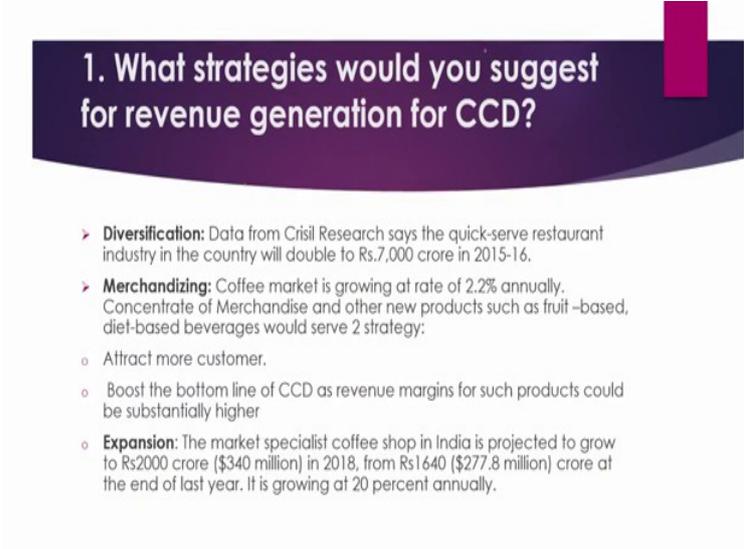


**Integrated Marketing Management**  
**Prof. R. Srinivasan**  
**Department of Management Studies**  
**Indian Institute of Science, Bengaluru**

**Lecture - 32**  
**CCD continued**

Welcome again, these are the questions, which are asked at the end of this CCD case in the book on this case studies.

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**1. What strategies would you suggest for revenue generation for CCD?**

- **Diversification:** Data from Crisil Research says the quick-serve restaurant industry in the country will double to Rs.7,000 crore in 2015-16.
- **Merchandizing:** Coffee market is growing at rate of 2.2% annually. Concentrate of Merchandise and other new products such as fruit-based, diet-based beverages would serve 2 strategy:
  - Attract more customer.
  - Boost the bottom line of CCD as revenue margins for such products could be substantially higher
- **Expansion:** The market specialist coffee shop in India is projected to grow to Rs2000 crore (\$340 million) in 2018, from Rs1640 (\$277.8 million) crore at the end of last year. It is growing at 20 percent annually.

The first question is what strategies would you suggest for revenue generation for CCD? That is in order to augment the revenues of CCD, what is the type of strategies that you would suggest? For this we have to do some good spadework, if you look take this CRISIL research. This CRISIL research says that the quick serve restaurant industry in the country will double to 7000 crores in 2015-16 only you can check these figures, whether it has doubled. This is a wonderful opportunity for CCD to cater to smaller markets.

If you looked at this merchandising this coffee market is growing at the rate of 2.2 percent annually. What could CCD do? Concentrate on merchandise and other new products such as fruit based, diet based, beverages? It could look at 2 strategies attract more this it can be both as what do you call fruit based beverage and a diet based beverage would serve 2 strategies.

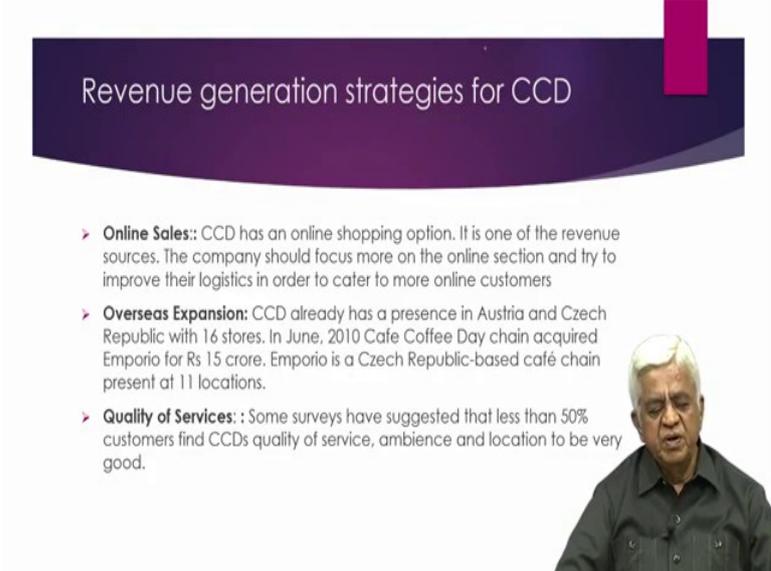
This can result in attracting more customers, it can boost the bottom line of CCD as revenue margins for such products could be substantially higher. Then the other strategy that you can think of is expand market expansion.

