

BRAND ANALYSIS OF CAFE COFFEE DAY(CCD) AND STARBUCKS

INTRODUCTION

Cafe Coffee Day

Cafe Coffee Day (CCD) is an Indian cafe chain Founded by V.G. Siddhartha in 1996. It is a subsidiary of Coffee Day Enterprises Limited. Coffee Day serves 1.6 billion cups of coffee annually in six countries. Internationally, CCDs are present in Austria, Czech Republic, Malaysia, Nepal and Egypt. The first CCD outlet was set up on July 11, 1996, at Brigade Road, Bangalore, Karnataka. First it was opened as a cyber cafe. Cafe Coffee Day has become India's largest and premier retail chain of cafes with an advantage of being vertically integrated.

Starbucks

Starbucks Corporation is an American global coffee based in Seattle, Washington. It is the largest coffee-house company in the world with 23,391 stores in 62 countries. The first Starbucks opened in Seattle, Washington, on March 30, 1971, by three partners who met while they were students at the University of San Francisco: English teacher Jerry Baldwin, history teacher Zev Siegl, and writer Gordon Bowker. The three were inspired to sell high-quality coffee beans and equipment by coffee roasting entrepreneur Alfred Peet after he taught them his style of roasting beans. In 1987, the original owners sold the Starbucks chain to former employee Howard Schultz (present President and CEO), who rebranded his Il Giornale coffee outlets as Starbucks and quickly began to expand.

Reason of choice

Starbucks, the world's largest coffee retailer and Café Coffee Day, India's No. 1. While CCD had to build its brand from scratch in India. Starbucks and CCD are totally different in respect with their target segment, pricing, strategies adopted etc. Thus, the reason of choice is:

To analyze two different branded products from similar markets to demonstrate understanding of brand and brand architecture.

To compare both the brands

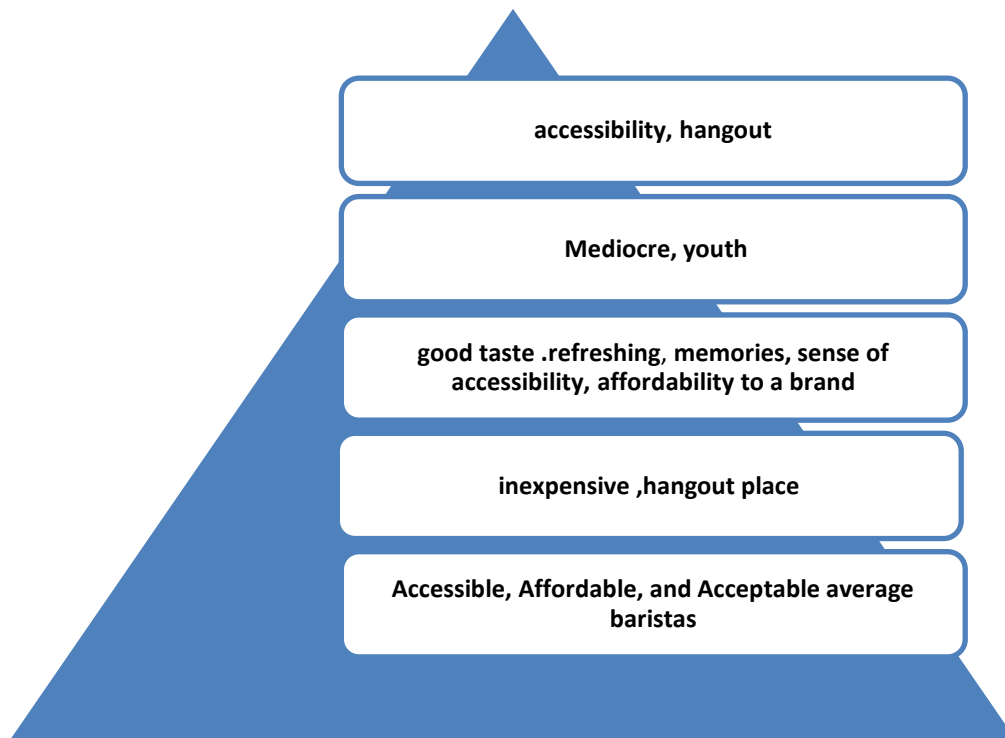
Both the brands satisfy the same purpose to the market maintaining its differentiability. So I choose them in order to determine how similar or how different they are from each other and what brand value do they have in the market.

