



PRESENTATION ADDRESSED TO: VENU  
MADHAV, CCD DIRECTOR

# HOW TO REACT TO STARBUCKS' ENTRY IN THE INDIAN COFFEE MARKET

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# OBJECTIVE

**Assess the alternative strategies to respond to the entry of Starbucks into the Indian coffee market and provide a recommendation to sustain our competitive advantage within it.**



# KEY ISSUES

- Do the two companies target the same demographic?**
- Can Starbucks induce a shift in consuming patterns?**
- Will real-estate prices hinder expansion?**
- Can Starbucks financially survive in India?**
- Does CCD have to change their strategy?**

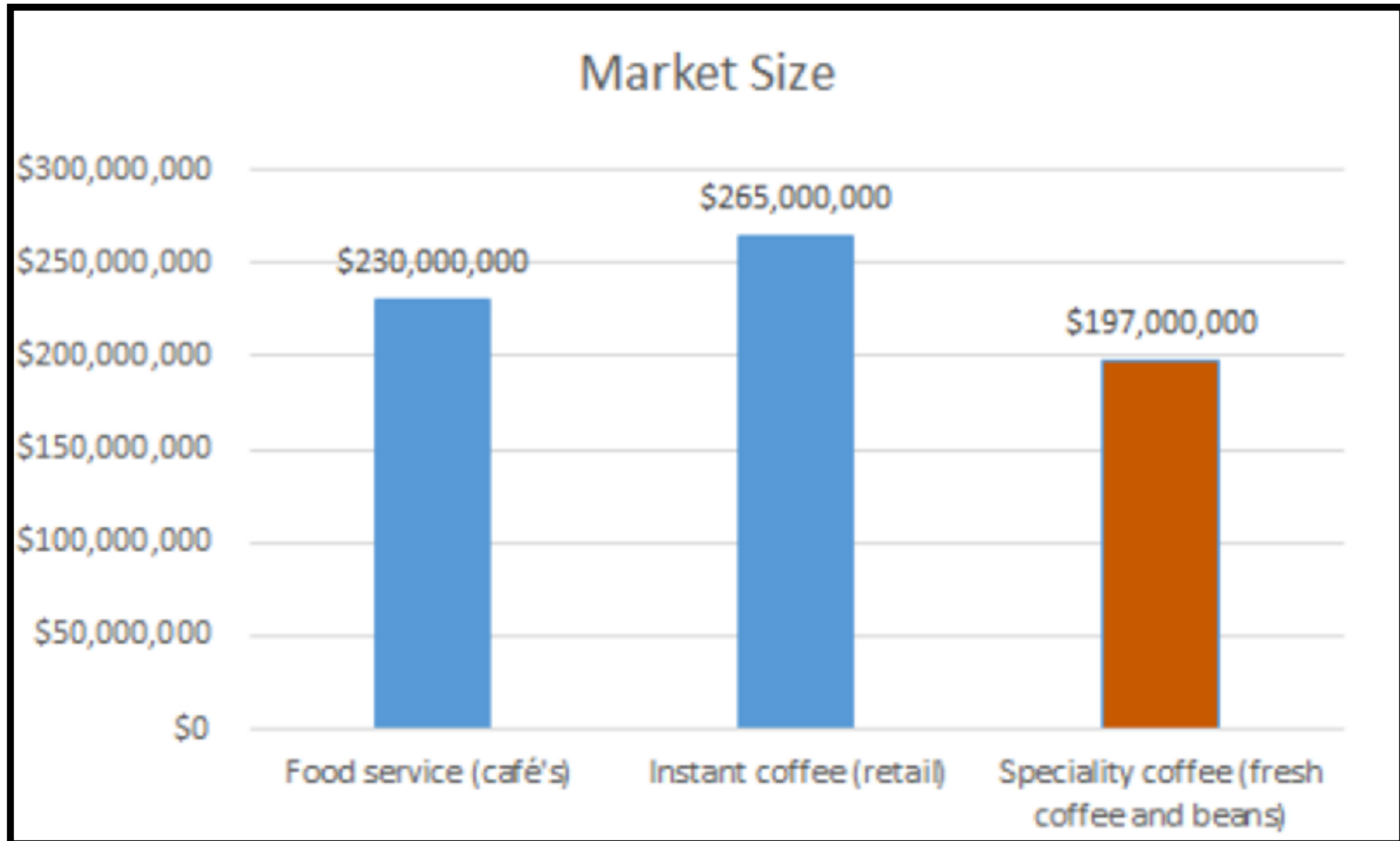


# AGENDA

- Current Situation**
- External Environmental Assessment**
- Cafe Coffee Day's Core Competence Assessment**
- Alternative Strategies**
- Recommendations**
- Implementation**
- Forecast/Projections**



