

Research Article

SOI: <http://s-o-i.org/1.15/ijarm-2016-3-4-3>

STARBUCKS VS CCD: A COMPARISON THE GREAT COFFEE SHOP BATTLE IN CHENNAI CITY

Roshini. S*, Thoufeeq Ahammed, Ganesh Pandian .M, Varun. G.A and Jayaraj. M

ITM Business School Chennai, Tamil Nadu, India

*Corresponding Author: roshini.s@itm.edu

Abstract

Keywords

Coffee retail chains,
Brand Value.

Today Coffee has become a lifestyle. Also, it has caught the fancy of today's generation - youth. These were not the typical coffee drinking target customers. But now they are a big part of the target base for coffeehouses. And it is fashionable to be seen at the Coffee Pubs. It is in a way, a lifestyle statement. And coffee bars, an unheard of concept till a decade ago, are suddenly big business. Corner bars like these are offering more than just coffee and snacks to their customers. For many of their regular patrons, a visit to these bars is also a part of the western lifestyle they so much want to identify with. The Coffee retailing sector in India is booming today, with several companies active in the market. Some are local entities, some have come from abroad like Starbucks, the reason for u choosing this research topic. Café Coffee Day a pioneer in the Café culture in India. Starbucks a recent entrant into the Indian market joining hands with the Tata Beverages is targeting the premium segment of the population. The battle between them in the Indian Market Chennai city in specific is of our primary interest. This research aims to study the consumer perception and attitude towards coffee retail chains and to make a comparative analysis between CCD and Starbucks.

Introduction

Café coffee day

CAFÉ Café Coffee Day is a division of India's largest coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd. (ABCTCL), popularly known as Coffee Day, a Rs. 300 crore ISO 9002 certified company. Coffee Day sources coffee from 5000 acres of coffee estates, the 2nd largest in Asia, that is owned by a sister concern and from 11,000 small growers. It is one of India's leading coffee exporters with clients across USA, Europe & Japan.

With its roots in the golden soil of Chickmagalur, the home of some of the best Indian Coffees and with the vision of a true entrepreneur nurturing it, Coffee Day has its business spanning the entire value chain of coffee

consumption in India. Its different divisions include: Coffee Day Fresh n Ground (which owns 354 Coffee bean and powder retail outlets), Coffee Day Xpress (which owns 341 Coffee Day Kiosk), Coffee Day Take away (which owns 7000 Vending Machines), Coffee Day Exports and Coffee Day Perfect (FMCG Packaged Coffee) division.

Café Coffee Day (CCD) pioneered the café concept in India in 1996 by opening its first café at Brigade Road in Bangalore. As the pure (as opposed to instant coffee) coffee café culture in neighboring international markets grew, the need for a relaxed and fun "hangout" for the emerging urban youth in the country was clearly seen.

Recognizing the potential that lay ahead on the horizon, Café Coffee Day embarked on a dynamic journey to become a large organized retail café chain with a distinct brand identity of its own. From a handful of cafés in six cities in the first 5 years, CCD has become India's largest and premier retail chain of cafes with 498 cafes in 85 cities around the country. "Enthusied by the success of offering a world-class coffee experience, CCD has opened a Café in Vienna, Austria and is planning to open other Cafes in the Middle East, Eastern Europe, Eurasia, Egypt and South East Asia in the coming months.

TATA Starbucks ltd.

Tata Starbucks Ltd. is a 50:50 joint venture company, owned by Tata Global Beverages and Starbucks Corporation, that owns and operates Starbucks outlets in India. The outlets are branded *Starbucks "A Tata Alliance"*.

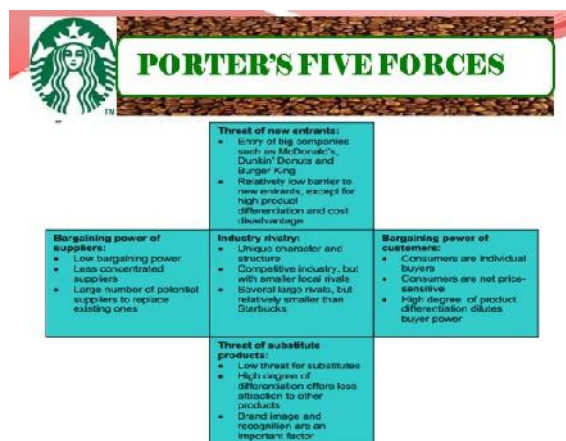
In January 2011, Starbucks Corporation and Tata Coffee announced plans to begin opening Starbucks locations in India. Despite a false start in 2007, in January 2012 Starbucks finally

announced a 50:50 joint venture with Tata Global Beverages, called Tata Starbucks Ltd., which would own and operate outlets branded "Starbucks, A Tata Alliance". Starbucks had previously attempted to enter the Indian market in 2007. Starbucks did not cite any reason for the withdrawal.