Learning Goals

- To study the Customer perception and attitude towards retail coffee chains
- To understand the Preference in choice of Coffee chain
- To study the factors affecting the customer choice of coffee chain
- To make a comparative analysis between CCD and Starbucks

BRAND PYRAMID

Brand pyramid of CCD



+ PRODUCT ATTRIBUTE: It's a Cafe chain offering a world-class coffee experience at affordable prices. It targets youth in the middle and higher income namely students & working professionals. The majority of CCD's customers falls within the age group of 20-35 years. The group comprises of main college going students & young working professionals.

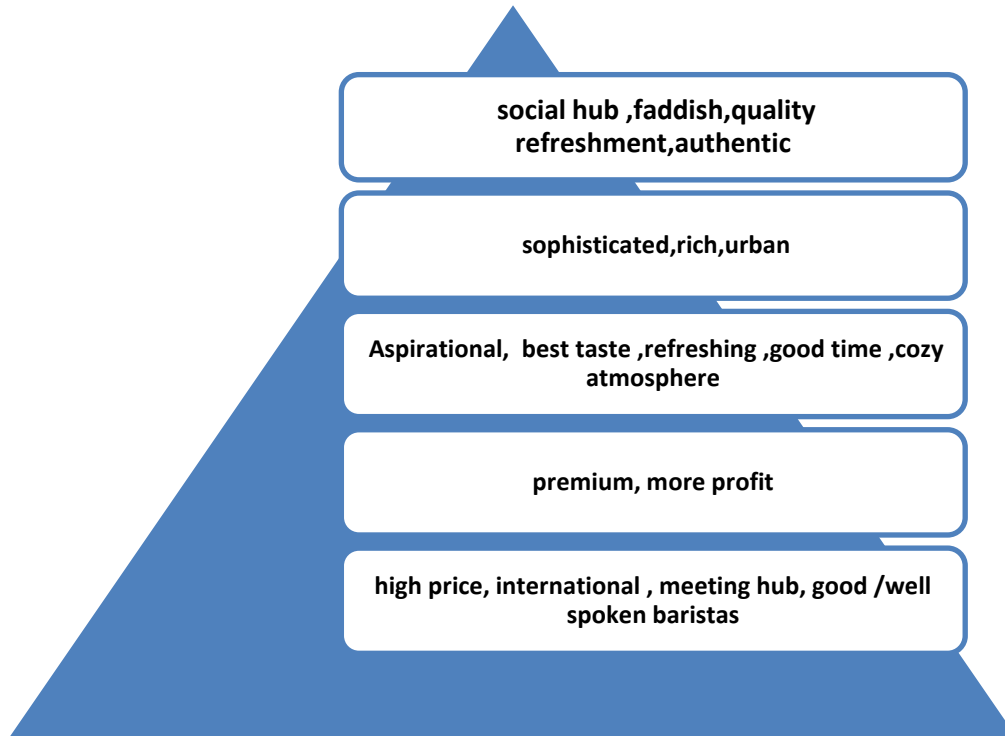
+ **PRODUCT BENEFIT:** The majority of young adults in India have money to spend but not too much to spend on highly priced coffee. CCD to the youth is a “hangout” spot where they meet people, make conversations, and have a whole lot of fun over steaming cups of great coffee

+ **EMOTIONAL BENEFITS:** Youth’s favourite hangout destination across the country. It’s beverages provide good taste and refreshment to its customers.

+ **BRAND PERSONALITY:** Café Coffee Day is built on three key pillars, which we call our ‘AAA Strategy’ - Affordability, Accessibility and Acceptability. Overall It’s personality is of a mediocre youth

+ **BRAND CORE/ESSENCE:** CCD has definitely connected well with coffee lovers as we are seeing higher growth in cafés. Café Coffee Day has played an essential role in awakening India to the coffee café culture by giving people an enjoyable ambience, from cozy seating to ordering the finest selections of coffee brews, beverages and food. And above all, it has given a place where India could go and spend a while to think and talk about things they like.


Brand pyramid of starbucks




+ PRODUCT ATTRIBUTE: Tata Starbucks has the potential to attract executives and the rich urban youth as well. Tata Starbucks is stylish, sophisticated outlet targeted at high-end customers.

+ PRODUCT BENEFIT: Commitment to the highest quality coffee in the world. Since it is a premium brand, thus, it makes more profit in the world of brands .

+ EMOTIONAL BENEFITS: Other than best taste and refreshment it also provides aspiration of achievement of a premium brand and also good time in a cozy atmosphere in big cities.

