

Illy cafe marketing analysis essay sample

[Food & Diet](#), [Coffee](#)



**ASSIGN
BUSTER**

Strengths

Illy Gruppo is well known as a premium coffee maker. Their coffee bean suppliers need to follow a very demanding standards in order to work with them. Throughout the years, Illy Gruppo has developed an outstanding value in coffee making. This company has a long family story. Francesco Illy, the founder of the company, was the first one to develop the first coffee machine. In 1933, there was the first established Illy coffee making production. In 2014, Illy is a well known brand operating on 5 continents in 150 different countries. Apart from a very fine taste of the coffee, the company found itself in other business such as coffee machines, capsules, and even established its own University. The way Illy promote its product differs from normal marketing strategies. It offers an experience (including coffee tasting and barista lessons) during art exhibitions. Illy Gruppo is a well-diversified company, producing not only coffee but also chocolate, tea, candied fruits by its subsidiaries. Illy has its own market target, HoReCa, which includes hotels, restaurants and cafes. This company is well developing. It is possible to find Illy products almost in every developed country.

Weaknesses

The biggest risk for the company is that a coffee is not a necessity. If there is an alternative product to coffee in the future, Illy will suffer. There is a risk in overexpansion, due to shortage of suppliers. Quality of the beans may go down if the expansion of the company will be out of the control. Illy should always remember that it has small business units, meaning that it can not

demand more than these units can sell. The other weakness that Illy may have is higher loan rates to its shops overseas. It should also be careful with Tax structure, due to its obscurity in different countries.

Opportunities

One the main opportunities for Illy, is that they are giving somewhat independence to its subsidiaries, letting them improvise and research for new products. The access to Illy proprietary system will lead the industry. Since Illy company possesses itself as a premium coffee maker, their post sale services can be better developed; therefore, there will be more returning customers. Since this is a holding company, including different brands there is always a place for a better development of the small brands under the name of Illy Gruppo., by implementing new products and services to the growing market. Also, as Illy changed the perception of espresso in US, it should now concentrate on the emerging Asian market, making them drink Illy espresso as well.

Threats

Since Illy Company is growing fast, and their standards for coffee are exceptionally demanding, the production of the coffee beans is limited, and as it was stated before Illy may face a dilemma between further rapid expansion and drops in quality of the coffee. There is a high competition going on in serving pod and coffee machines, where Illy might lose it market share due to the pressure from its competitors. New competitors are always a threat to the company, if one day Illy decides to go public, it might turn

company in the wrong direction, also meaning losing its global market share. Due to unknown government regulations and political situation in different countries Illy may face increasing costs (higher taxes, higher logistics costs), decreasing profits (lower demand during war/revolution in the particular country) and price changes in general (inflation, devaluation of the local currency, global crisis)

PESTEL Analysis

Political Factors

Illy Gruppo might be affected by political factors. Firstly Illy has small business units around the globe, that can not really change government regulations. It's a one way approach, meaning that Illy cannot change the government in a certain countries, but government can change regulations for coffee producers. For example putting high Export taxes or quotas on the supplying countries. Economic Factors

Illy Gruppo faces high pressure from its competitors in a coffee machine industry. Levels of inflation in a particular country. The threat of a new global crisis (or local crisis in the country). Increasing costs or/and decreasing profits due to the price change and lower demand in the region. High loan rates. Elasticity demand. Increasing incomes. gloobilization Sociocultural Factors

Increasing in health consciousness. Researches made not in favor caffeine alternatives. Caffeine has an effect on blood pressure, stomach and heart in a human body. Little awareness of " proper" espressos in Asian countries.

Market for a cheaper coffee is likely to grow. Time and place. Personal issues. Complementary issues. Technological Factors

Investing in R&D of coffee machines. Changing human waiters to robots in Illy Cafes. Making online shops with a 24 hours delivery throughout the globe. Changing the consumer buying mechanism. Environmental Factors

Changing the ways of coffee delivery from suppliers. Fair trade. Making machines with lower energy consumptions. Recyclable coffee capsules (can be recycled after consumption). Coffee machine parts (as well as coffee capsules) made of recyclable resources. Climate change. Legislative Factors

Licensing the whole line of Illy production. Health and Safety regulations, Product labeling and product safety.