On 19 October 2012, Starbucks opened its first store in India, measuring 4500 sq ft in Elphinstone Building, Horniman Circle, Mumbai. Starbucks expanded its presence to Delhi on 24 January 2013 by opening 2 outlets at Terminal III of the Indira Gandhi International Airport and later one in Connaught Place. Tata Global Beverages announced in 2013 that they would have 50 locations by the end of the year,¹ with an investment of 4 billion (US\$60 million). However, the company would open its 50th store in India only on 8 July 2014.

Theoretical frame work

In this study we have adopted Porter's Five forces model concentrating mainly on the Industry rivalry of the two coffee houses Starbucks and CCD.



Objectives of the research

- To study the Customer perception and attitude towards retail coffee chains
- To understand the Preference in choice of Coffee chain
- To study the factors affecting the customer choice of coffee chain
- To make a comparative analysis between CCD and Starbucks

Research design

- Type of research:** Descriptive research

- Sources of data:** Primary Data & Secondary Data
- Primary Data** - Questionnaire
- Secondary Data** – magazines, Websites, Journals
- Data collection method:** Survey Method
- Survey instrument:** Questionnaire , Online Questionnaire
- Method of communication:** Personal interview
- Sample size:** 300
- Sample unit:** People who visit coffee houses in Chennai
- Area of survey:** Chennai

Literature Review

Reference	Author	Content
http://shilpaahuja.com/lifestyle/food/the-great-coffee-shop-battle-starbucks-vs-ccd-a-review/ (May 18, 2015)	SHILPA AHUJA	Both brands are targeting the youth in India. Starbucks can sometimes be full of “wannabes” who want to show off their financial prowess for being able to buy “premium” coffee.
http://shilpaahuja.com/lifestyle/food/the-great-coffee-shop-battle-starbucks-vs-ccd-a-review/ (May 18, 2015)	SHILPA AHUJA	If you compare the hospitality for Starbucks vs CCD, both of them are good in terms of their customer relationship.
http://www.thehindubusinessline.com/news/education/ccd-lounge-must-take-starbucks-head-on/article5394043.ece?ref=relatedNews (November 28, 2013)	KANIKA OREA AVIRAL ROY	Competitors: Café Coffee Day faces direct competition from Barista, Café Mocha, Costa Coffee, Beyond Coffee, Gloria Jean’s, Minerva Coffee Shop and indirect competition from McDonalds and Haldiram’s. But a new global competitor Starbucks has entered into the premium segment of the café market which has already opened 22 outlets across the country within 20 months of its opening.
http://www.thehindubusinessline.com/news/education/ccd-lounge-must-take-starbucks-head-on/article5394043.ece?ref=relatedNews (November 28, 2013)	KANIKA OREA AVIRAL ROY	Marketing Strategies: Starbucks has Indian food items or snacks in their menu taking care of Indian eating habits. Café Coffee Day should go ahead and revise their menu. The menu has been the same for long. New food items should be introduced taking care of the interests of the target segment. They should also offer coffee in different cup sizes. They should take care in personalization of the coffee as in take inputs from the customer and prepare the coffee according to their requirements. It is rated highly in terms of taste and quality of products according to research reports. As they grow their beans, they have huge potential to attract customers based on taste and quality. They should also open counters for buying products such as mugs, coffee beans, personalized gift items and instant photographs of the customers.
http://www.thehindubusinessline.com/news/education/ccd-must-not-take-on-starbucks-directly/article5397474.ece?ref=relatedNews (November 28, 2013)	SOWJANYA KANURI	Challenges for players: Starbucks has considerable experience in the coffee chain industry, it is new to the Indian market and will face some difficulties in its introduction phase. Amalgamated Bean is a home-grown company and has 17 years of experience catering to the Indian population. With over 1,300 outlets across 180 towns of India, and also divisions like ‘Fresh n’ Ground’ (450 coffee bean and powder retail outlets) and ‘Coffee Day Xpress’ (900-plus Coffee Day kiosks), it has a much broader reach than merely the CCD outlets we see on every other road in major cities. CCD can expand considerably faster and easier, being an established player. However, Starbucks’ partnership with the Tata group will place at its disposal considerable resources and the expertise of one of India’s largest conglomerates which will reduce this advantage to a great extent.

