 2008 to 1,45,185 tons in 2015 that at the time provisional figures. The exports comprised 80 percent of India's coffee production, while only 20 percent was utilized for domestic purpose.

In other words most of the coffee that you may be drinking abroad might have come from India only ok. You might be taking coffee in the United States but that coffee the origin of that coffee may be from India and will be mostly from India. So, this is the way the Indian coffee industry has grown and this is represented on the right side by this graph how it has grown and what is represented on this in this graph is also given an explanation on the left.

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YEAR	EVENT
Since, 1875	Traditionally growing coffee bean started
Early 1990's	Opportunity arose with the deregulation of the coffee board in Coffee Day began exporting coffee to the connoisseurs across USA, Europe & Japan
1996	C.C.D. was first set-up at Brigade Road in Bangalore
2000	Exported more than 27000 tonnes of coffee valued at US\$ 60 m to countries like U.S.A., Europe & Japan and, for the second time in its short career of 7 years retained the position as the largest coffee exporter of India.
2002	C.C.D. owns & operates 213 cafes in all major cities of India

So, if you look at some of the important events with respect to this coffee industry, since 1975 traditionally growing coffee bean started. So, when was it started means it started from the year 1875. Early 90's opportunity arose with the deregulation of the coffee

board in Coffee Day began exporting coffee to connoisseurs around across USA, Europe and Japan.

So, it was sometime during this 90's when liberalization took place, this Coffee Day began came in began exporting coffee to the connoisseurs across USA, Europe and Japan. In 96 this CCD was first set up at Brigade Road in Bangalore. So, initially it started doing exporting coffee then starting setting it up set up the first CCD at Bangalore in Bangalore at Brigade Road. In the year 2000 it exported more than 27000 of tons of coffee valued at US dollars 60 million to countries like USA, Europe and Japan.

Look at the way the growth has taken place. Just within a few years this CCD was able to export more than 27000 tons of coffee valued at US 60 million dollars to countries like USA, Europe and Japan and for the second time in its short carrier of 7 years retained the largest coffee exporter of India.

So, CCD owns that is 2002 CCD owned near 2013 cafes in all major cities of India and operated it operated all this cafes also. It owned and operated all this cafes in 2002. So, its a wonderful story, with respect to coffee by an enterprising individual. And this CCD was a highly enterprising industry setup by this gentlemen Siddhartha.

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YEAR	EVENTS
2008	C.C.D. expanded to 595 cafes in 100 cities of India, 3 in Vienna, 2 in Karachi & targets to expand till 950 cafes in a year from 2008
2010	Earning revenue of US\$45 million, jobs 5000 employees, owns 1016 cafes in 135 cities
2011	According to the BRAND TRUST REPORT 2012, Cafe Coffee Day was ranked 125th among India's most trusted brands and subsequently,
2013	<ul style="list-style-type: none"><li>• According to the Brand Trust Report 2013, Cafe Coffee Day was ranked 210th among India's most trusted brands</li><li>• Received the prestigious 'Shell Helen Keller Award 2013', award recognized CCD's contribution towards the improvement of lives of persons with disabilities by encouraging change in recruitment attitude.</li></ul>
2014	annual turnover of Rs.25 billion
2015	As of March 2015, there are 1530 outlets across 29 states of India.

What happened in the year 2008, CCD expanded to 595 cafes across 100 cities in India; not only did it expand across India, it expanded outside India also open 3 in Vienna that

is Austria, 2 in Karachi and it targeted to expand all 950 cafes in a year from 2018. So, this is see they wanted to expand to 950 from 2008. Then the next mile stone of this CCD in 2010 was its revenue touched something like 45 million dollars; it created jobs for 5000 employees, in 2010 it owned 1016 cafes in 135 cities.

In 2011, according to the brand trust report of 2012 CCD was ranked 150 a 125 among Indians most trusted brands and subsequently went up further across also further up as well. In 2013 the same brand trust report Cafe Coffee Day was ranked as 210th among India's most trusted brands; in other words it came down a little.

