

## Cafe Coffee Day: Homeward Bound

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Cafe Coffee Day, the largest coffee chain operator in the country, is eyeing the home consumption market with keen interest. It recently launched the Coffee Day WakeCup, a single serve coffee brewing system, priced at Rs 4,000 for the basic version and Rs 5,000 for the automatic version. "The machine will be made available across all the 1,200 coffee day outlets at the initial phase and the company may look at other modes of distribution at a later date," says K Ramakrishnan, president (marketing), Cafe Coffee Day.

The capsules required to prepare the coffee will be retailed at the store, at a price point of Rs 10. The electrical coffee maker market in which Cafe Coffee Day is setting foot is a small segment, valued at Rs 30 crore. This does not include the unorganised segment (valued at Rs 60 crore), which consists largely of filter coffee machines.

Cafe Coffee Day offers two simpler coffee making equipment, the plunger (French press) and the Stovetop Espresso Maker, priced at Rs 275 and Rs 300 respectively.

In the branded segment, Cafe Coffee Day will be competing with players like prestige, Bajaj, Conti and Morphy Richards. Lavazza too has coffee machines for the home and institutional segment, but rivals say it is popular only in the small offices space. International brands like Black & Decker and Philips have a presence in the metros, and Japanese brand Kenwood is also planning to enter the market.

Cafe Coffee Day believes the price point will give it an edge. Most other brands operate at a much higher price point. Price will be a key issue in this market where coffee makers are not popular and home consumption is driven by preparing coffee using instant coffee powder retailed by brands like Nestle's Nescafe and Hindustan Unilever's Bru.

The other challenge consequently will be to educate consumers on how to use a coffee machine to get that perfect cup of coffee. "Many people don't know how to use a coffee machine and don't know which ingredients to use," says Vivek Sharma, business head, Morphy Richards.

Cafe Coffee Day will have to focus on sourcing the right ingredients. "Capsules as well as coffee beans powders are not available widely," adds Sharma. In the south, espresso coffee machines have to also fight with filter coffee machines which is the traditional way of making coffee in the region.

The thing to remember is tea is the preferred beverage at home, particularly in north India. The company expects that as disposable incomes improve, people will gravitate to drinking coffee at home, as coffee is viewed as an indulgence. "That's happening in markets like China, also a tea drinking nation," says K Sivakumar, chief operating officer, Fresh & Honest Cafe.

Industry experts say the entry of Cafe Coffee Day will help the segment grow. "Stocking coffee machines at Cafe Coffee Day outlets will allow the brand to demonstrate how to use a coffee machine. This is the biggest challenge many brands face as retailers do not have enough space for demonstration," admits Sharma.

"The brand will need to work on putting together an efficient after-sales service team in which the company has little or no experience," concludes Sharma.