

Marketing Strategies Evolved by Entrepreneurs in Marketing the Coffee Products

K .Thangaraja¹ and R. Sasikala²

ABSTRACT

Results of conjoint analysis showed quality attributes preferred by the entrepreneurs. They were Arabica and Robusta (50:50) mixed variety, mixing of 70:30 coffee, chicory ratio, keeping quality up to 6 months, medium level of taste/aroma, filter size of the powder and roasting time of 15 minutes/ 10 kg of seeds. About 83.00 per cent of entrepreneurs produced coffee powder as a final form of coffee product, nearly two-third (63.00 %) of the entrepreneurs did not have any brand name or logo, cent per cent of them reported manual packing only. Major criteria to fix different price rate of coffee product were International daily market price (90.00 %), factors affecting the price policy were market price fluctuation (93.33 %), season (90.00 %) and Cent per cent of them had adopted coffee price forecasting broadcasted by various media. Selection of the location depends on nearby town and coffee potential area, techniques to overcome the competitor were better pricing and supply of quality coffee product, attraction of customers depends on personal contact, attractive display boards, quality, taste, aroma and flavor. Promotional activities carried out by the entrepreneurs were developing the customer base (83.33 %) and working towards building customer loyalty (76.67%). Relationships followed among stakeholders were good partnership, price and profit sharing, commission basis, service and quality, supply-service and demand. Further, market demand reported by entrepreneurs were: the demand for coffee beans peaked during July to November, coffee powder were more demand in three seasons namely rainy season (June-September), winter season (December- January) and summer holidays (April-May). Feedback mechanism reported by coffee entrepreneurs were: quality analysis report received from the export organization, physical analysis, cup test, personal contact through phone, e-mail and also personal letters.

To prove the foresaid adage, coffee trade ranks next only to petroleum and its products in the world business, with total exports worth 606.92 US Million Dollars (Anonymous, 2010) and hence aptly described as the 'Brown Gold'. Its brew first concocted by Abyssinian shepherds has an aroma so magical that it is

now the world's most consumed drink after water. Currently coffee is grown nearly in 100 countries they depend largely on coffee for their foreign exchange earnings. Coffee, the beverage is traditionally known for its aroma and flavor. It acts as a stimulator of human brain and activates it. Earlier, juice extraction

1-Senior Liaison Officer, Coffee Board, Ministry of Commerce & Industry, GOI and 2- Assistant Professor, Directorate of Extension Education, Tamil Nadu Agricultural University, Coimbatore-3.

from coffee leaf was consumed by labour to relieve from the body and muscular pain. Recent research studies conducted by various coffee research centers worldwide have suggested that coffee is good for persons suffering from asthma and heart diseases.

The province of 'Kaffa' in Ethiopia is considered to be the original habitat of Arabica. Coffee was grown under irrigation in the province of Yemen over a number of years by the Arabs. They valued the plant for its fragrant flowers as well as berries. Central Africa is reckoned to be the home of Robusta (Anonymous, 1996)

Coffee with its more than 400 years of history in India is regarded as the most important plantation crop. As an agro based rural enterprise, the industry is primarily a source of direct employment for about six lakh people in the area of cultivation, apart from providing indirect employment to many in the processing and trading sectors. Coffee cultivation is also instrumental in preserving the precious eco system in traditional coffee growing region. In nontraditional area coffee was introduced to check the shifting cultivation, to control denudation of forests and prevention of soil erosion.

The total planted area under coffee in the world accounts for 11.90 million ha. India shares in the global area around 2 per cent and occupies 14th place in the area under coffee. The world total production estimate for 2010-11 is 80.18 Lakh Metric Tonnes (LMT) against the 3.02 Lakh Metric Tonnes (comprising of 0.94 LMT Arabica and 2.08

LMT Robusta) of Indian production. India share in the total estimated world production is 3.77 per cent. The export from India had reached during 2010-11 was 2.75 LMT of coffee and realized 606.92 US Million Dollars equivalent to Rs 2835.73 Crores . India contributed 3.37 per cent of the world exports (Anonymous, 2011).

In India coffee is an important plantation crop, which is mainly cultivated in the southern states of Karnataka (56.90 %), Kerala (21.20 %) and Tamil Nadu (7.80 %) and to a lesser extent, in non-traditional areas like Andhra Pradesh, Orissa (12.70 %) and North Eastern States (1.40 %). The major coffee growing areas are the districts of Chickmagalur, Kodagu and Hassan in Karnataka, Wynad, Travancore and Nelliampathys in Kerala and Pulneys, Nilgiris, Shevroys (Salem) and Anamalais (Coimbatore) in Tamil Nadu (Anonymous, 2011).