How do you basically get these answers? If, you looked at the type of theoretical background which we went through, the answers product market expansion matrix provides you the type of answers, which are given here. The answer which is being given next is what is called the expansion. What is this expansion? The market specialist coffee shop in India is projected to grow to rupees 2000 crore in 2018.

You can again check these figures; this was as of 2015 they these projections were at this 2000 crore. Basically, going up from 1640 crores to 2000 crores in 2018 registering there by a 20 percent annual growth rate, which is very good.

As we looked at the BCG matrix any market which is growing above 10 percent is considered an attractive one. This was one of the first questions that was asked, for this question this is the answer. What is the, what are the strategies would you suggest for revenue generation for CCD? One is you suggest diversification, second is looking at merchandising, third is expansion.

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Revenue generation strategies for CCD

- **Online Sales:** CCD has an online shopping option. It is one of the revenue sources. The company should focus more on the online section and try to improve their logistics in order to cater to more online customers
- **Overseas Expansion:** CCD already has a presence in Austria and Czech Republic with 16 stores. In June, 2010 Cafe Coffee Day chain acquired Emporio for Rs 15 crore. Emporio is a Czech Republic-based café chain present at 11 locations.
- **Quality of Services:** : Some surveys have suggested that less than 50% customers find CCDs quality of service, ambience and location to be very good.



Then, what is the fourth one? You could look at online sales. The present economy in the Indian conditions also is more becoming online, it is what do you call the digital

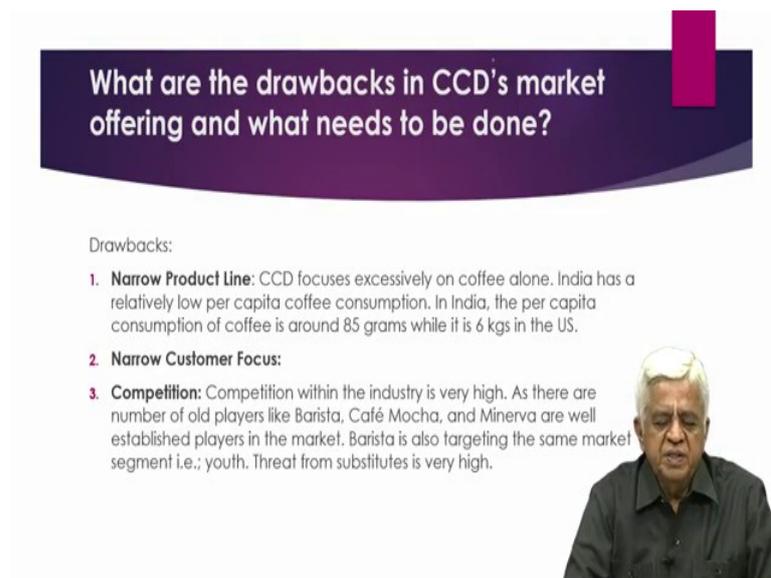
economy has set in and many of the present-day youngsters, they would like to do this online shopping as an option. It could also be looked at as one of the revenue sources. The company should look at online section and try to improve their logistics to cater to more online customers.

The other option is to look at overseas expansion. When you are looking at overseas expansion CCD already has a presence in Australia and Czech Republic with 16 stores in 2010 CCD acquired Emporio for 15 crores, rupees 15 crores. So, Emporio is a Czech republic based coffee cafe chain present at 11 locations.

In fact, by this CCD became a very strong player in the Czech Republic. The quality of services which CCD offers according to the feedbacks given by some of the customers, it is felt that the ambience can be improved. So, that is less than 50 percent of the customers they said, CCD quality of service ambience and location to be good; that means, to say more than 50 percent felt that, it could be improved.

What does that suggest? Though the ambience of CCD is there, it could look at the global competitors to improve that ambience, that could be one of the big improvements which CCD could think of thereby it is brand value also goes up and it is quality of service also registers a dramatic growth.

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**What are the drawbacks in CCD's market offering and what needs to be done?**

Drawbacks:

- 1. Narrow Product Line:** CCD focuses excessively on coffee alone. India has a relatively low per capita coffee consumption. In India, the per capita consumption of coffee is around 85 grams while it is 6 kgs in the US.
- 2. Narrow Customer Focus:**
- 3. Competition:** Competition within the industry is very high. As there are number of old players like Barista, Café Mocha, and Minerva are well established players in the market. Barista is also targeting the same market segment i.e.; youth. Threat from substitutes is very high.