 **BRAND PERSONALITY:** Overall Starbucks demonstrates a “persona” that extends well beyond their brand's functional benefits. Starbucks is outgoing, youthful, personable, sophisticated and friendly...a refreshing escape, freshness, warmth, and comfort.

 **BRAND CORE/ESSENCE:** The essence of the Starbucks brand is to be a meeting place. That brand character has been expertly captured in a series of films. Organized under the “Meet me at Starbucks” campaign, these beautiful short films focus entirely on the customer. At the same time, they communicate the international extent of the brand.

BRAND COMPARISON

SWOT Analysis of CCD and STARBUCKS:

STRENGTHS

CCD	STARBUCKS
Loyal customer base	Successful in China, US & Europe
Vertical Integration	Joint venture with Tata
Affordable prices, attracting a huge chunk of young population	Creates Experience through distinguished service.
First mover advantage	Stores in posh areas and better profit margin

WEAKNESS

CCD	STARBUCKS
Failing standards of customer service compared to premium brands	With premium pricing it cannot target Tier II cities of India
Comparatively weaker brand & hence cannot target tourists & sophisticated customers	Presence only in upscale locations i.e., Metropolitan cities
Comparatively lower salary for employees	Late entry into Indian market and hence lower penetration

OPPORTUNITIES

CCD	STARBUCKS
Increase brand awareness by advertising	Come up with offers to target youth
Tap sophisticated customers with good service	Come up with innovative strategies like the ones used in China

THREATS

CCD	STARBUCKS
Increase in competition	Maintaining same service levels
Increase in complexity of business as the chain grows rapidly	High costs - both operating and real estate

STARBUCKS VS CCD:

Menu:

Both coffee houses have a fairly large and appetizing selection of food and beverages. Both have beverages including hot and cold assortment of coffees, iced teas and frappuccinos (or frappes, as CCD calls them). I like that I like that Cafe Coffee Day is having fun with their frappes by using oreos and coffee beans, but Starbucks wins me over by including less-calorie caffeine fixes like iced cappuccinos and espresso shots, whereas CCD for the days I'm looking for non-creamy drinks. Lately, CCD has increased its food menu and even started including Indianized sides like samosa, etc.

Pricing:

Starbucks is infamous not just in India but also abroad for selling overpriced coffee. At a first glance the price point does seem much higher in comparison to CCD. For example, a tall cappuccino in Starbucks costs INR 120 and a regular cappuccino at CCD costs INR 75 (before taxes, tall is equivalent to regular of CCD). Similarly, a tall cafe mocha in Starbucks costs INR 140 and a regular cafe mocha at CCD costs INR 95 (before taxes).

Ambience:

Both coffee houses have pretty nice interiors. Cafe Coffee Day outlets have brighter colors like purple and red, while Starbucks has its signature off-whites and rustic browns inspired by authentic European coffee houses. Plus the first Starbucks outlets in Mumbai have classy interiors using Indian motifs infused with modern elements.

Service:

Cafe Coffee Day has self-service in some outlets and table service at others, whereas Starbucks has self-service everywhere. While lots of Indian customers prefer table service, the quick self service at Starbucks is highly appreciated when I'm running late and need a quick coffee to go.

Hospitality:

In India, each time you go inside a Sbux, the baristas call out, "Welcome to Starbucks!", and when you leave they yell, "Thank you!", which Guy has specifically asked me to mention to you all that he finds a bit annoying! ("Very," he calls out as I type!)

Although if you compare the hospitality for Starbucks vs CCD, I've had examples of good hospitality at both chains. I like it especially when they remember my name and my regular order.

Customers:

Both brands are targeting the youth in India. Guy also wants me to mention that Starbucks can sometimes be full of "wannabes" who want to show off their financial prowess for being able to buy "premium" coffee.