<http://knowledge.wharton.upenn.edu/article/indias-largest-coffee-chain-prepares-to-take-on-starbucks/>
(Feb 22, 2012)

RAMAKRISHNAN

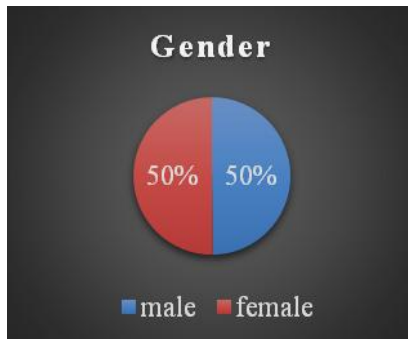
While Starbucks is expected to impact CCD's business, the Indian chain is currently on an expansion spree. CCD currently has around 1,275 outlets across the country, but plans to increase that number to 2,000 by the end of 2014. In the meantime, the chain's food menu is being revamped and expanded, and the vendor base is being accordingly strengthened.

CCD is also becoming more active in Internet space. "We have 1.3 million fans on Facebook and this number is growing daily," Ramakrishnan notes. "We see it as a great vehicle for communication and feedback and, most importantly, for co-creating new initiatives — like new food items, for instance."

But Starbucks also brings strengths to the table, including a global footprint and having an Indian partner firm in the Tata Group. According to Research, Starbucks and all other global entrants will face challenges in India, including understanding the nuances of the Indian consumer. "In the U.S, 40% of coffee sales occur before 11 a.m. In India, sales typically happen only *after* 11 a.m.," he says. "That's a huge shocker for the Western brands."

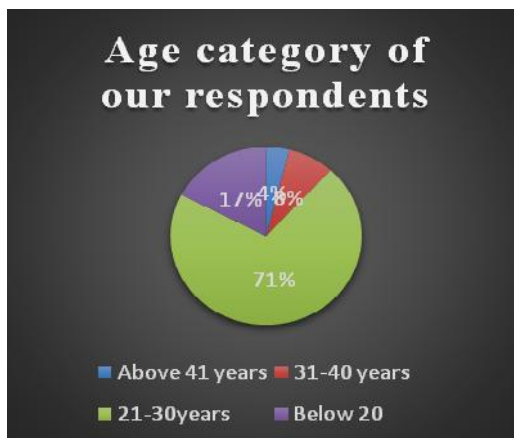
Data analysis

1. Gender :



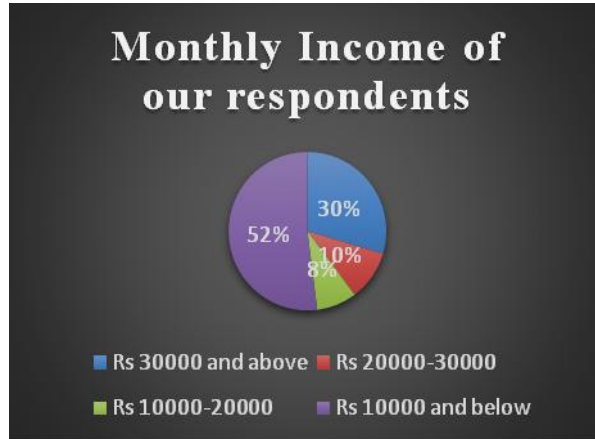
Analysis: Equal percentage of men and women are covered in our study.

2. Age category :



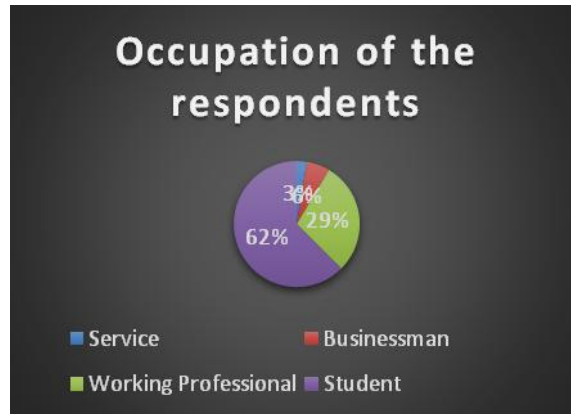
Analysis: 71% of the respondents covered belong to the age category of 21-30 years. This is one of the major limitations of our study.