There was one more the next question that was asked was what are the drawbacks in CCD; we see in CCDs market offering and what needs to be done? The answer for this, one is the first drawback is it is the narrow product line kindly not all this. Whenever you are attempting any other case analysis, this provides you the method of analyzing the case.

We looked at the history how it has grown, we looked at the competitors; we looked at the market share of the company visa we the competitors, we did a competitor analysis also whether we looked at the local, or experts, then we looked at what are the type of competition these companies facing, whether it is direct competition or indirect or global. All this then with all this we said we do a swot analysis for this company.

All these are basically required to analyze any case; you should do this. The question that is asked is what are the drawbacks in CCDs market offering and what needs to be done? The first drawback you can look at CCD is it is a narrow product line. All said and done, if you look at our own country, it is tea which is consumed more compared to coffee, if you look at North India tea is consumed more. And, CCD focuses excessively on coffee alone.

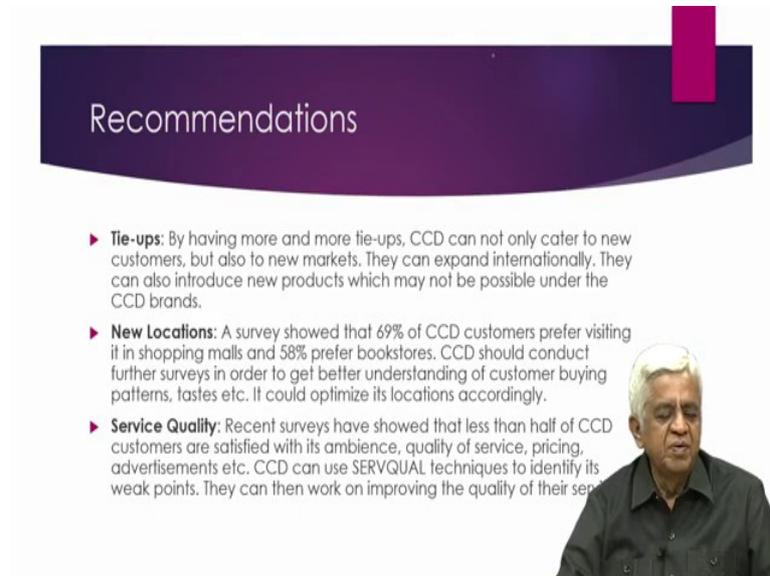
If, you look at the per capita consumption of coffee in India it is relatively low, around 85 grams while in the US it is 6 kgs. US can provide a very good opportunity for coffee, because most of the people take coffee in the United States not the tea, tea is not very popular.

Then, the narrow customer focus you are looking at the youth market basically the question many times comes why you are not looking at the other markets, why you only this 20 to 24, 24 to 30 farming only the chunk of your market for customer focus can it not be expanded further. Then the type of competition, if you look at within the industry very high there are old players like this Barista, Cafe Mocha, and Minerva. And, the most important thing is some of them like the barista; they are targeting the same market segment that is the youth.

The question that comes is the coffee that you get from Barista is a direct substitute for CCDs coffee. This direct from substitute is very high. You do not have let us say CCD offering a particular variety in which you may be interested, you may find that tea is being offered by barista. Immediately the youth will shift to that store that is the barista

store instead of the CCD. So, this is a type of market in which you are operating. These are the type of drawbacks

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**Recommendations**

- ▶ **Tie-ups:** By having more and more tie-ups, CCD can not only cater to new customers, but also to new markets. They can expand internationally. They can also introduce new products which may not be possible under the CCD brands.
- ▶ **New Locations:** A survey showed that 69% of CCD customers prefer visiting it in shopping malls and 58% prefer bookstores. CCD should conduct further surveys in order to get better understanding of customer buying patterns, tastes etc. It could optimize its locations accordingly.
- ▶ **Service Quality:** Recent surveys have showed that less than half of CCD customers are satisfied with its ambience, quality of service, pricing, advertisements etc. CCD can use SERVQUAL techniques to identify its weak points. They can then work on improving the quality of their service.



Given these types of drawbacks, what is the type of recommendations that you can give? The type of recommendations that you can think of is have more and more tie-ups. Look at tying up in a marketplace. Do not be under the impression that CCD alone can cater, it cannot cater to new customers alone, it can cater alone to new markets.

