

Globalisation of Retailing

An Indian Perspective

Edited by

K. G. S. NARAYANAN

P. K. SUDARSAN



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2963/2, Kacha Bazar, Post Box No. 56,
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E-mail : asspub@rediffmail.com

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Café Coffee Day : A Case Study of Retail Chain

Nandakumar Mekoth
K G S Narayanan
N. Barnabas

Abstract

Organised retailing has become the mantra of all corporate giants following the success of Walmart. Therefore, almost all retail companies the world over are devising their market expansion strategies to tap the untapped market potential in the developing and underdeveloped countries. In tune with the global phenomena, India has also witnessed the growth of many retail chains that cater to the requirements of Indian consumers. One among such fastest growing retail chains is Café Coffee Day. This paper is the out-

come of study conducted in one of the retail outlets of Café Coffee Day.

With a population of a billion and a middle class population of over 300 millions, India is still in the infancy stage in organized retailing. The organized retail revolution has been relatively in a slow pace as compared to many other countries in the world. It is very recently that the organized retailing is making its presence in different parts of the country. Though it was prevalent in the South even a century back, it is taking its roots slowly in other parts of the country. There are many major business houses foraying into the starting of retail chains of food and beverage outlets in South India mainly centered in Chennai, Hyderabad and Bangalore. In India, a country wide retailing will take perhaps a long time due to a lot of supply chain issues involved, diverse culture, geographical spread, lack of full-fledged infrastructure, etc.

Recently India has witnessed the rapid growth of retail chains like Big Bazaar, Pantaloon, Wills lifestyles, Vishal Mart, Subhiksha, etc., and the entry of companies like Reliance, Birla group, Tatas, etc. in organized retailing which was hitherto an unexplored green pasture for Indian Corporate giants. The presence of food retail outlets like McDonalds, Pizza Hut, Kentucky fried Chicken in the major cities and towns in India has changed the style of consumption of Indian consumers.

Similarly, the specialty coffee retail chains like Café Coffee Day, Barista, Nescafe, Java, Quickys have intruded into the minds of Indian customers and they are expanding their business across the country and abroad to capture the market and reap the economies of scale. Amongst the above, the Café Coffee Day(CCD) has been showing a fast growth in terms of business volume and market ex-

pansion.

Company Profile

Café Coffee Day was started in 1996 as a division of India's largest coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd. (ABCTCL), popularly known as Coffee Day. In 2006 Coffee Day was a Rs. 300 crore company with ISO 9002 quality certification. Coffee Day sourced coffee from 5000 acres of coffee estates, the 2nd largest in Asia, which was owned by a sister concern. It also sourced coffee bean from 11,000 other small coffee growers. By mid 2000s coffee day had also become one of India's leading coffee exporters with clients across USA, Europe & Japan.

With its roots in Chickmangalur, the home of some of the best Indian Coffees, Coffee Day set its business spanning the entire value chain of coffee consumption in India. Its different divisions include: Coffee Day Fresh n Ground (which owns 354 Coffee bean and powder retail outlets), Coffee Day Xpress (which owns 341 Coffee Day Kiosk), Coffee Day Take away (which owns 7000 Vending Machines), Coffee Day Exports and Coffee Day Perfect (FMCG Packaged Coffee) division.

Café Coffee Day (CCD) pioneered the café concept in India in 1996 with a mission to be the best café chain in the country by offering a world-class coffee experience at affordable rate. It opened its first café at Brigade Road in Bangalore, a cosmopolitan city renowned as the silicon valley of India. Till about the late 1990's coffee drinking in India was restricted to the intellectual, the South Indian traditionalist and the five star coffee shop visitor. As the pure (as opposed to instant coffee) coffee café culture in neighboring international markets grew, the need for a relaxed and fun "hangout" for the emerging urban youth in

the country was clearly seen. Recognizing the potential that lay ahead on the horizon, Café Coffee Day embarked on a dynamic journey to become a large organized retail café chain with a distinct brand identity of its own. From a handful of cafés in six cities in the first 5 years, CCD became India's largest and premier retail chain of cafes with 381 cafes in 70 cities around the country.