3. Income category :



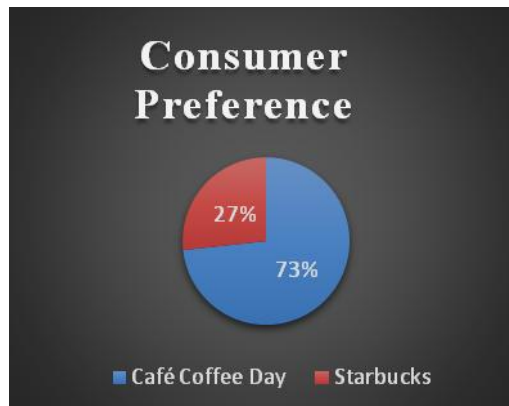
Analysis: 52% of the respondents belong to the income category of Rs 10000 and below and 30% of the respondents earn Rs.30,000 and above.

4. Occupation:



Analysis: Majority of the respondents were students. This was one of our major limitation of our study.

5. Consumer preference :



Analysis: 73% of the respondents preferred Café Coffee Day over Starbucks.

So we hereby analyze that people in Chennai haven't shifted much from CCD to Starbucks except for people who prefer premium coffee and people want to try this new brand.

6. Monthly income and frequency of visit to the coffee shop

Descriptive Statistics

	Mean	Std. Deviation	N
Monthly Income	2.16	1.333	307
Frequently of Visits	1.93	1.125	307

Correlations

		Monthly Income	Frequently of Visits
Monthly Income	Pearson Correlation	1	.664*
	Sig. (2-tailed)		.030
	N	307	307
Frequently of Visits	Pearson Correlation	.664*	1
	Sig. (2-tailed)	.030	
	N	307	307

*. Correlation is significant at the 0.05 level (2-tailed).

Interpretation:

- Correlation is a measure of the strength and direction of association that exists between two variables measured on at least an interval scale

- We have used Correlation here to analyze whether there is any relationship between gender and consumer preference.
- Here the correlation level is 0.664 which shows a minimum level of correlation between the two variables monthly income and consumer preference of Starbucks or CCD.

Chi-Square test

7. Quality of foods and Consumer Preference

Count	Consumer Preference		Total
	1	2	
3	9	15	24
quality of foods 4	46	136	182
5	27	74	101
Total	82	225	307

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.619 ^a	2	.023
Likelihood Ratio	1.524	2	.048
Linear-by-Linear Association	.317	1	.068
N of Valid Cases	307		

Inference:

We have used Chi square test to analyze the relationship between the consumer choices of Starbucks vs CCD on the basis of the Quality of products offered.

H_0 = There is no relationship between consumer choice and the quality of Foods

H_1 = There is relationship between consumer choice and the quality of foods offered.

Here our $p = 0.023$ which is less than 0.05. So we reject the null hypothesis and accept the Alternate hypothesis concluding that Quality of foods is a reason for the consumer choice of Starbucks or CCD.

8. Relationship between consumer preference of starbucks or CCD depending on various factors like quality of food, value for money, hygiene.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Value for Money	Between Groups	2.039	1	2.039	3.617	.038
	Within Groups	171.909	305	.564		
	Total	173.948	306			
quality of foods	Between Groups	.110	1	.110	.317	.044
	Within Groups	105.578	305	.346		
	Total	105.687	306			
Speed of Service	Between Groups	3.620	1	3.620	8.847	.603
	Within Groups	124.791	305	.409		
	Total	128.410	306			
Ambiance	Between Groups	.011	1	.011	.025	.044
	Within Groups	135.396	305	.444		
	Total	135.407	306			
hygiene	Between Groups	.374	1	.374	.886	.047
	Within Groups	128.870	305	.423		
	Total	129.244	306			

Interpretation:

- H_0 = there is no relationship between the factors and consumer preference
- H_1 = there is relationship between factors and consumer preference
- In our research except for Speed of service all the factors have significance level above .05
- Which infers that consumers' choice of Starbucks or CCD depends on VALUE FOR

MONEY, QUALITY OF GOOD, AMBIENCE and HYGIENE..