It received the prestigious shell Helen shell Helen Keller Award of 2013 which recognized CCD's contribution towards the improvement of lives of persons with disabilities by encouraging change in recruitment attitude. In other words CCD was encouraging a appointments for physically challenged people also; it gave number of appointments for physically challenged individuals as well.

By 2014 the turnover of CCD had registered rupees 25 billion. So, many times one question is asked what is the question that is asked, how many 0's are there in a million? So, if you look at the number of 0's in a million it is 6; how many 0's are there in a billion? The number of 0's in a billion is 9 ok, sometimes people ask you.

Do you know how many 0's are there in 1 crore? So, the number of 0's in 1 crore is 7. So, so in one of the popular debates which was going on the TV on the state of economy in the country, they were the persons who were in the debate one of them was saying a person relate associated with perhaps one of the political outfits saying that we are targeting 5 trillion dollars as India's economic growth in 2024.

So, the other person was asking do you know how many 0's are there in a trillion? So, he was saying 5 trillion dollars by 2024 and the other person was saying do you know how many 0s are there in a trillion for which this gentlemen from this political outfit was not immediately able to give the answer ok. So, how many 0's are there in a trillion in a trillion there are 12 0's ok.

So, if you are targeting an economy of 5 trillion it is 5 followed by 12 0's US dollars understood, then 1 US dollar if you put it approximately at rupees 70 this 5 followed by 12 0's 5 trillion you multiply it again by 70; that will give you the rupees trillion that you

can expect. So, approximately you can expect this targeting of the Indian economy by the present government by 2024 to be in the region of 350 that is 70 into 5.

So, 350 trillion rupees, 350 trillion rupees which is a very tall order considering that the state of economy is not all that rosy. So, we are day in and day out seeing over the channels that this sector is in problem the other sector is in problem. So, all this may be due to the effect of the global economy as well, but to target such a high growth of 5 trillion US dollars considering the state of economy as it exists today is also a big challenge.

So, this is as of see as of 2015; if you look at CCD. March 2015 there were 1530 outlets across 29 states of India.

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**Coffee Day Sub-Division**

- Cafe Division – Café Coffee Day (CCD), CCD Square, CCD Lounge**
  - Sells an 'experience' – a hang-out spot that offers a wide range of Food and Hot/Cold beverage options
  - Typically located in central locations that literally 'advertise themselves'
- Coffee Day Xpress**
  - Small format convenience Cafe that offers hot and cold beverages
  - For customers who are on-the-go
  - Predominantly located in high footfall areas like malls, railway stations and multiplexes
- Coffee Exports or Production, Procurement and Export (PPE)**
  - Involved in selling various grades of coffee in the domestic and international markets
  - Exported as green coffee
- Vending division**
  - Installation of vending machines at various client locations
  - Selling consumables for use in the vending machine
- Packaging division – Fresh 'n Ground Stores**
  - Selling freshly ground packaged coffee powder in the local market
  - Largest retailer of powdered coffee in India

So, if you look at the sub divisions of Coffee Day, you had cafe division as CCD, CCD square CCD lounge what is it that this CCD sells? So, this is the logo of this Cafe Coffee Day which you are seeing at on your on the right side, according to CCD it sells an experience.

So, drinking coffee in CCD is an experience, it is a popular hangout spot that offers a wide range of food and hot stroke cold beverage options. So, this is this is the main this thing of this Cafe division; typically located in central locations that literally advertise

themselves. So, you find all these CCD outlets in very popular locations and they do not require a separate advertisement that location itself is an advertisement for CCD.

So, even if you look at Bangalore airport, you have the CCD outlet in many of the lounges. So, you go to the plaza lounge you have this CCD you see CCD coffees being served. So, the coffee that you get in the lounge in the Bangalore airport basically comes from CCD. Coffee Day express what is this Coffee Day express? It is a small format convenience coffee, that offers hot and cold beverages.