Enthused by the success of offering a world-class coffee experience in the domestic market, CCD opened a Café in Vienna, Austria. Believable sources commented on CCD's plans to open other Cafes in the Middle East, Eastern Europe, Eurasia, Egypt and South East Asia in the coming months

Café formats

Café Coffee Day had 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 ventured into the following formats:

Music Cafés provide customers with the choice of playing their favorite music tracks on the Digital Audio Jukeboxes installed at the café! There are around 85 cafes with such jukeboxes. 32 cafes also provide customers with the visual treat of watching their favorite music videos by means of Video Jukeboxes.

Book Cafés offer the perfect solution to people who think that the coffee experience is incomplete without browsing through the bestsellers or reading a classic. CCD's book corners accentuate the age-old combination of 'coffee and books'. This exciting concept has been successfully tested at 15 cafes in 12 cities across India and the numbers are set to grow exponentially. CCD has tied up with En-

lish Book Depot, one of India's leading book distributors for placement and rotation of reading materials appealing to Café Coffee Day's discerning customers.

Highway cafés on the Bangalore - 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), Southern Avenue (Kolkata) and Jubilee Hills (Hyderabad) 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!

Internationally many other café formats like sports café, singles café, fashion café etc. existed. CCD had intentions to experiment with these formats in the Indian market in near future. Charting out an aggressive expansion plan, Cafe Coffee Day (CCD)... announced it will set up 200 new outlets across the country by 2007, to take the existing number to 500. In an interview with ET in May 2006, Director of ABTC Mr. Naresh Malhotra Said:

"We are very happy to have played a large role in firmly establishing the coffee cafe culture in the country..... We plan to introduce several new initiatives.....We are already discussing with petrol pumps to set up more 'highway cafes' and 'drive through cafes'."

Objectives of the study

The objectives of the study are to identify the factors which have been leading to the rapid growth of Café Coffee Day and also to study its operational functions.

Methodology

This case study has been conducted at the Panaji outlet of Café Coffee Day. A sample size of 120 respondents has been taken for the study. The non-probabilistic convenience sampling technique was used for selecting the sample. The data have been collected through the Direct Personal Interview method with the help of a structured questionnaire. The observation method has also been used for identifying the behavior of the customers at the CCD outlet and to analyze the interaction between the customers and staff of CCD.

Likert's scale has been employed to determine factors, where respondents were asked to rate each attribute on 5 point scale ranging from most very good to very poor. The data so collected was made subject to Factor Analysis, Regression Analysis, etc. for the purpose of identifying definite factors which attract the customers to Café Coffee Day.

Consumer Profile

Teen-agers formed 25% of CCD customers while 38% were between 20 and 24years and another 23% belonged to the age group of 25-29 years. Students and young professionals constituted around 86% of the customers.

Detailed classification on customer based on age is given in Table (1).

Table 1

Age Profile of CCD customers

<i>Sl No.</i>	<i>Age Group</i>	<i>Percentage</i>
1	15-19	24.8
2	20-24	37.9
3	25-29	23.4
4	30-34	3.3
5	35-39	2.6
6	39-44	2.7
7	>45	5.3

Source : Primary Data.

Eighteen percent of the customers visited the cafes daily while another 44% visited weekly. Sixty percent of CCD customers were males and 40 percent females Each café, depending upon its size attracted between 500 and 800 customers daily, mainly between 4pm and 7 pm. Customers described Café Coffee Day as the place they frequent most after "home and workplace/college". CCD was where they met friends and colleagues, in groups of 3 or more; a place where they rejuvenated and felt free to be themselves rather than a place to be "seen at".

Operational functions of outlets

A typical Coffee Day outlet has mainly three functions; F&B production, service and maintenance. Functions like HR, Marketing are mainly staff functions.