- Our dependent variable are the various factors which are in interval level and independent variable that is consumer preference of Starbucks or CCD is categorical data.

Discriminant analysis:

9. Consumer preference of Starbucks or CCD and the predictors – Brand image, Brand Loyalty Word of Mouth, Taste Preferences and Price

Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
Brand image	.942	15.501	1	254	.000
Brand Loyalty	.942	15.771	1	254	.000
Word of Mouth	.996	.959	1	254	.328
Taste Preference	.780	18.947	1	254	.000
Price	.728	.087	1	254	.048

- In the ANOVA table, the smaller the Wilks's lambda, the more important the independent variable to the discriminant function.
- Wilks's lambda is significant by the F test for all independent variables.
- In our study, this is the order of preference of the various factors determining the consumer preference of CCD or Starbucks.

1. **Brand Image**
2. **Brand Loyalty**
3. **Taste Preference**
4. **Price**
5. **Word of Mouth**

Brand image influences a consumer's choice more than the other factors as it is having the smallest Wilks' Lambda value.

Suggestions and conclusions

- Should CCD even recognize the entry of Starbucks as the latter is in a far more premium segment than CCD?
- Would the brand image of Starbucks just be of one-time novelty value or will it be able to shift consumers to a more premium concept in the long term? Therefore, should CCD react?
- These are the primary questions to be answered by this research. And we have derived at a result that as of now currently Chennai city residents have not entirely shifted from CCD to Starbucks as CCD is a well - established brand in India since 1996 and Starbucks has entered India in 2012 only. And as far as the location of Starbucks it has not expanded around Chennai. So people in the age group of 21-30 (who formed the major portion of our respondents) are still preferring CCD over Starbucks though they might have tasted Starbucks coffee once or twice.
- But Starbucks targets a different segment overall. Its uncompromising nature with respect to pricing and targeting typically denotes TATA's instincts in the game.
- Starbucks and CCD are totally different in respect with their target segment, pricing, strategies adopted, etc. So we cannot come to a conclusion with this limited 300 respondents.

- The other limitation of the study was it was limited only to 300 respondents which is not even a fraction of the total residents in Chennai we can't come to a consensus that people have not shifted from CCD to Starbucks
- In spite of the limitation we have derived into an inference that majority of the respondents (225/300) still prefer CCD over Starbucks for factors like Value for money, Price and Taste Preference.

References

- <http://shilpaahuja.com/lifestyle/food/the-great-coffee-shop-battle-starbucks-vs-ccd-a-review/>
(May 18, 2015)
- <http://shilpaahuja.com/lifestyle/food/the-great-coffee-shop-battle-starbucks-vs-ccd-a-review/>
(May 18, 2015)
- <http://www.thehindubusinessline.com/news/education/how-can-caf-coffee-day-meet-the-starbucks-challenge/article5397467.ece#comments>
(November 28, 2013)
- <http://www.thehindubusinessline.com/news/education/ccd-lounge-must-take-starbucks-head-on/article5394043.ece?ref=relatedNews>
(November 28, 2013)
- <http://www.thehindubusinessline.com/news/education/ccd-lounge-must-take-starbucks-head-on/article5394043.ece?ref=relatedNews>
(November 28, 2013)
- <http://www.thehindubusinessline.com/news/education/ccd-lounge-must-take-starbucks-head-on/article5394043.ece?ref=relatedNews>
(November 28, 2013)
- <http://www.thehindubusinessline.com/news/education/ccd-must-not-take-on-starbucks-directly/article5397474.ece?ref=relatedNews>
(November 28, 2013)
- <http://seekingalpha.com/article/3320535-can-starbucks-become-the-market-leader-in-india>
(June 13, 2015)

Appendix:

https://docs.google.com/a/itm.edu/forms/d/1QKX31EQ3WSHBMZNU85LYrSuwhJrHURx9ejpsfCrYXzQ/e/dit?usp=drive_web

How to cite this article:

Roshini. S, Thoufeeq Ahammed, Ganesh Pandian .M, Varun. G.A and Jayaraj. M. (2016). Starbucks vs CCD: A comparison the great coffee shop battle in Chennai city. Int. J. Adv. Multidiscip. Res. 3(4): 11-18.