It may be advantages for CCD to tie up, if you tie up if you is if you establish a good tie up the advantage it come it gets you is it can help you to expand internationally. Tie up with a well-known international outfit, when you tie up with this well-known international outfit, they can also introduce new products, which may not be possible under the CCD brands.

If you looked at this type of tie ups many of these Barista are taking place in the present-day situation. Many of these wholesale brands, which are offering with whether they are coming from Wal-Mart, or your Flipkart, or whether they are coming from big bazar, you see many of the well-known brands having a tie up.

Whether it is a metro these tie ups are exposing the products of these companies to a larger customer base. The number of people who visit metro in Bangalore is very high.

And, the type of revenues that it can generate is also very high. CCD also should look at these types of international tie ups.

Then what is the type of new locations? Try to have your coffee in new locations. Survey was done which showed that 69 percent of CCD customers prefer visiting it in shopping malls and 58 percent prefer bookstores. Many felt that CCDs presence in shopping malls can be drastically increased. This is also an indicator to the company that it should conduct further service.

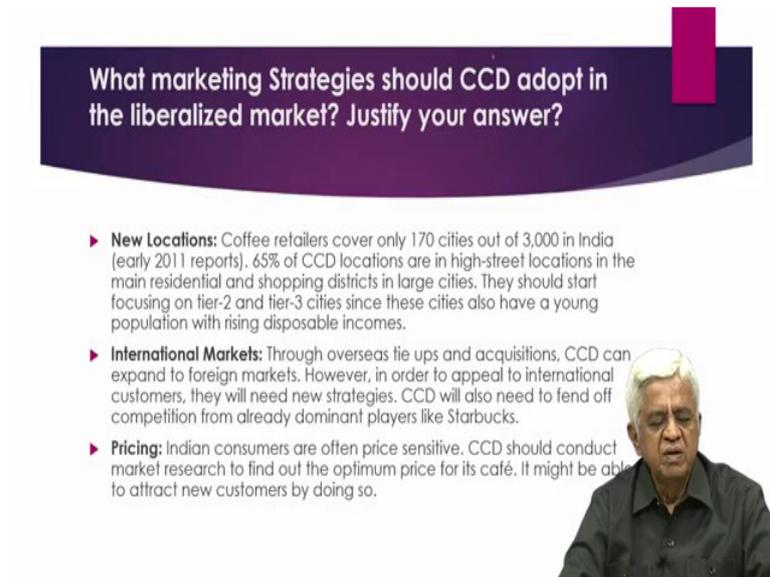
What is the type of in results you could expect from the service, you can get a better understanding of the customer buying patterns, what is the type of taste they have? This in turn could help you to optimize locations. The other thing that the company should focus on is on service quality. SERVQUAL is becoming extremely important in this type of experience industry that is a service quality.

If you looked at the types of service, less than 50 percent felt that were happy, less than 50 percent were satisfied with the ambience quality of service, pricing, advertisement etcetera of CCD. That means, more than 50 percent felt that the service quality needs to be improved. Including whether it is ambience the quality of service advertisement, all the pricing etcetera all these needs to be relooked into.

In order to do this the company can make use of SERVQUAL techniques to identify it is weak points service quality techniques. This is the type of this this instrument was given by Professor Parashuraman and 2 others.

Now, in the US and this SERVQUAL model is considered very popular, it can help in identifying the weak points with respect to this service industry. They can then work on improving the quality of their services. It applies very strongly to CCD as well.

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**What marketing Strategies should CCD adopt in the liberalized market? Justify your answer?**

- ▶ **New Locations:** Coffee retailers cover only 170 cities out of 3,000 in India (early 2011 reports). 65% of CCD locations are in high-street locations in the main residential and shopping districts in large cities. They should start focusing on tier-2 and tier-3 cities since these cities also have a young population with rising disposable incomes.
- ▶ **International Markets:** Through overseas tie ups and acquisitions, CCD can expand to foreign markets. However, in order to appeal to international customers, they will need new strategies. CCD will also need to fend off competition from already dominant players like Starbucks.
- ▶ **Pricing:** Indian consumers are often price sensitive. CCD should conduct market research to find out the optimum price for its café. It might be able to attract new customers by doing so.

The next question that was asked was what marketing strategies should CCD adopt in the liberalized market? In our country also as you know from 1991 onwards, we started liberalizing markets. As, if 2011 only 170 cities out of 3000 in India were covered by CCD. It improved quite drastically to nearly 350 cities in by 2015, you can look at the figures in 2018 and 2019. How it has improved, what is the type of this improvements which has taken place?