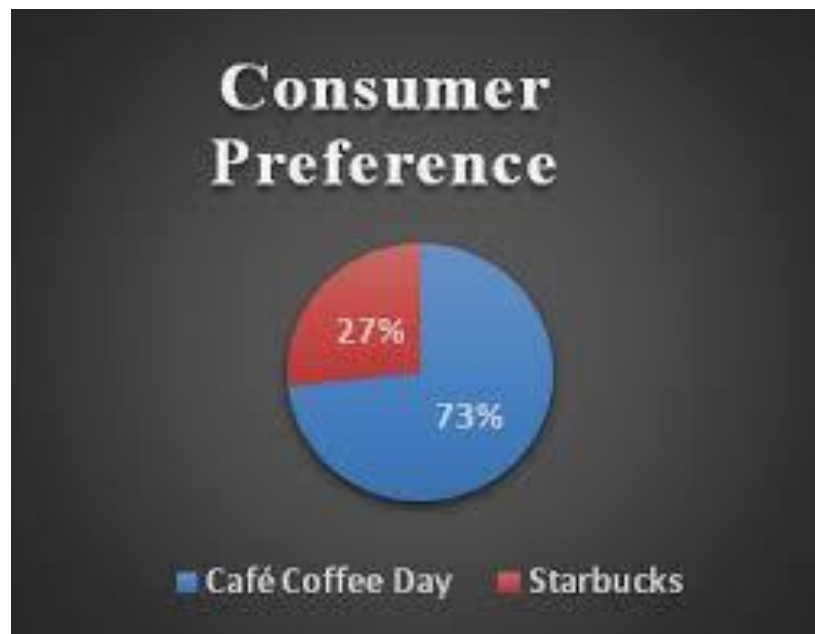
Coffee and Authenticity:

As for the quality of the coffee – there is no much difference whatsoever. You get the same Cappucino in CCD that you get at Starbucks, but since Starbucks is an international brand, the coffee costs more in Starbucks. Also, the Starbucks baristas are better educated, speak better English, and are paid much better. CCD employs young people from poor families and trains them, which is a good

thing too. Above all, since starbucks is Australian, it can taste coffee like no one can.

Starbucks vs CCD: Verdict:

So, all points considered for Starbucks vs CCD, it is obvious that Starbucks is quite the winner here. It is giving quite a competition to CCD and for good reason.



BRAND VALUE

Sometimes back when Starbucks entered India, Business media started explaining and suggesting strategies what and what not CCD (Cafe Coffee Day), the biggest coffee chain India (60% market share), should do survive the market entry of Starbucks in India. The response was quite expected since Starbucks has all the resources to take battle head-on with CCD in India

However, Starbucks did just the opposite. But before I come on to that let me explain what make CCD so successful in India

The key strengths of CDD is its Distribution channel, affordable pricing and high brand equity.

1- Strong Distribution Channel: CCD has a strong store format through which it targets all the segments. It operates its 1,550 outlets in three main formats which target different segments

- a) Regular café (1,495)
- b) The premium Lounge (51)
- c) and CCD Square (4), which serves single-origin (rather than blended) coffee
- d) Apart from these outlets, CCD has also set up 600 takeaway kiosks called CCD Xpress, and 16,000 vending machines in corporate offices around the country.

Expansion at CCD has been driven in a grid of verticals and formats, where verticals include transport hubs, shop-in-shops, hospitals, highways, college and corporate campuses

2- High Brand Equity among Youths: Being the pioneer of coffee culture in India, CCD enjoys high brand equity among the youths with major chunk of CCD customers falls within the age group of **20 to**

30 which accounts for **60%** of the overall revenue. The group comprises of mainly college going students and young working professionals

3- Differential Pricing: CCD follows differential prices, different stores of CCD has different pricing, which allows CCD to maintain profitability at store level

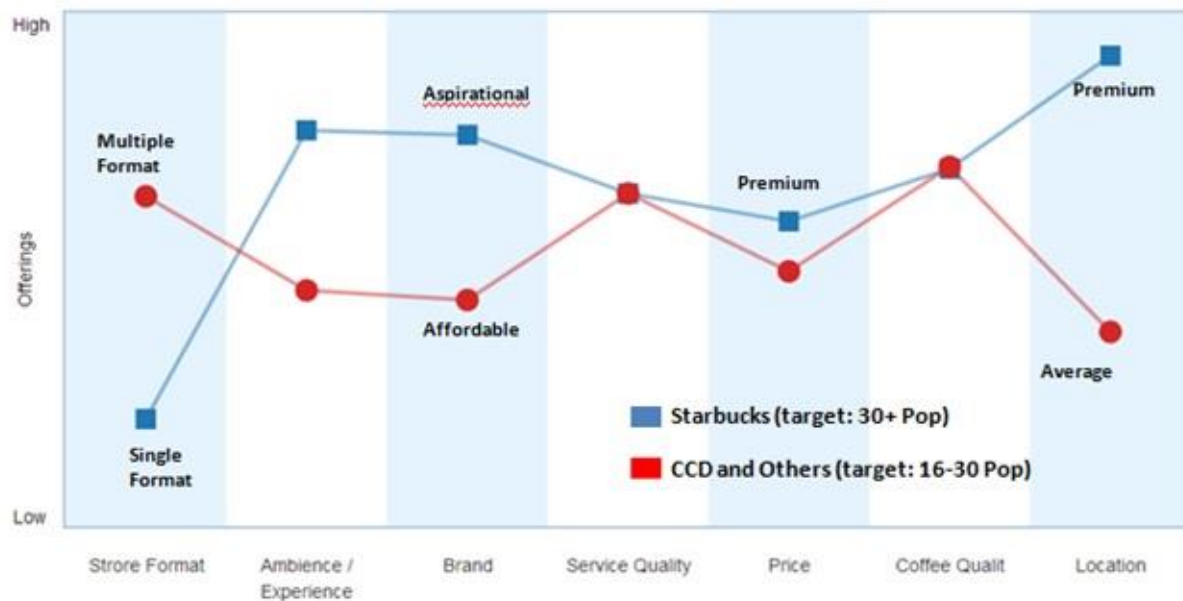
Let us see, what happened when Starbucks entered in India?