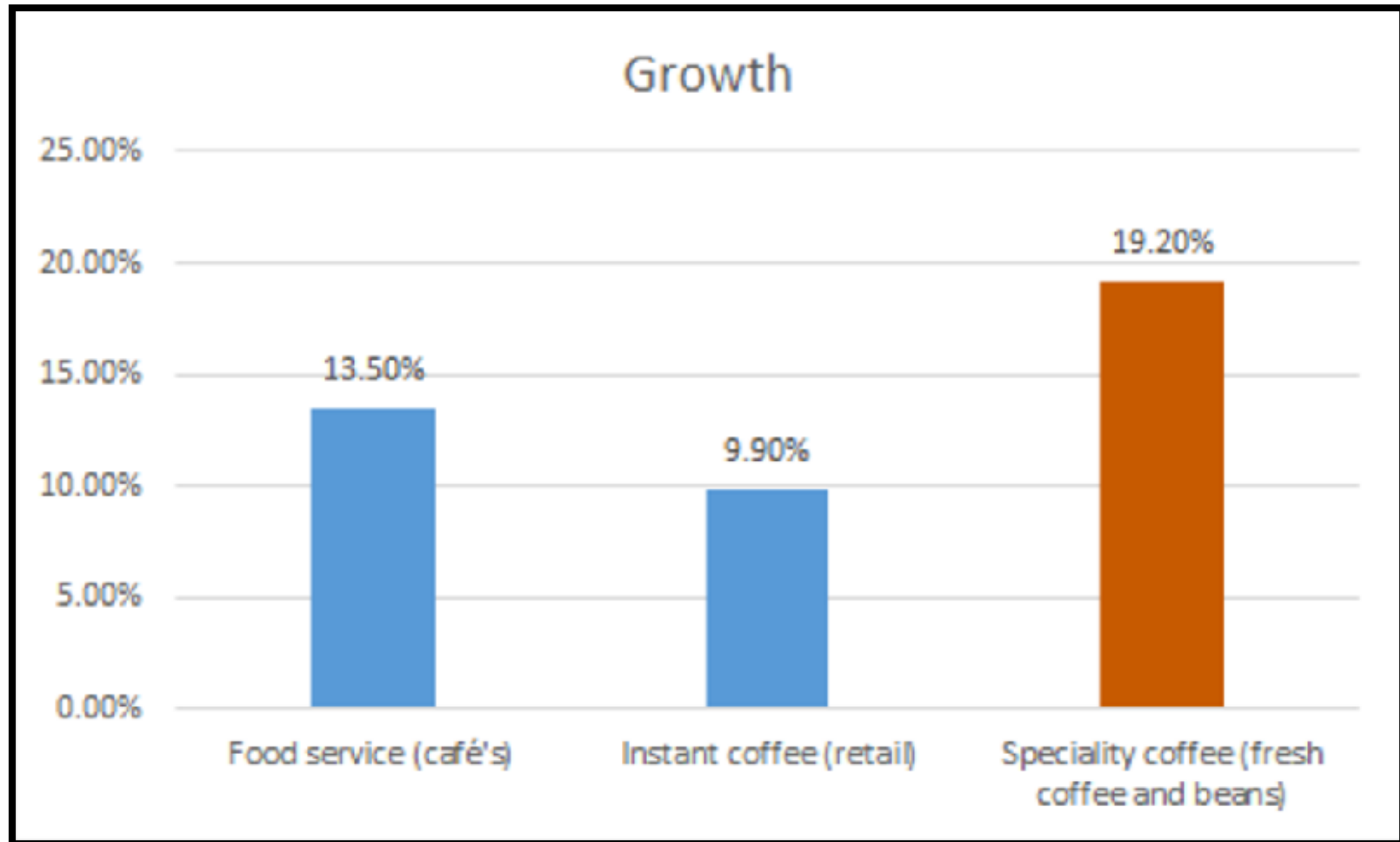
# CURRENT SITUATION MARKET SIZE



Speciality coffee is currently the smallest in market share



# CURRENT SITUATION **GROWTH**



However, speciality coffee has the most growth indicating growth stage

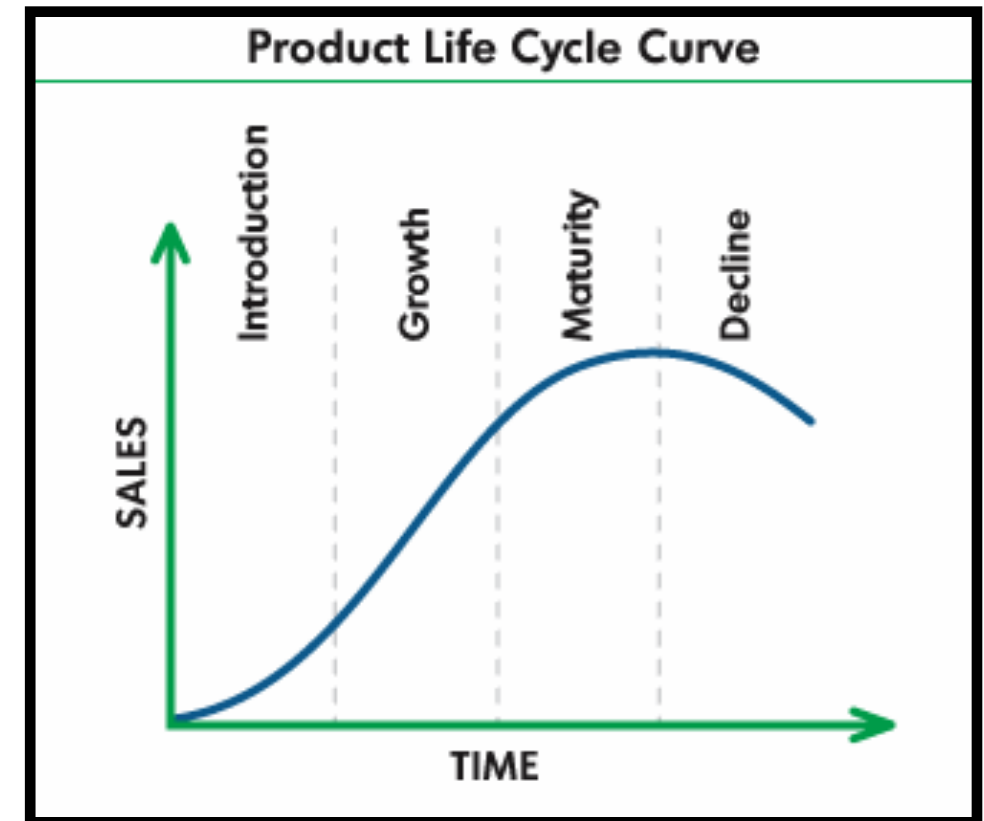


# CURRENT SITUATION **GROWTH**

Cafe-type establishment business - Early Growth stage

(CAGR) of 6.8% between 2001 and 2011

Expected to increase from \$230 million in 2012 to \$410 million in 2017