The outlet is managed by a Café Manager. Others included Operations Trainees (one or two), Team Members Level I, Team Members Level II and two Team Member trainees. For preparing the coffee, there is a brew mas-

ter and he is trained by the CCD for preparation of varieties of coffees and specifically for maintaining consistency in preparation. The employees are recruited and trained for communication in English and basic human relations skills.

Coffee Making

Coffee production in CCD is mechanized. The machine takes 16 ounce of coffee powder, ground real time, to produce two cups of espresso. The espresso should be made in 25-28 seconds of putting to the machine to ensure good quality. The machine is to be set to ensure this timing. The espresso is topped with milk foamed at different levels to produce different variety of coffee. The personnel can mix milk to the coffee in such a way that the coffee is presented with design on top, say, a heart or a leaf. 120 cups of coffee can be made of one kilogram of beans. One liter milk would suffice for 14 Basa or for 18 Cappuccino. An order is executed within 8-10 minutes if the order is with food and other wise within 5 minutes.

The price of coffee varies from a minimum of Rs. 24 (Espresso) to a maximum of Rs. 47 (Irish coffee). Also the outlet offers snacks such as pizzas, burgers, sandwiches and pastries. The minimum price of snack is Rs. 27 (plain crossiant) and the maximum price is Rs. 68 (chicken sandwich). The revenue from sale of snack is about 20% of the total sales. Apart from coffee and snacks, soft drinks and ice creams are also available. The supply of coffee beans is done by the Head Office and grinding is done at the outlet.

Maintaining Quality

Quality of product is monitored and controlled through proper training spanning for two moths given to

recruits at Bangalore and through regular monitoring by trainers. Trainers check quality at labs set in outlets and better performers in production quality are rewarded for their quality through financial incentives and promotions. Coffee day organizes monthly training programs for employees by setting up labs at the outlet itself.

Café coffee day has regularly won national level competitions held by Indian Coffee Board Barista Championship held annually. In 2002, it won third place at world championship at an international competition held in Boston. Tourists from other parts of the world (visiting Goa) have occasionally commented that CCD has coffee quality better than Starbucks. Ms. Maja Zmejkoska, an Australian tourist, comments.

"The quality of coffee we received here is excellent and the taste is consistent. For a coffee at CCD, I am ready to pay double the amount I pay for a coffee at Star Bucks or Gloria in Australia. For a coffee at Star Bucks I pay \$5.30 (1 AS\$=Re. 35)..... The ambience is nice and the employees are friendly and honest."

Besides maintaining product quality CCD as well concentrates on service quality. Employee training is a regular part of CCD's functioning. Each region has an HR executive in charge of recruitment and training. As per recruitment policy, part timer selected should be at least +2 pass and should have the attitude for service. On satisfactory performance he joins as a team member. A team member becomes regular and permanent as short as a year's time.

Service personnel are trained in the way they serve as well as address customer demands.

Customer complaints are received on line and the CRM department sends complaints to the concerned regional manager as well as to the head of operations at head office. Most complaints correspond to errors and omissions from service personnel at the outlets and it gets reflected in their opinion about coffee served as well as ambience at the outlet.

Reporting System

Each Regional Manager is considered a profit centre head and the performance of the region get reflected in his reward. RM in return rewards the outlet team on their performance through monetary incentives. Reporting to the RM are area managers and reporting to them are café managers. In a typical region comprising Goa, Mangalore, Kerala and regions outside Bangalore comprising 22 outlets, two senior outlet managers are assigned responsibilities of area managers as well. The RM reports to Head of Operations. The cafes are Wi-Fi enabled and vertical reporting system is real-time.