The entrepreneur is essentially an economic man, who strives to maximize his profits by adoption of innovations. Entrepreneurs are not simply innovators, they are men with a will to act, to resume risk and to bring about changes through organization of human efforts (Dannof, 1949). Now, it is objectively fill that, the economic growth and development of the advanced countries is largely due to entrepreneurship quality among their community.

Coffee Board prior to 1996 was undertaking promotional activities for the export of coffee. After 1996, due to changes in the government policies under liberalization discontinued the

promotional activities. The promotional activity under domestic promotion was carried out through participation in domestic events, media campaign and providing training to prospective entrepreneurs on setting up of Coffee Roasting, Grinding and Packaging Units. Hence, there is a need to identify the strategies adopted by coffee entrepreneurs in marketing the coffee products.

METHODOLOGY

The study was conducted in Karnataka. Out of 27 districts in Karnataka Coffee was grown only in three districts namely Chickmagalur, Kodagu and Hassan. Among these three districts, Chickmagalur was selected purposively. There are 12 Liaison zones of Coffee Board in Chickmagalur district. Among these Mudigere, Gonibeedu, Kalasa, Koppa and Balahonnur liaison zones were selected for the study on the basis of purposive sampling since they are compact zones. In addition, the researcher was familiar in these areas where extension services are concentrated. Five villages were selected from each of the selected liaison zone based on the maximum area under coffee cultivation. Totally 25 villages were selected considering the criteria of more area under coffee cultivation. Coffee occupied the maximum area when compared to other crops cultivated in Chickmagalur district. In each of the selected liaison zones, 30 coffee growers were selected. A sample of 150 coffee growers was selected randomly by using the simple random sampling technique. Thus, six coffee growers were selected from each of the 25 villages,

using simple random sampling technique. Apart from that, 30 entrepreneurs were identified each six from five zones and they also formed part of the sample.

FINDINGS AND DISCUSSION

Conjoint analysis was done on the quality parameters followed during selling the coffee product by the coffee entrepreneurs. The important quality attributes considered by coffee entrepreneurs were variety/type of seed materials, mixing of chicory and coffee ratio, keeping quality, taste/aroma, size of the powder and roasting time of coffee beans and the above attributes were selected for conjoint analysis. For each trader the part-worths (coefficients) were estimated using Ordinary Least Square (OLS) regression analysis. The fit of the additive model was good. The Pearson R value was 0.768 and found significant. The relative importance of the part-worth functions were compared across different attributes within segments in order to arrive at the relative importance of each attribute (Moore, 1980)

The results of conjoint analysis on the average part-worths and the relative importance of each attribute are presented in Table 1.

A higher positive part worth denotes *Ceteris Paribus*, a higher perceived quality. Among all attributes studied variety/type of seed material was found to have the greatest influence on the quality parameters followed during selling the coffee product as it accounted for 31.49 per cent of relative

Table 1.
The Results of Conjoint Analysis

Sl. No.	Characteristics	Level	Utility	Relative Importance (In per cent)
1.	Variety/Type of seed material	Arabica	-3.700	31.49
		Robusta	-1.589	
		Arabica + Robusta	5.289	
2.	Mixing of chicory, coffee ratio	70:30	2.967	20.72
		80:20	-0.019	
		90:10	-2.948	
3.	Keeping quality	Up to 6 months	0.778	5.82
		6- 9 months	0.107	
		More than 9 months	-0.885	
4.	Taste/aroma	Low	2.200	27.77
		Medium	2.863	
		High	-5.063	
5.	Size of the powder	Nice	-0.931	6.52
		Filter	0.931	
6.	Roasting time	15 minutes /10kg of seeds	1.289	7.68
		20 minutes /10kg of seeds	-0.385	
		30 minutes /10kg of seeds	-0.904	

Pearson's R =0 .768 (p <= 0.01)

importance and the individual utility for each variety namely Arabica + Robusta, Robusta and Arabica were 5.289, -1.589 and -3.700, respectively. The most preferred by the entrepreneurs was Arabica and Robusta (50:50) variety/type of seed materials as they were adjusted the market price with reasonable profit.

Mixing of chicory, coffee ratio was also important factor influencing the entrepreneurs with a relative importance of 20.72 per cent.