# COMPETITION **TARGET MARKET**



**Targets Upper Middle Class Individuals**

**Targets Ages 30+**

**Targets the Social Individual**

**Targets the High Spenders**





# COMPETITION **TARGET MARKET**



**Targets Middle - Upper Middle Class  
Individuals**

**Targets Ages 15 - 30**

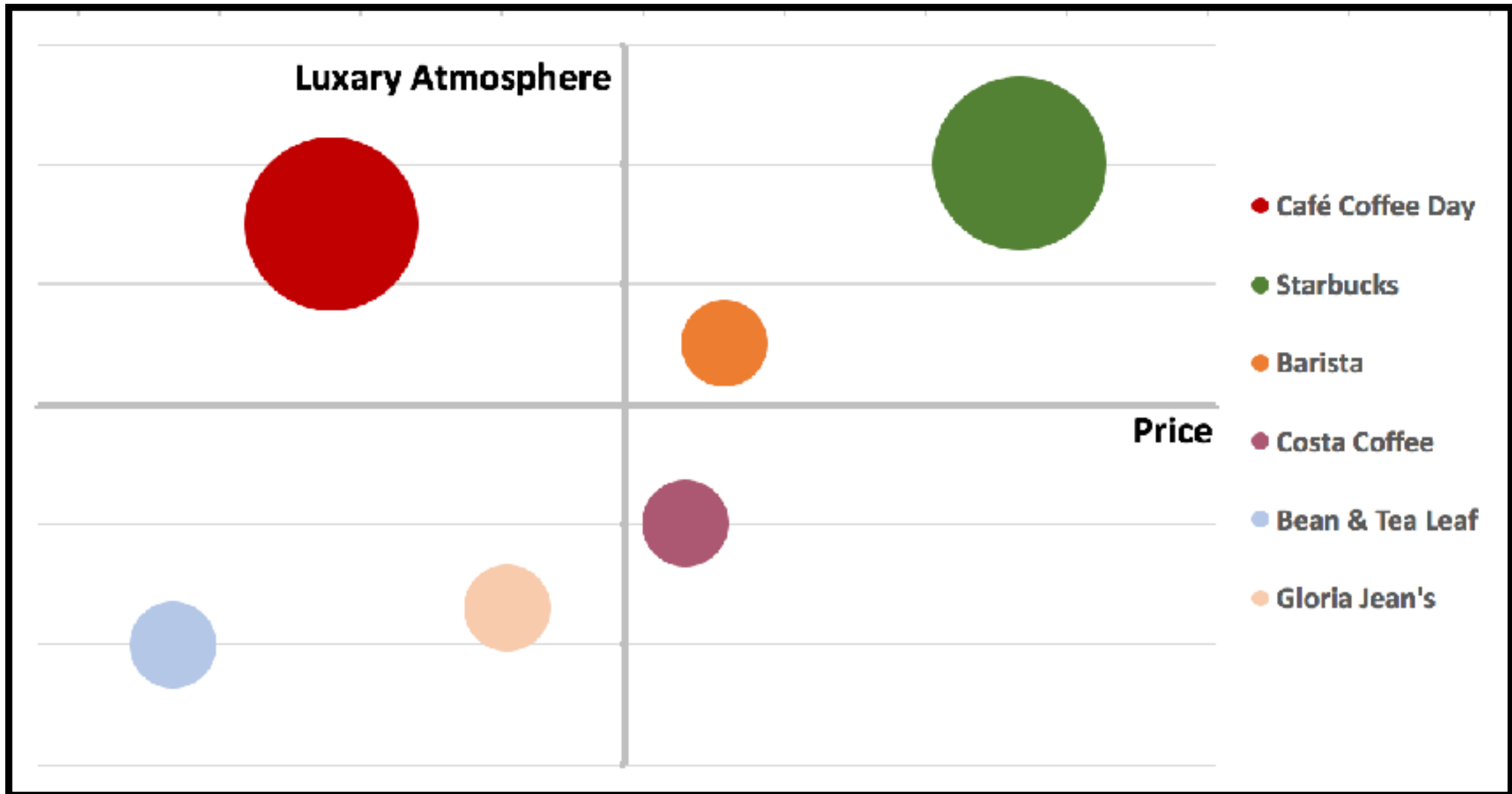
**Targets the Social Individual**

**Targets the Price Conscience Consumer**



# COMPETITION PERCEPTUAL MAP

Café

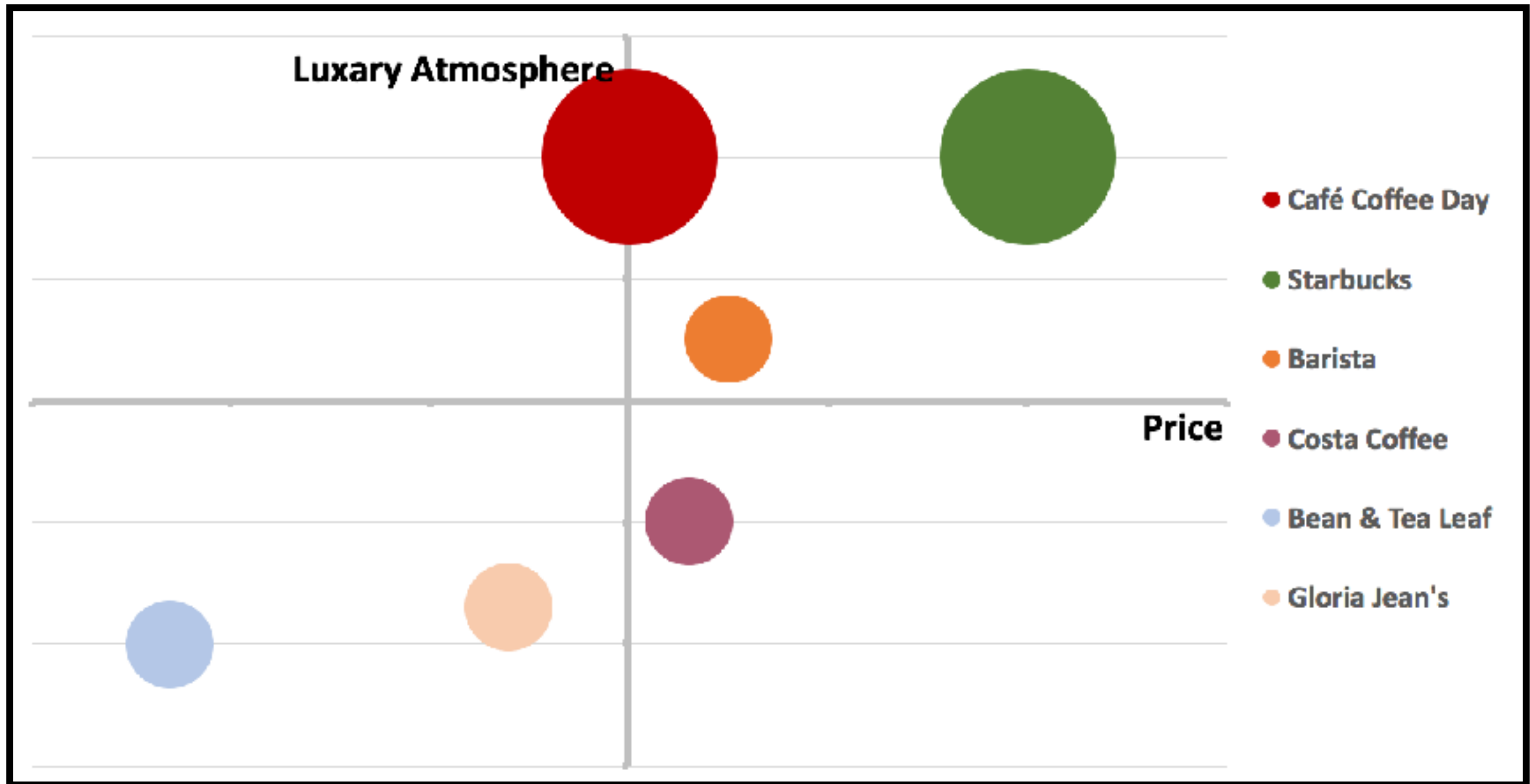


There is a differentiation between CCD Cafes and Starbuck stores



