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Research Paper Commerce

Coffee Consumption in India: An Exploratory Study

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ABSTRACT

While south India prefers roasted and ground coffee (filter coffee), north India likes the instant variety. The Financial Express reported: "As coffee culture gets bigger in India, a traditional tea drinking nation, domestic and international chains are lining up big expansion plans to the tune of nearly Rs. 325 crore in the next 3-5 years. Majors players like Barista, Costa Coffee, Cafe Coffee Day and Barnie's are already working overtime to expand their presence in the country and implement product portfolio overhauls. On this background the present research paper tries to focus on the following objectives:

Keywords :

Objectives of the Study:
The objectives are to understand:

1. Consumer preference.
2. Attitude towards coffee.
3. Brand loyalty.
4. Buying motivations.

Consumer Survey:
A survey was conducted among the respondents both men and women in the age group of 22 to 56 years belonging to different castes and backgrounds. To get a feel of coffee market the survey has been conducted in the form of general discussion with respondents, retailers experience of sales, discussion with families using questionnaire.

Basis for Questionnaire:
Understanding segmentation through questionnaire related to:
1. Demographic
2. Psychographic
3. Socio-cultural
4. Use related
5. Use-situation
6. Benefit

Sample Surveyed:

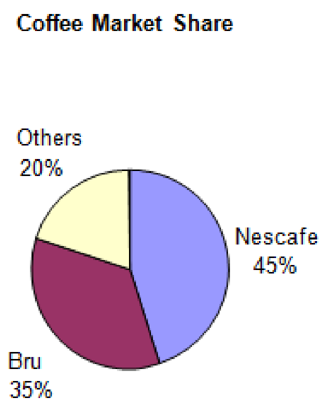
No of Family Surveyed = 15 (5 Affluent, 5 Upper Middle Class, 5 Middle Class).

No of Shops Surveyed = 6 (2 Near Station, 2 Upscale Localities, 2 Middle Class Localities).

The outcome of survey clearly divides coffee market in to:
1. Branded coffee market.
2. Unbranded coffee market (Loose or Khulla coffee most of the people name it!).

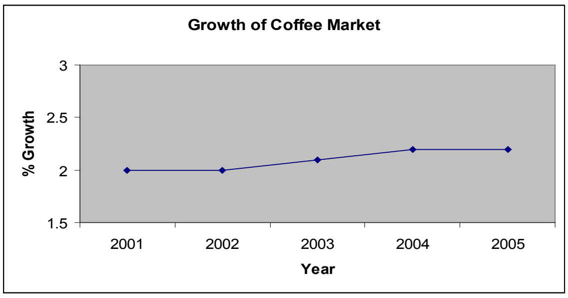
Data Analysis:
A) Competitor's Market Positioning:
Nescafe is a market leader with 45% market share, on second position HLL's instant Bru coffee is leading the market. It is interesting to that 20% of coffee market is unbranded i.e. Khulla coffee market.

Fig.-1



B) Market Growth:
The fact that though international coffee market is stagnant, Indian coffee market is growing but at low pace @ 2% per year.

Fig.-2



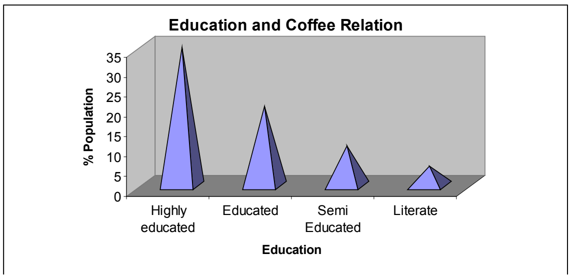
C) Features which are 'Preferred' by the customers in coffee:
- Taste

- Aroma
- Long lasting effect.
- Long lasting shelf life.
- Ready to drink mix.

D) Features which are 'Not Preferred' by the customers in coffee:
- Difficult to open the seal.
- Perishes fastly in rainy season.

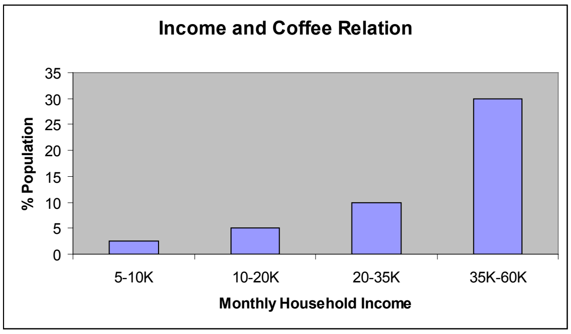
E) Effect of Education background on Preference to buy Coffee:
As the education level goes high the coffee preference increases this is a clear-cut indication one can observe amongst people. Also the brand loyalty increases greatly due to education. This is because the "we are different" feelings amongst educated group.

Fig.-3



F) Effect of Household Monthly Income background on Preference to buy Coffee:
There is a direct connection between the household income and coffee preference. The preference for coffee is almost directly proportional to income. It is observed that this group is also extremely brand conscious. These people often serve coffee to their special guest to impress.

Fig.-4



G) Most consumers prefer Hard coffee and they love it more in rainy and winter seasons.
The preferred timing to consume coffee apart from morning which found to be universal are relaxing time, while starting something new, hill stations are the most prefer locations were people enjoy coffee most.

H) Advertising has crucial impact on preference to buy a particular coffee.
Changing a coffee brand is a High Involvement Decision. Hence Brand Name plays a very crucial role. People are found reluctant to change coffee without brand awareness despite having all 'Preferred Features" and sold at right price.