Results of Analysis

In order to identify the factors leading to the successful growth of CCD, the investigators had conducted a survey of customers and they were asked to give their response on various attributes given in Table 2. They were also asked to give an overall rating of their impression about the CCD. These attributes were made subject to Factor Analysis. In order to assign some meaning to factors solution, a minimum acceptance level for factor loading has been selected. The factor loading greater than +0.6 was considered significant. The factors/components with eigen value >1 have been taken as independent variables and the overall rating score about CCD has been taken as dependent variable for doing Regression Analysis. The rotated

Table 4

Results of Regression Analysis

Variables	Regression Coefficient	t value	Level of significance
Factor 1	.446	4.863	.000
Factor 2	.174	1.897	.061
Factor 3	.282	3.069	.003
Factor 4	-.051	-.552	.582
Factor 5	-.073	-.794	.430

Table 5

Summary of Factors

Factors (% of Variance)	Features/Attributes	Factor Loading
1 (3.179)	Friendly Staff	.787
Staff Quality	Courteous Staff	.769
	Staff efficiency	.634
	Coffee consistency	.704
2 (1.555)	Consistent Price	.648
Product Quality	Unique flavor	.599
	Enjoy Music	.725
3 (1.524)	Spend long time	.707
Ambience		

As shown in Table 5, the factor staff quality is the most significant factor which attracts the customers to CCD as it explains 21.19% variance. People give more importance to the attributes like the courteous approach of the CCD staff, their efficiency and friendliness.

Product quality is the second important factor as it explains 10.37% of variance. It shows that the customers of CCD are very much conscious about product quality which ordinarily every customer would look for. This is another important factor which attracts the customers to CCD. The customers give due importance to coffee consistency, unique flavor and consistent and reasonable price.

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and therefore the CCD could continually retain their customers.

The third significant factor is ambience (spend time and music). This factor is explained by 10.16% variance. The customers of CCD prefer to enjoy the ambience provided and they visit CCD to spend their leisure time and also to enjoy music. The above factors have been found relevant in Regression Analysis as R square is 0.310 and also F value is found significant.

Conclusion

The onslaught of retailing in India has provided a plethora of avenues to the existing and new entrepreneurs in this field of business. Coffee business which was hitherto restricted to the market segment of typical South Indian upper class customers has very fast moved out to reach the lips of young people across the country. It has developed some sort of 'bar culture' where people come for a 'hang out' and spend time for a long. The CCD has of late shown a commendable growth, where it has moved from a handful of cafes five years ago to nearly 400 cafes across India. Moreover, it has now entered into the international market.

The factors which could be attributed to the fast growth of CCD, in the absence of much advertisement and promotional measures, are the staff quality maintained through continuous training, monitoring and human resource management practices, maintenance of consistent product quality at an affordable price, introduction of innovative products and their admirable service in good ambience. Its key focus on customer satisfaction and sound customer relations management have helped them to attain a competitive advantage over others which would continue to be their prime strategic initiative in both domestic

and international markets.

Future growth prospects

The CCD has already ventured into foreign markets. It is now trying to tap the potential of the various international markets. They are going to open 19 outlets with an average investment of 5 million amounting to 90 million in Karachi, Pakistan. It has a plan to open 100-150 outlets in this fiscal with an investment of 400-500 million. It expects a growth rate of 30% to post a 4.5 billion turnover this year (2006-07). It has also planned to install coffee vending machines in railway stations, airways like Air Decan, Go Air as a tie-up arrangement.

It also plans to have domestic market expansion by establishing 5,000 outlets in India the next year. They have nearly 400 cafes in India and they have chalked out their plan to start 800 more cafes in the next 2-3 years. CCD has only 15% of the market share in India now.

India has a vast hidden potential in coffee retailing. The coffee survey says that the per capita consumption of coffee in India is 75gms as compared to 4 kg in Germany, 4.1 kg in U.S.A, 9 kg in Switzerland and 11 kg in Finland. It shows the untapped potential of India.

The opening up of retail sector for FDI in India has paved way for many MNCs to enter Indian coffee retail market. The Starbucks is planning to start 2500 cafes globally and first of their café would be started in India by December, 2007. The Italian café vendor, Illy café is also vying for market entry into India. The Java of Reliance group are aiming the stores and petrol bunks while the Chennai based Quikys is also widening their presence all over India. Thus CCD has to face a stiff competition from the domestic as well as multinational coffee vendors, even

though they have competitive market advantage right now in the Indian market.

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