So, if you do not have that much time to hangout, you have the Coffee Day express where you can get your coffee quick and first customers who are on the go this is the type of coffee that you have in the lounges in the airport. So, you do not have lot of time, but you can get this variety of coffees; whether it is the cappuccino or whether it is the filtered coffee or which ever.

So, there are three four varieties which they sell which they offer you in most of these lounges. And it is attended to constantly by a person who serves you this hot coffees predominantly located in high food fall areas like malls railway stations multiplexes now add to that the airports also. So, the coffee exports or production procurement and export this called PPE; it is involved in selling various grades of coffee in the domestic and the international markets.

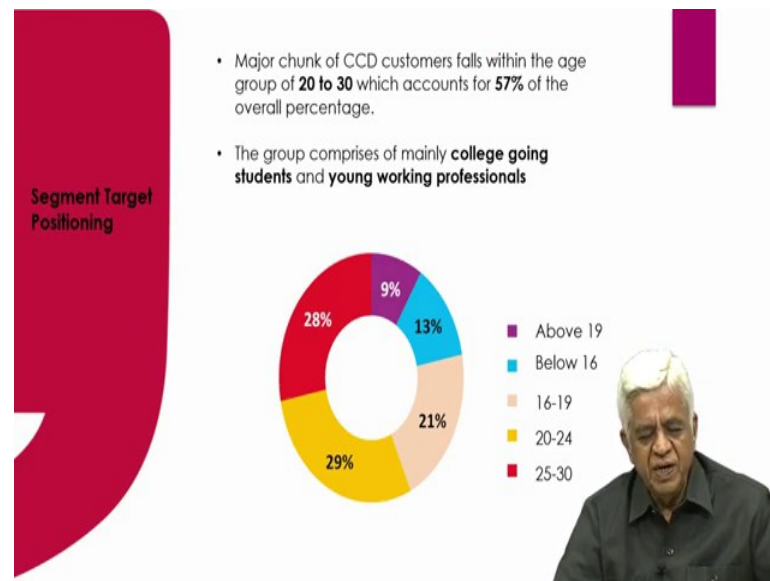
So, this is the arum of this cafe division where it sells it exports this coffee in the form of this green coffee and this arum is called PPE. There is a vending division what is this vending division doing? This vending division is basically into installation of vending machines at various client locations, you can request CCD to put a vending machine in your location also. So, these type of vending machines are available in many of the software companies as well.

So, one of the companies which makes use of this in Bangalore in fact, it had a big outlet of Cafe Coffee Day it was Infosys ok. So, this is so the vending division provides installation of vending machines at various client locations; then sells consumables for use in the vending machine. There is one more that is a packaging division. What does this do? It gives you fresh and ground stores that is you get fresh packaged coffee powder in the local market you can get through this CCD only.



Fresh coffee powder you can these are also coming from the basically from the coffee estates in and around Chikmagalur. And it had it was selling the largest retailer of powdered coffee in India it was in fact, if you take the powdered coffee CCD was selling the largest powdered coffee in India in 2050 itself. I am recounting to you through all this slides how CCD has grown.

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If you look at the major chunk of now the next question is how do you segment the market for this CCD? That is what is the target market for this CCD; you are looking at segmentation, you are looking at target positioning. In this slide who ever all the people who were frequenting basically if you look at it, you are having the client tale from about 19 years below 16 years also between 16 and 19, between 20 and 24, between 25 and 30 forming the major chunk. So, the group between 20 to 30; if you look at that, it accounts for 57 percent of the overall percentage.

So, the youth population, they are very very fond of visiting the CCD; because it is located in a very central place in most of the cities would like to hangout spend time in the CCD over a cup of coffee discussing so many things. The group comprises mainly college going students and young working professionals.

So, this is a type of segment which was frequently visiting the CCD. If you look at it this 25 to 30 age group itself constituting to 28 percent, then the if you look at the 16 to 19

and 20 to 24, 20 to 24 is contributing to 29 percent 16 to 19 contributing to 21 percent; below 16 also contributing to 13 percent and above 19 contributing to 9 percent.