Conventional wisdom suggests that Starbucks should take a head on battle with CCD. However, Starbucks realized that it will never be able to rival CCD in terms of sheer scale and market share in India and even if it tries to do this will require huge investments in real estate, threat of price war with CCD and other chains, brand dilution etc. Starbucks also realized that CCD has high brand equity among youths due to its affordable pricing due to large young population which are its prime consumer base.

But at the same time, Starbucks realized that CCD is weakest in premium segments, doesn't have the clear positioning and scale of operations. Moreover, this segment has no competition (except CCD lounges and Squares) and there are ample opportunities to provide better services to the premium segment instead of going mass market which has intense competition from other chains

With keeping all the above factors in mind Starbucks has devised a strategy of going premium which will avoid heads on battle with CCD

Starbucks Differentiation Strategy compared to CCD and other Brands



- **Single store format:** Unlike CCD, Starbucks will have only one format. Single store format will allow Starbucks to set a uniform brand expectations
- **Price:** Standard pricing for all the stores but 1.5 times higher than CCD
- **Location:** Unlike CCD, Starbucks will have stores only in premium positions to target upper middle class
- **Brand Positioning:** By going premium, Starbucks is creating an aspirational brand

In other words, Starbucks has a clearly defined strategy of playing in premium segment, targeting upper middle class above 30 populations by creating aspirational brand through single format, single pricing and providing high ambience and coffee experience.

This is a wonderful example of how strategies should be created and uncontested market place are formed. As AG Lafley categorically said, *“Strategy not about selectively choosing where to play and how to win but it is also about what not do”*

BRAND VALUE/EQUITY(CONCLUSION)

- Starbucks has tied up with Tata, which means great connections since they have deeper reach which will help them to open stores quickly. Tata is a major coffee producer, so no need to import coffee.
- Starbucks is known for the brilliant service offered. Opened its first store in Mumbai – upscale location in old gothic building. Indianized the outlet, creating strong brand value.
- Real estate prices are shooting up but chances are, like Delhi airport invited them, other offers may follow. Also can open in other Taj Hotels, Westside outlets etc. – all Tata brands targeting upper-middle class customers.
- Starbucks earned from \$2k-\$4k USD per day, while CCD's best stores earned only \$2k USD
- The median age of the Indian population is 27 compared to 37.6 in the US and 36.7 in China and so these markets are very different. Even though the disposable income that people below 25 years have is less, due to the changing dynamics of the population and economy, the level of disposable income will increase. If CCD doesn't focus on this segment now, Starbucks will overtake it.

India is a highly brand conscious country and CCD should aggressively start promoting their brand before Starbucks increases its market share. Also demand for better service has increased with growing middle class consumers.

Also, initially when Boeing was the only dominant player in the aircraft manufacturing sector and Airbus entered the market, Boeing did not pay heed to its competitor Airbus. But today, Airbus enjoys an almost equal market share.

With this in backdrop, CCD should opt for an aggressive approach.

WHAT CCD SHOULD DO:

Upgrade: CCD should upgrade their existing stores and strive to improve their service levels to take on Starbucks.

Differentiate: CCD should seek to differentiate itself from Starbucks and focus on its two main positioning elements i.e. youth and affordability.

Focus on 27+ Consumers: Develop products for this segment and provide higher level of services to make their experience memorable.

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I hope it will be liked. Thank you.