# COMPETITION PERCEPTUAL MAP

## Lounges

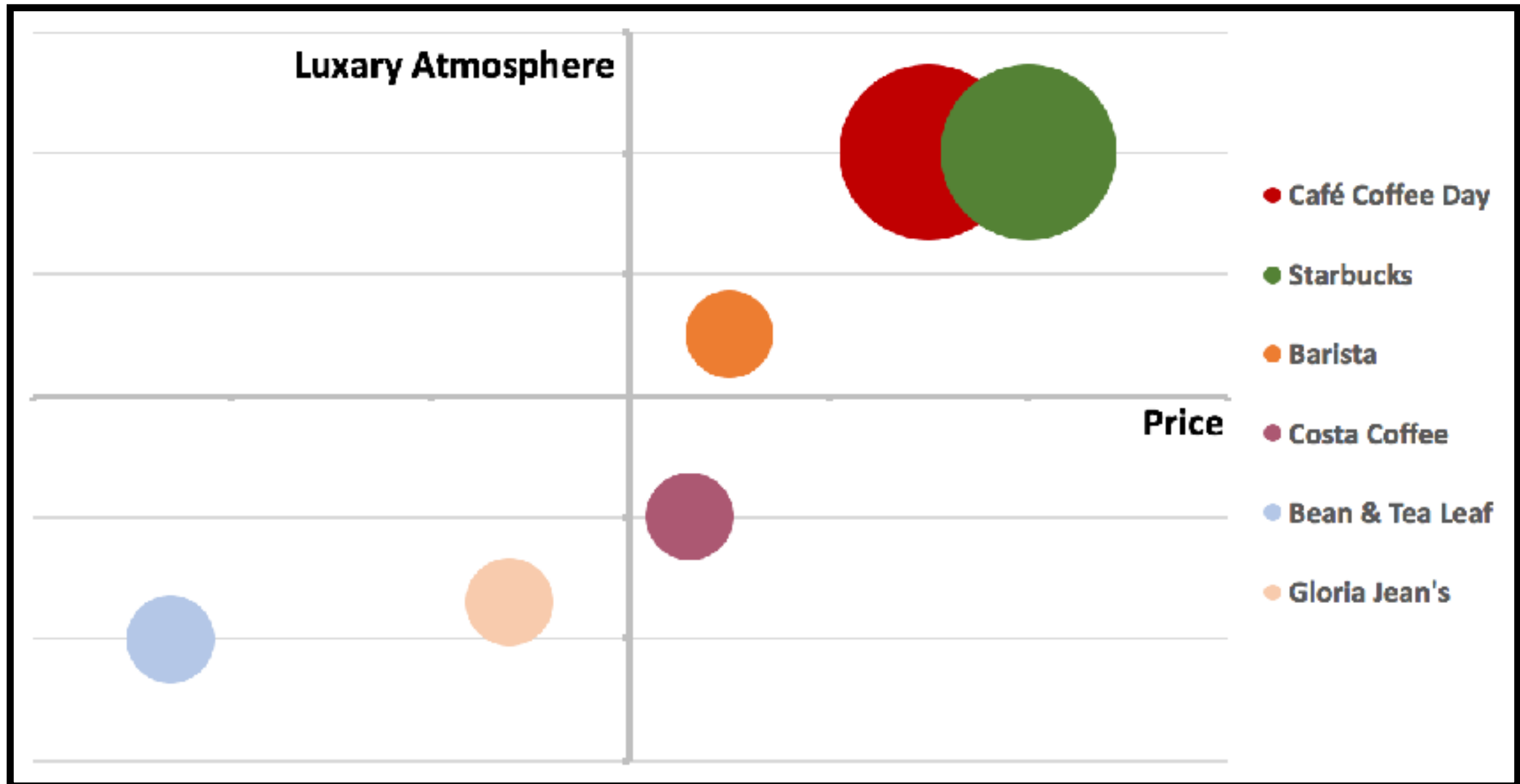


There is a small differentiation between CCD Lounges and Starbuck stores



# COMPETITION PERCEPTUAL MAP

Squares



There is little differentiation between CCD Cafes and Starbuck stores



# EXTERNAL PORTERS ANALYSIS

## Competitors (Medium)

- Starbucks, Barista, Costa, and Bean & Tea Leaf

## Threat of Entry (High)

- Early stages of the coffee market is attracting other companies to enter
- Retail store prices are increasingly more expensive and rare