Conclusion:
- The research clearly indicates that there is straight division of branded and unbranded coffee markets.
- Nescafe and HLL are the Market leaders in Indian coffee market.
- The growth prospects of market is good due to rising income levels of people.
- Indian customers are extremely brand conscious in case of coffee.
- Since this is a high involvement purchase decision, to launch a new coffee in this current market, one has to push itself so that Non-users as well as Brand Loyal people will tempt to buy it. Hence advertising through right media channels in extremely important.

Market Growth, Product Variation and Leading Brands:
Table-1: Market Growth Rates

1990-91 – 1996-97	3.3%
1996-76 – 2001-02	8.3%
2001-02 – 2006-07	2.7%
2006-07 – 2009-10	4.8%
2009-10 – 2014-15(E)	5.0%

Sensitivity coefficient = 5.9%

Table-2: Product Variation

Type	Share (%)
Pure	20
Mixed	80

Table-3: Lead Players

Company	Share (%)
Nestle	11
HLL	6
Tatas/Coffee	3
Allana Sons	---
CCL Products	---

Findings:
The following observations were made with regards to Indian market:
- Around 30% of the market drinks coffee.
- 70% comprised tea drinkers.
- Over 50% people drank coffee regularly, around 30% had coffee occasionally and the rest rarely consumed coffee.

Nescafe classic was, without a doubt, the most well known, well established and most loved brand capturing over 65% of the consumer mind space, 20% by Bru instant, 15% Sunrise 10% MR and local filter coffee or other types of coffee. Over 80% of the people have been using the same brand for over 10 years and do not mind spending on the same brand in spite of it being priced higher than other brands available in the market. Over 70% of the people have coffee at home, over 40% in offices as well and over 50% also have coffee in coffee shops. Over 70% consumers prefer purchasing instant premix sachets which are easy to prepare and economical.

Results of Consumption and Attitude of Indian Coffee Consumers:
- Coffee drinking at home earlier was nearly 90% across all beverages, whereas today coffee consumption at home has dipped as compared to consumption outside.
- In the Rural areas (South India) instant coffee has a higher level of penetration than filter coffee.
- Consumption is the highest among the 35-44 age group.
- Amongst beverages consumption of coffee comes in third, after tea and plain milk. Among other beverages, buttermilk, natural beverages and Carbonated Soft Drink share 10% of beverages market.
- Coffee has a 10% share at the national level, with negligible shares in the north, east and west zones, (1% or less). However, coffee performs well in the south, recording a share of 18%, the highest after tea at 45%.

- The potential for growth for coffee drinkers lies with occasional drinkers who constitute 40% of the population. The potential is more in the north and the east zones. The proportion of non-drinkers of coffee increases from Socio Economic Class (SEC) A to C, while that of occasional and light drinkers decreases. Coffee thus seems to be more a beverage of the upper SECs.
- The proportion of non-drinkers is the highest in the oldest age group of 55+ years. Amongst coffee consumers in the rural areas, a majority (43% of all adults) is light drinkers, consuming 1-2 cups everyday. About a fifth of rural consumers consume coffee occasionally.
- The average number of cups of coffee consumed increases marginally from summer to winter.
- Visiting cafes is not a frequent habit, about 12% visit cafes and there is a greater tendency among the upper SECs to visit cafes. This proportion is higher among men and the younger age groups (15-34 years).
- Around 65% of households buy instant coffee and only 18% buy filter coffee.
- Among filter coffee drinking households, 49% are branded coffee drinkers and 51% are unbranded coffee drinkers. In the South, filter coffee is bought mostly from R&G outlets.
- A majority of the rural households (71%) buy packaged and branded coffee powder of those buying branded/ packaged coffee powder, 47% buy instant coffee and 53% buy filter coffee.
- Attitudes towards coffee are that coffee at home tastes different from coffee at restaurant, to coffee from vending machines.
- Rating for coffee outside of home is better than tea outside of home.
- Restaurant coffee is rated better on quality.
- Coffee from vending machines is rated significantly more satisfactory.
- Coffee is an elixir to beat drowsiness and fatigue.
- Coffee eases stress.
- Coffee is an aid to one working late at the office or while studying.
- The key fallouts of coffee are its bitterness and the inconsistency of its taste in different places (comment from a tea-drinker).
- The price of coffee is also viewed as a barrier.
- Consumers' knowledge of the variations of the ways in which coffee can be brewed appears to be relatively weak:

- Most do not know how to make filter coffee.
- Those who did know how to would make it if they were able to brew it well.

- Respondents would be most positively inclined to consume more coffee outside if the price was lower, consistently good coffee was available everywhere and were assured that coffee is healthy.

In the coffee-strong markets - comprising the four southern states consumers believe that they would consume more coffee at home if their family and friends consumed coffee. In the east, there appears to be a certain level of eagerness to learn about the perfect way to brew coffee, and, as mentioned earlier, they would resort to making filter coffee if they possessed the skill of doing it correctly.

- Men drink more coffee than women.
- People from the Northeast report drinking the most coffee of any region, as compared with the West, North Central, and South regions, respectively.
- The most preferred variety of coffee, by far, is brewed coffee, with more than half of all coffee drinkers (57%) choosing this as their favorite.
- Surprisingly, latte and cappuccino drinks came in a distant second at 12 percent, followed by flavored coffees at 10 percent and iced coffee at only four percent.

Conclusion:
The results showed that although price elasticity of demand for coffee is low, it is much lower in the short-run than in the long-run. This suggests that temporary price incentives will not achieve any significant demand increase. Moreover, coffee demand is characterised by habit formation. Therefore, demand for coffee can be increased by non-price factors like improving quality standards and communicating the same to the consumers via generic promotion campaigns and/or brand advertising. Coffee Board's decision to go for a promotion campaign to increase the demand for coffee in the domestic market seems justified as non-price factors will affect coffee demand more than the price.

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