So, in other words, if you look at it this is has of 2015; this is how you could draw the segmentation with respect to CCD; between above 19 and 20 itself contributed to 20 percent. 20 to 24 you had a 29 percent and 16 to 19 you had 21 percent of people of this percent is frequenting CCD; this 25 to 30 group was the highest with 30 28 percent.

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The slide is titled "Segmentation Target Positioning" in a purple banner. Below the banner, the text "Who hangs out at CCD?" is centered. Three images are displayed in a row, each with a caption below it:

- The first image shows two men in a business meeting. The caption below it reads "Business Professionals : 23%".
- The second image shows a white coffee cup with steam rising from it. The caption below it reads "Special occasions : 20%".
- The third image shows a person's face next to a motivational poster with text like "YOU COULD DO IT TO START TO MAKE A FRIEND OR TO ENJOY". The caption below it reads "Hangout for...".

A man's head and shoulders are visible in the bottom right corner of the slide.

So, this is an illustration of who hangs out at CCD. So, you find the working professionals you find in the center the aroma hot coffee with its aroma and this CCD cups very prominently getting displayed. And you have the last this thing which says that you could do it to start to make a friend or to enjoy.

So, basically it targeting the youth, you could do it may be a stranger with a stranger or you could do it for love of coffee all those types of things which are exhibited here.

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**Café Format's**

CCD had ventured into multiple formats like-

1. Music cafés
2. Book cafés
3. Highway cafés
4. Cyber cafés
5. Garden cafés

And now they are planning to launch

- ▶ Sports Café, Fashion Café, and singles café



So, basically if you have some time to hangout, CCD offered the place for this hanging out. The other point which CCD did was to venture into multiple formats like music cafes, book cafes, highway cafes then cyber cafes, then garden cafes. So, these are this is again another type of hangout joints; suppose you are going in a highway you find in many of the highways this Cafe Coffee Day again being very popular.

So, whether it is the Bangalore, Mysore highway or whether it is the Bangalore Mangalore highway or whether you are going from Bangalore to Madras you find these types of highway cafes also being very popular of this CCD. And, now they are planning to launch this was some of them might have already got launched the sports café, the fashion Cafe and the singles cafes.

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**Competitors**

- ▶ **Direct Competitors:** Barista, Cafe Mocha, Costa Coffee, Gloria Jeans, Minerva Coffee Shop, Bru
- ▶ **Indirect Competitors:** McDonald, Haldiram
- ▶ **Global Competitors:** Star Bucks, Costa coffee

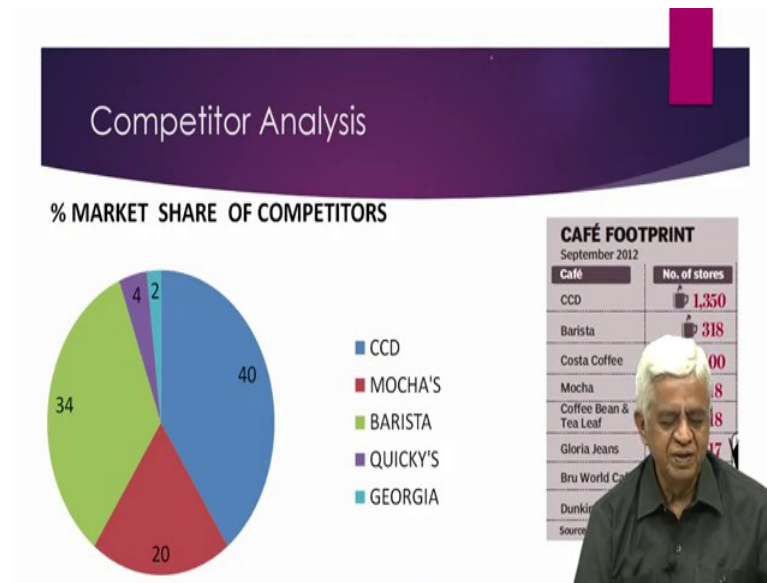
The slide also features logos for Coffee World, Mocha, Bru, Barista Cafe, Starbucks, and Costa Coffee, along with a portrait of a man in a dark shirt.