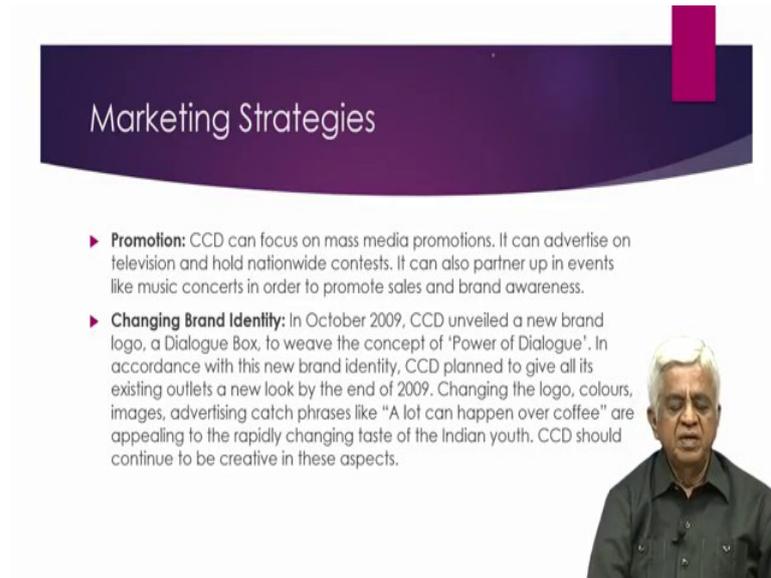
Nearly 65 percent of these locations were in high street locations and main residential and shopping districts in large cities. Then the question came what about that tier 2 and tier 3 cities, they also have a young population. This young population are available with rising disposable incomes in these cities; then CCD has an opportunity to concentrate on these locations.

The next one is which we discussed earlier go further on international markets. There is a certain presents of CCD in some countries like the Austria and the Czech republic, it can go further it can be through an overseas tie up or it can be through acquisitions CCD can expand to foreign markets, but when you are going to foreign markets, your customer base is also going to be different. So, you are looking at international customers.

When you are looking at international customers you require new strategies to address these segments. In each of these international state customer segments, you will be already having competition from well-known players.

If you look at the dominant player like Starbucks, it can provide a very stiff competition for CCD. If you looked at pricing all said and done the Indian consumer is price sensitive. What should CCD do: it should conduct market research to find out, what is the type of optimum price you could charge for it is offerings in CCD. If you do that you may be able to attract new customers as well.

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The slide is titled "Marketing Strategies" in white text on a dark purple background. Below the title, there are two bullet points, each starting with a red triangle. The first bullet point is about "Promotion" and the second is about "Changing Brand Identity". In the bottom right corner of the slide, there is a small video inset showing a man with white hair and a dark shirt speaking.

- ▶ **Promotion:** CCD can focus on mass media promotions. It can advertise on television and hold nationwide contests. It can also partner up in events like music concerts in order to promote sales and brand awareness.
- ▶ **Changing Brand Identity:** In October 2009, CCD unveiled a new brand logo, a Dialogue Box, to weave the concept of 'Power of Dialogue'. In accordance with this new brand identity, CCD planned to give all its existing outlets a new look by the end of 2009. Changing the logo, colours, images, advertising catch phrases like "A lot can happen over coffee" are appealing to the rapidly changing taste of the Indian youth. CCD should continue to be creative in these aspects.

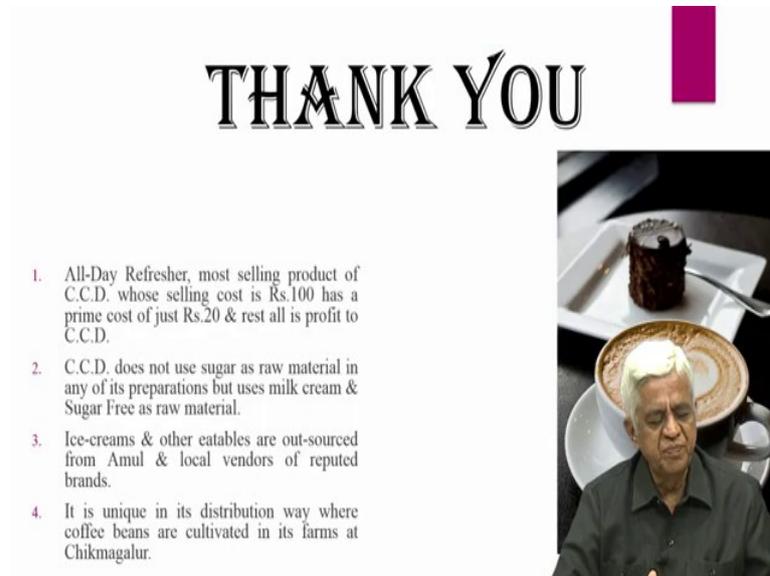
What is the type of marketing strategies the company can adopt? It can adopt, what is good promotional strategies, it can be on through mass media promotions. Advertisements can be on television, or you can hold a nationwide contest, or you can partner in events and like music concerts to promote sales and brand awareness, these are all the types of strategies CCD should look at. It can also look at other strategies as well. This is not limited to these alone.