## Supplier Power (Low)

- CCD has an efficient vertical supply chain

## Buying Power (High)

- There is no switching cost

## Threat of Substitution (High)

- Indians drink Tea on ratio 10:1 and also fruit drinks and soda



# THREAT OF ENTRY **BENEFITS & CONS**

## Benefits of Entering the Market

Less Government Regulation Laws

Easy Sourcing of Coffee Beans

Entering Early Growth Stage of Life Cycle

## Cons of Entering the Market

Retail Prices are Increasing

Will Need a Joint Partnership



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# SUPPLIER POWER **SUPPLY CHAIN**



**Purchases Beans from Plantation**

**Venture Partnership Split 50:50**

**Import Furniture and Machinery**

**Horizontal Supply Chain results in  
higher prices**





# CORE COMPETENCY **SUPPLY CHAIN**



**CCD Owns its Own plantations**

**Owens 2 Curing mills, a Roasting Factory and a Blending Factory**

**CCD Manufactures its own coffee-vending machines and café furniture nationally**

**Save over 25% compared to volume wholesale purchases**

**Source at prices at least 20% lower than competitors**



# CORE COMPETENCIES

## OUR STRATEGY IS DIFFERENTIATION FOCUS

Building a Strong Brand

Vertically Integrated Supply Chain

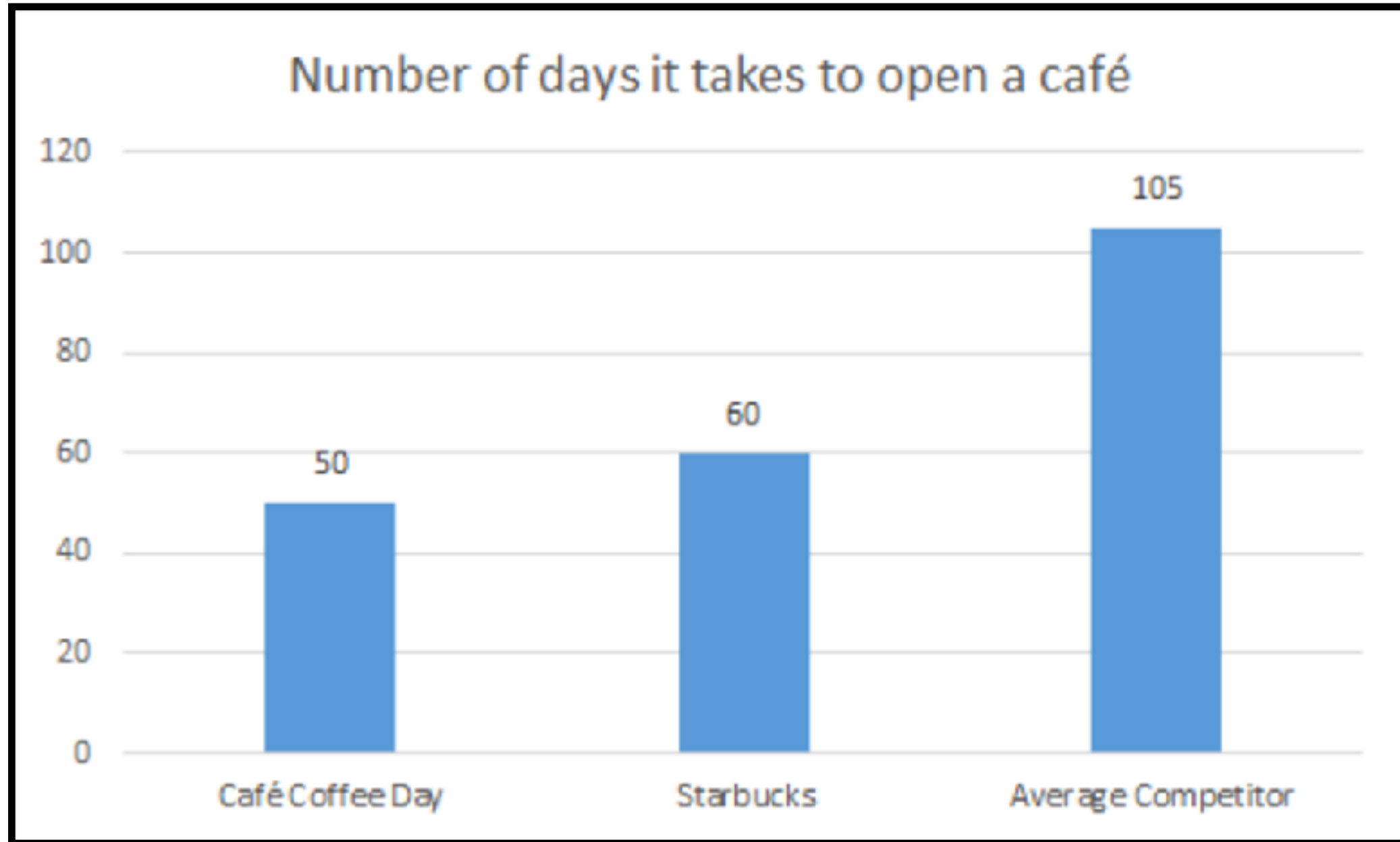
Offer Competitive pricing

Opening Outlets Efficiently and Effectively

Reaching and Satisfying Target Market



# CORE COMPETENCIES **RETAIL OPERATIONS**

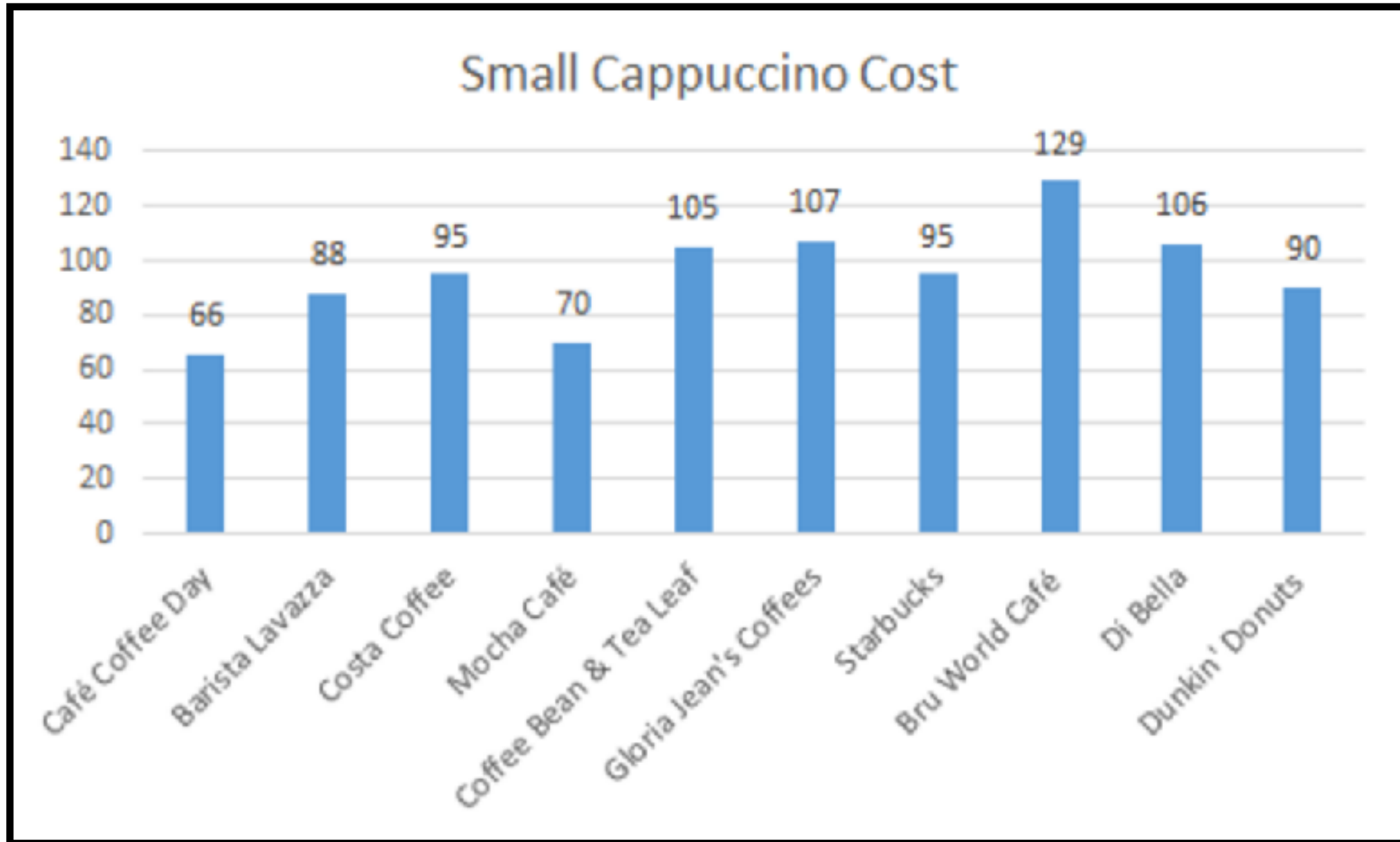


Seamless Supply Chain allows CCD to open stores quicker than competitors



# CORE COMPETENCIES PRICE

\* Compared to CCD Cafés

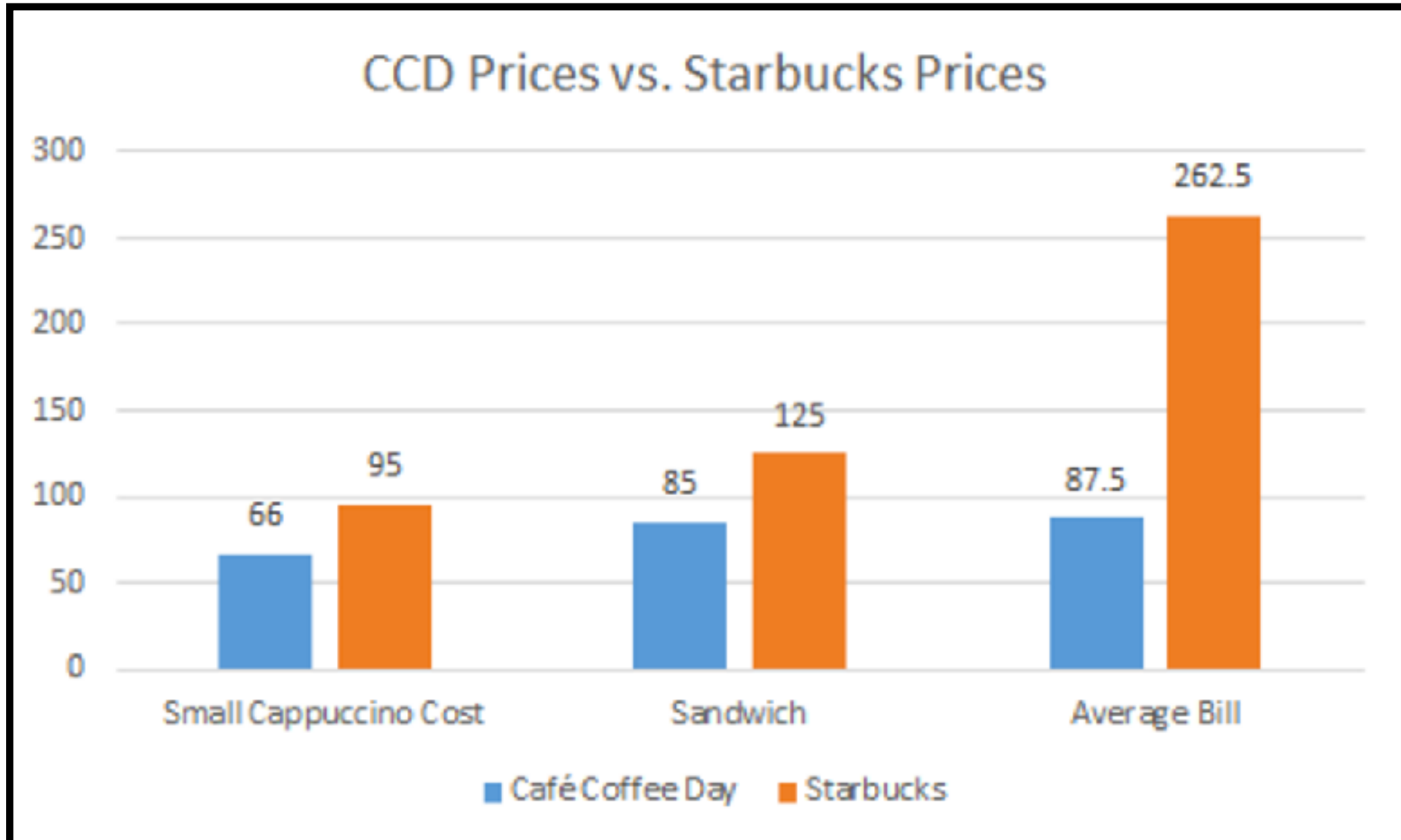


CCD offers the cheapest coffee among its competitors



# CORE COMPETENCIES PRICE

\* Compared to CCD Cafés



Starbucks prices are higher than CCD in all aspects



# CORE COMPETENCIES **RECAP**

## Café Coffee Day vs. Starbucks

	<b>Café Coffee Day</b>	<b>Starbucks</b>
<b>Supply Chain</b>	Vertical Supply Chain	Partnership with Tata Group
<b>Pricing</b>	Low Prices	Premium Prices
<b>Service/Attrition</b>	Superior management positions	Higher employee salaries
<b>Growth</b>	Open café in 50 days	Open café in 2 months
<b>Real Estate</b>	Has primary real estate locations	Malls and airports
