

Café Coffee Day: Brewing to Customer Expectations

Introduction

Despite population of a billion and a middle class population of over 300 millions, India is still in infancy stage in organized retailing. The organized retail revolution that began in late 90s maintained a slow pace of growth in the initial years. However, of late organized retailing has gathered momentum and is in a growth spree. There are many major business houses foraying into retailing of food and beverages in primarily in metros and cities. Experts are of opinion that the retail revolution would take a long time to become a countrywide phenomenon that includes the rural due to supply chain issues involved, diverse culture, geographical spread, lack of full-fledged infrastructure and other reasons. The major retail formats in the country included department stores like Shoppers Stop, Big Bazaar, Wills Lifestyle, Supermarket chains like Food World, Food Bazaar, Nilgiris, Specialty retailers in vegetables like Reliance Fresh, Subhiksha. Many major Indian business groups in India like the Tatas, Birla, Bharti, Reliance had already forayed into various organized retail formats. Organized food chains included retail outlets like McDonalds, Pizza Hut, Kentucky fried Chicken. Similarly, the specialty coffee retail chains like Café Coffee Day, Barista, Nescafe, Java, Quickies also found place in the minds of Indian consumers and are expanding their business across the country and abroad to capture the market and reap

the economies of scale. Amongst others Café Coffee Day(CCD) has been growing fastest in sales volume and market expansion.

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

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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 English 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'."

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 master 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 croissant) 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 months 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 AU\$ = 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 gets 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.

Market Survey

With the intention to identify reasons for going to a café and factors constituting their impressions of CCD as an ideal café a study was conducted among customers at two CCD outlets in Panaji, Goa. Through a non-probabilistic convenience sampling 120 customers were identified and contacted. Data were collected through Direct Personal Interview using 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. A five point Likert's scale was used to rate each of the factors ranging from very good to very poor. The data so collected were made subject to Factor Analysis and Regression Analysis for the purpose of identifying definite factors which attracted the customers to Café Coffee Day.

Consumer Profile and behavior

Analysis revealed that teen-agers formed 25% of CCD customers while 38% were between 20 and 24 years 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

Sl No.	Age Group	Percentage
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".

Results of Analysis

In order to identify the factors that constituted their impressions of CCD as an ideal café, customers 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 factor analytic results are shown in the following tables.

Table 2. Rotated Component Matrix

Variables	Components				
	1	2	3	4	5
Delay in service	.583	.219	.040	-.216	-.098
Business Matters	.143	-.028	.003	.682	.232
Personal matters	.449	-.430	-.017	.116	.271
General topics	.313	-.139	.225	-.665	.212
Spend long time	.147	-.185	.707	-.170	-.015
Listen TV	-.069	.055	-.070	.099	.862
Enjoy music	-.122	.064	.725	.025	-.128
Ambience	.454	.073	.321	.346	-.420
Staff friendly	.787	.034	-.053	-.025	.042
Staff efficiency	.634	.347	-.042	-.194	-.107
Unique flavour	.130	.599	.536	.099	.145
Coffee consistency	.273	.704	.098	.143	.156
Reasonable Price	.115	.648	-.244	-.016	-.089
Clean and tidy	.497	.101	.132	.287	-.006
Staff courteous	.769	.017	.094	.097	-.029

Extraction Method : Principal Component Analysis
 Rotation Method : Varimax with Kaiser Normalization
 Rotation converged in 7 iterations.

Table 3. Total Variance Explained of factors

Components	Eigen Value	% of Variance	Cumulative Percentage
1	3.179	21.196	21.196
2	1.555	10.369	31.565
3	1.524	10.163	41.728
4	1.245	8.300	50.028
5	1.105	7.369	57.397

Extraction Method : Principal Component Analysis

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) Staff Quality	Friendly Staff	.787
	Courteous Staff	.769
	Staff efficiency	.634
2 (1.555) Product Quality	Coffee consistency	.704
	Consistent Price	.648
3 (1.524) Ambience	Unique flavor	.599
	Enjoy Music	.725
	Spend long time	.707

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 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

Coffee business which was hitherto restricted to the target 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 were 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.