The other strategy suggested is changing brand identity and explanation is given. In October 2009 CCD unveiled a new brand logo a dialog box. What was this dialog box supposed to do to view the concept of power of dialog? In accordance with this new brand identity CCD plan to give all it is existing outlet us a new look by the end of 2009. Changing the logo, colors, images, advertising, catchphrases like a lot can happen over coffee, or appealing to the rapidly changing taste of the Indian youth.

In other words', the youth is appreciating the creativity of CCD in it is through it is brand identity. This a lot can happen over coffee, which is synonymous with CCD, it is also

symbolizing the changing taste of the Indian youth. So, CCD should continue to expand or to be more creative in these aspects.

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**THANK YOU**

1. All-Day Refresher, most selling product of C.C.D. whose selling cost is Rs.100 has a prime cost of just Rs.20 & rest all is profit to C.C.D.
2. C.C.D. does not use sugar as raw material in any of its preparations but uses milk cream & Sugar Free as raw material.
3. Ice-creams & other eatables are out-sourced from Amul & local vendors of reputed brands.
4. It is unique in its distribution way where coffee beans are cultivated in its farms at Chikmagalur.



If you look at some of the types of results which are coming in of CCD, the most selling products of CCD is the all-day refresher. These figures are as of 2015, you can check on these figures in 2019, the most selling product of CCD the all-day fresher, the selling cost was rupees 100, but the prime cost of it as a prime cost of just rupees 20.

The rest is all profit to CCD, that is when it is selling at rupees hundred it is making nearly 80 percent profit. CCD does not use sugar as raw material in any of its preparations, but uses milk cream and sugar free as raw materials. It does not use sugar; it uses it is milk cream and sugar free as raw materials.

The other thing which CCD is doing is ice creams and other eatables or outsourced from Amul and local vendors of reputed brands. This is a type of tie ups which CCDs trying to do, it is unique in its distribution way where coffee beans are cultivated in its farms at Chikmagalur, it does not have to depend, on others forums for its coffee. It has a very huge coffee estate from where its coffee beans are coming and not only are they catering to the domestic market; it is also catering to the export markets.

These are basically the type of answers, you can think of providing for the type of questions that is asked in the case study, that is the CCD what are we trying to do by all

this? If, you looked at the way we went through this CCD, we have gone through so many steps.

One is the history of the organization, the type of market it is of operating, in the type of competition it is facing, did a good did a competitor analysis for CCD, then did a customer segment analysis for CCD and then this target segment, how it is being positioned? Then we looked at the types of strategies that you can adopt. In order to do that we did what was called the swot analysis for the company, where we looked at strengths, weaknesses, opportunities and threats.

Looking at SWOT we said these are the types of strategies that you can adopt to expand the market not only domestically, but also internationally. This is a type of strategies one can use to expand the market. The basic input was coming actually from the product market expansion matrix where we said we are looking at one particular segment.

Basically, it is a 2 by 2 matrix; we looked at one quadrant where you expand your markets with the present products only, if required with new offerings also. That can also give you a wonderful exposure to other markets.

Then, we suggested that types of strategies that could be adopted. All this proving that CCD has even though it was faced or it is faced with the unfortunate demise of its founder still it is a good growing industry. And, with this growing industry it can still make a unique mark, not only in the domestic market, but also in the international market, this is the way you can look at case analysis for a service industry like CCD.

In the next class we will look at one more case the case we are going to look at will be from the software industry. We looked at the service experience through CCD. In the next class we look at a case analysis of a software industry. The software industry we are going to look at is what is called the I flex.

Now, IFlex is known as oracle. The brand IFlex now coming out with this brand oracle. IFlex earlier I flex now oracle. We will look at that case analysis in the next class.