<b>Revenue</b>	\$2,000 a day	\$2,000-\$4,000 a day



# ALTERNATIVE STRATEGIES

1. Continue with the minor course correction
2. Be more aggressive in responding to Starbucks
  - Increase share of lounges and squares
  - Upgrade even more stores
  - Spend more than planned on advertising



# ALTERNATIVE STRATEGIES

\* ✓ ✓ ✓ ✓ Grading Scale

Strategy	Brand Identity	Cost/Expenses	Customers	Growth
Continue with minor course correction	✓ ✓ ✓	✓ ✓ ✓	✓	✓ ✓
Increase the number of lounges and squares	✓ ✓	✓	✓ ✓	✓ ✓
Upgrade more stores	✓ ✓	✓	✓ ✓ ✓	✓ ✓
Spend more on advertising	✓ ✓ ✓ ✓	✓	✓ ✓ ✓	✓ ✓ ✓





# RECOMMENDATIONS

We recommend that Café Coffee Day should continue with its strategy, which is to take a minor course correction, but also aggressively increase its advertising to sustain its competitive advantage.



# IMPLEMENTATION

Year 1: Construct 200 Stores, Upgrade 150 Stores and Spend \$3 million (90% Cafés, 9% Lounges, 1% Squares of the 200 Constructed Stores)

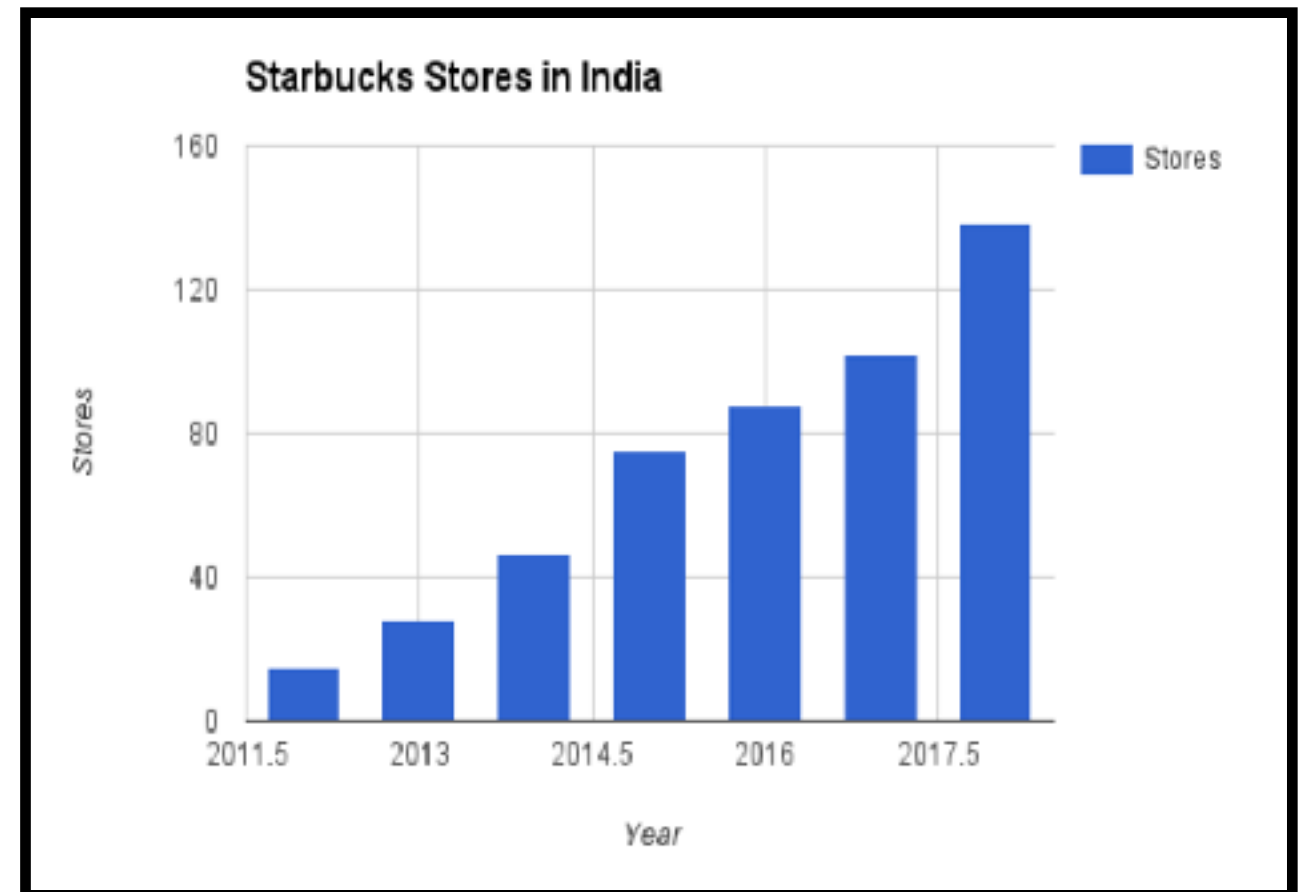
Year 2: Construct 200 Stores, Upgrade 150 Stores and Spend \$4.5 million (90% Cafés, 9% Lounges, 1% Squares of the 200 Constructed Stores)