So, the next question which comes who are the competitors were Cafe Coffee Day? You find big names, the direct competitors for CCD is Barista; then Cafe Mocha, Costa Coffee, then Gloria Jeans, Minerva Coffee shop and Bru; this is the direct competition these people are directly selling this coffee.

If you look at the indirect competitors you are having McDonalds you are having Haldiram. If you look at the global competitors, you have the Star Bucks and the Costa Coffee. So, in a way you can be you can feel proud that an Indian brand has this type of competition and able to do so well.

So, this was the direct competition coming from Barista, Coffee Mocha, then Costa Coffee, Gloria Jeans, Minerva Coffee Shop and the Bru; the indirect ones coming from McDonald Haldiram then the global competition coming from Star Bucks and Costa Coffee.

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If you looked at the market share of these competitors, this is represented by this diagram. If you looked at CCD, the number of stores as of a 2015 it was 1350 compared to that if you looked at Baristas it was 318, the Costa Coffee at 100, the Mocha at 18 the Coffee Bean and Tea Leaf at 18, then the Gloria Jeans at 17, the Bru worlds Cafe at 7 and then you had the Dunkin Donuts at 5. So, this is the way it stood in 2012 September so, 2012 September only. If you looked at the Cafe footprint CCD was really head and shoulders above its competitors.

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So, what have we done? We have traced the history of CCD; how it started? How its growth? How is the growth of CCD till about 2015; then we looked at what is the type of competition, it is facing who are the competitors, then with respect to the market what we did was we looked at what is that type of market presence each of these competitors have. So, when we looked at it we found that CCD was way above to the competitors.

So, then we do with respect to CCD what is called this SWOT analysis strengths, weakness, opportunities and threats. If you looked at the strengths of CCD, it is an excellent brand name and having good visibility has this 9002 ISO certified certification, a best quality service and taste. So, you can just recently when I was going from Bangalore to Mysore I could get this coffee in one of these CCD outlets at around 11.30 in the night.

So, and very hot coffee and very tasty as well. So, then the youth oriented brand the USP of the brand was though it was costly compared to the usual coffee which is available elsewhere in most of these middle class hotels or these other hotels common hotels which you frequent whether it is on the highway or in the cities. The USP of the brand is still compared to the ambience it offers; it says that at affordable prices. Then what is the weakness of this company?

One of the weaknesses is, some of these sites which they have selected for this CCD; there is a feeling that not much thought has gone in it is a wrong site selection; though the ambience generally is good, there is lot that can be done further to further this ambience this decor and ambience could be further improved.

So, this CCD could copy from these global leaders about this ambience and decor how that ambience is and try to reproduce or even better the ambience in the CCD outlets. So, of course, it is having competition from other coffee chains restaurants and food joints. What is the type of opportunity it presents? The opportunity for this CCD is it is the fastest growing industry in Asia and has this wonderful merchandizing possibilities; it can tie up with other companies for promotion.

So, if it is enterprising enough, it can tie up with many other companies for promotion, you can also tap small markets as well. So, then you may have to do or you may have to tweak your pricing strategies to these smaller markets. And you can look at cheaper varieties of coffee for catering to these smaller markets as well. So, if you look at that

threats that this CCD is facing, terrific competition from Barista, Mochas, Gloria Jeans, Costa Coffee and Star Bucks.

There are other players also who offer this hangout locations; it is not just CCD there is lot of competition for CCD from this unorganized market so, terrific competition for CCD from unorganized market. Many times CCD is dependent on government commodity rates so, the type of pricing the government gives for this coffee industry how it is going. So, CCD is dependent on that also.

So, this slide presents to you now you should do a SWOT analysis for a company. So, what we have done here is a SWOT analysis for a company like CCD. We will stop here we will continue very shortly.