

History of coffee essay sample



History of coffee in india

The entry of Starbucks into the Indian Market has rocked the Indian café value chain which has been dominated by Cafe Coffee Day. Even though Cafe Coffee Day executives have welcomed the entry of Starbucks, arguing that the space is enough for more players and that the maturity of Starbucks will benefit the market, the company has created a comprehensive plan to protect its dominance and its market share from any potential encroachment. This paper provides some solutions and recommendations to Coffee Cafe Day's director Venu Madhav and its founder V. G. Siddhartha that would help them deal with the market disturbances created by Starbucks' entry. It details how Coffee Café Day should leverage on its strengths and identifies its key competitive advantages that it can use to protect its market share and the challenges it should address. It also address Starbuck's key competitive advantages that could pose a threat to Coffee Cafe Day and the challenges that could compromise its ability to compete with Cafe Coffee day. Finally, the paper proposes a short term corrective action plan and a bolder, bolder and aggressive action plan focusing on long term growth.

Response To Starbucks Entry: Short Term And Long Term goals

In response to Starbuck's entry Venu Madhav and Siddhartha should leverage on Café Coffee Day's strengths. One of its main strengths is its dominance in the Indian market. It controls more than 55 percent of the coffee stores market share. It also enjoys customer loyalty due to its excellent quality. To compete with Starbucks, Cafe Coffee Day should protect

its market share from encroachment through several short term and long term strategies. In the short term, it should review its pricing strategy. The company should keep its prices lower than Starbucks'. Secondly, Café Coffee Day should work on its in-house experience. The coffee lounges should be made exceptionally attractive through furniture upgrade and improved ambience. It should consider a wider range of value adding features such as free Wi-Fi and children play areas. Creating a customer friendly atmosphere will allow the company to retain its loyal customers and also attract more. In the long term, Café Coffee Day should focus on quality customer service. Venu Madhav and Siddhartha must review their selection, recruitment, and training procedures to ensure the company's staff can competently handle customers and their needs. The use of social media platforms to interact with customers is a strategy that can allow the company gets vital customer feedback that can be used to improve product and service quality and address the needs of the customers satisfactorily.

Important Competitive Advantages And Challenges

The most important competitive advantages for Coffee Café Day are its deep presence in the Indian coffee market, strategic location, and the ubiquitous vending machines. Café Coffee Day owns several coffee plantations in India (Yoffie & Bijlani, 2014). More than a third of its raw materials come from the plantations. This advantage is important as it allows the company to keep the prices down and provide discounts to customers regularly. It is a key component of the pricing strategy which the company must employ to compete with Starbucks. The second advantage is location. Café Coffee Day has already occupied almost all strategic high street locations in major cities

(Roshini et al, 2014). One of the major barriers for retailers in India is high real estate costs. Any new entrant must invest heavily to put up stores at strategic locations and may not be able to whittle down the location advantage that Café Coffee Day currently enjoys. The last major competitive advantage for Coffee Café Day is the vending machine segment. The vending machines are present in many corporate offices and other strategic locations. This has enhanced the company's presence in leading cities. The biggest competitive challenge is the entry of Starbucks. Starbucks had a global reputation which has favored its entry into the Indian market, posing a threat to Coffee Cafe Day's dominance. The best way to deal with this challenge is investment in advertising and promotions to increase Cafe Coffee Day's visibility.

Starbucks Competitive Advantage And Challenges

One of the competitive advantages is its global presence and reputation. When it enters a new market, it uses this reputation to attract customers. Many people are eager to have a Starbucks experience. Therefore, it does not have to advertise itself in its new markets. Secondly, its partnership with the Tata group India is a crucial competitive advantage because of Tata's deep knowledge of the Indian market and its wide networks in the country (Sarbapriya, 2013). This partnership helped Starbucks establish itself faster in India by setting up many stores in premium locations. Starbucks main challenge is its pricing strategy. India is a price sensitive market. Starbuck charges premium prices for its coffee which many not are attractive to Indians (Yoffie & Bijlani, 2014). This challenge is an advantage to Caffe Coffee Day as it can counter Starbucks by lowering its prices, especially

because its production and raw material costs are lower than Starbucks.

Furthermore, the high cost of real estate in India might affect its expansion plans.

How Siddartha And Madhav Should Respond

Café Coffee Day has more than 55 percent of the market share. There is no need to react impulsively or aggressively in response to the threat that Starbucks poses. Siddartha and Madhav should roll out both short term improvements and gradually implement an action plan in the long term. In the short term, they should focus on slight course improvement actions. The short term improvements include more personalized experience, improved depth of beverages, a wider and better food menu, and control of employee attrition rate through more incentives and benefits. Furthermore, it should focus expanding to busy and more strategic urban locations such as colleges, airports, and train stations.

In the long term, Siddartha and Madhav should focus on bolder, bigger, and aggressive actions. First, they should target the upper middle class which is Starbucks's main market segment. Secondly, they should double the advertising budget to improve brand visibility. Furthermore, they should launch stores in smaller cities that Starbucks is not currently targeting. Finally, Siddartha and Madhav should create an internationalization strategy and launch stores outside the Indian market.

Conclusion

Despite its deep roots in the Indian market, Caffe Coffee Day is facing a strong challenge from Starbucks, which is leveraging on its global reputation to carve a niche in India. Cafe Coffee Day must respond with both short term and long term actions that will protect its dominance and market share.

Pricing is one of the most important strategies that will help Siddartha and Madhav stave off Starbucks challenge. India is a price sensitive market and as long as prices remain down, it is highly unlikely that Cafe Coffee day will lose its customers to Starbucks.

References

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