Year 3: Construct 250 Stores, Upgrade 200 Stores and Spend \$6 million (90% Cafés, 9% Lounges, 1% Squares of the 200 Constructed Stores)

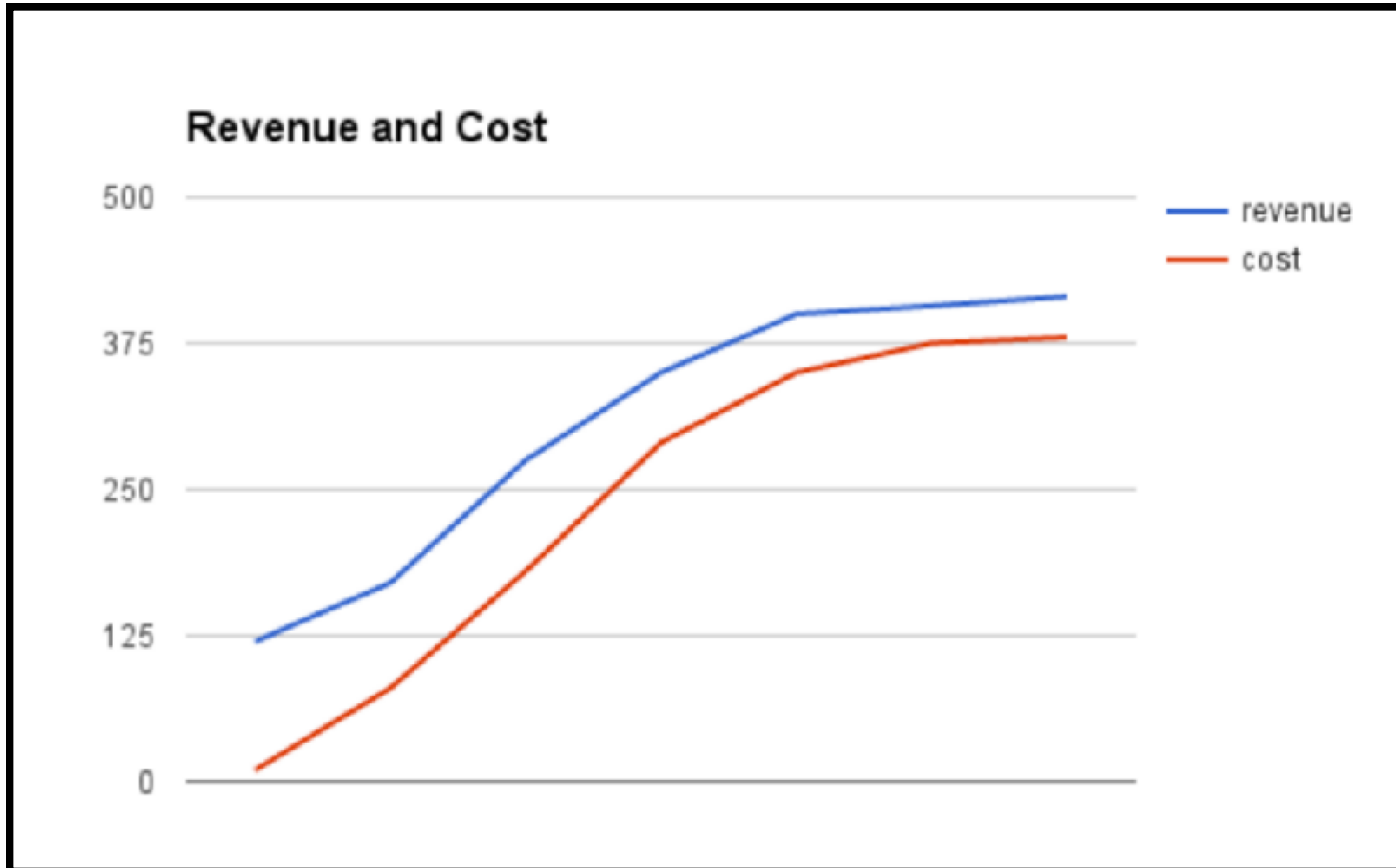


# FORECAST

- **Brand identity, stores - Increasing Revenue**
- **Weak supply chain - High cost**
- **Pyramid Age distribution, expensive coffee - compete with CCD's lounges and squares**
- **Drive down Gross Margin**



# FORECAST



50:50 Joint Venture, weak supply chain, different age distribution structure will incur Starbucks a high cost that drives down the gross margin.