Kendall's Tau =0 .556 (p <=0 .01)

Mixing of 70:30 ratios had the highest utility value of 2.967 followed by 80:20 and 90:10 ratios had the utility value of -0.019 and -2.948 respectively.

Keeping quality was the next important factor influencing the entrepreneurs with a relative importance of 5.82 per cent. Up to 6 months had the highest utility value of 0.778 followed by 6- 9 months and more than 9 months had the utility value of 0.107 and -0.885 respectively.

Taste/aroma of coffee powder was also considered as an attribute influencing the entrepreneurs with a relative importance of 27.77 per cent. Medium taste / aroma of coffee powder had a utility value of 2.863 while low and high aroma had a utility value of 2.200 and -5.063 respectively.

The size of coffee powder was yet another important factor influencing the entrepreneurs with a relative importance of 6.52 per cent. Filter coffee had the highest utility value of 0.931 whereas nice coffee had less utility value of -0.931.

Roasting time is the important factor influencing the entrepreneurs with a relative importance of 7.68 per cent. Roasting period of 15 minutes/10kg of seeds had the highest utility value of 1.289 followed by 20 minutes/10kg of seeds and 30 minutes/10kg of seeds had the utility value of -0.385 and -0.904 respectively.

It can be concluded from the above analysis that quality attributes preferred by the entrepreneurs are Arabica and Robusta (50:50) mixed variety, Mixing of 70:30 coffee, chicory ratio, Keeping quality of up to 6 months, medium level of taste/aroma, filter size of the powder and roasting time of 15 minutes/10kg of seeds.

The finding draws support from the finding of Arulanandu (2007). It was revealed that 83.00 percent of the entrepreneurs owned by individual enterprise unit and 17.00 per cent of them had partnership enterprise unit.

It is evident from collected data that 80.00 per cent of entrepreneurs were engaged in

mainly for grinding the final form of coffee powder as a nature of business followed by 10.00 per cent of them engaged in curing works. Remaining few per cent (6.67 % and 3.33 %) of the entrepreneurs were engaged in roasting and export as a nature of business.

Regarding financial investment, 60.00 per cent of the entrepreneurs invested Rs 5.0 to 10.00 lakh, 30.00 per cent of them invested less than 5.00 lakh and mere per cent of them invested more than 50 lakh to 3.00 crores.

About half (50.00 %) of the entrepreneurs followed unplanned marketing strategy, 30.00 per cent of them followed partially planned and 13.00 per cent of entrepreneurs had planned marketing strategy. Only 7.00 per cent of them not followed any marketing strategy.

Product

It was revealed that, 83.00 per cent of entrepreneurs produced coffee powder as a final form of coffee product followed by 17.00 per cent of respondents as graded beans. Nearly two-third (63.00 %) of the entrepreneurs did not have any brand name or logo due to financial crisis, complicated procedures forced by concerned authority to obtain brand name or logo. Hence, majority of them sold coffee powder without any brand name or logo. About 37.00 per cent of entrepreneurs had own brand name.

Regarding packing methods and materials, cent (100.00 %) per cent of them reported manual packing only, whereas 83.00 per cent of entrepreneurs opined polythene bags used

for storing/packing seed materials. Gunny bags were used by 17.00 per cent of the respondents. Non availability and high cost of gunny bags had influenced the majority of them to use polythene bags for packing of coffee seeds.

In addition to polythene cover, aluminum foil pouch, laminated poly bags, plastic covers, labeled plastic covers and nylon bags were used by the entrepreneurs for packing and selling the final form of coffee products like powder and graded beans.

Nearly two-third (63.00 %) of the entrepreneurs adopted roasting, grinding, mixing, packing and selling as a value addition technique followed by roasting, grinding, mixing and packing (20.00 %), de-husking and grading (10.00 %), de-husking, roasting, grinding, mixing and packing (3.00 %) and de-husking (3.00 %) respectively.

Cent per cent of the entrepreneurs expressed husk as the bye - product obtained from the coffee value addition. More than half (53.33 %) of the respondents reported warranty period of coffee powder as up to 6 months, remaining (46.67 %) of them reported as more than 6 month to one year.

Current product / Current market

Nearly three-fourth (70.00 %) of the entrepreneurs opined that customers were having awareness about their product through personal contact and also popularity of shop. About 30.00 per cent of them viewed that customers were not aware about their own product.

Nearly three-fourth (70.00 %) of the entrepreneurs reported that efforts were made to find out new customer in current market through contact visit, personal rapport and telephone contact for increasing the sale volume of individuals. Remaining 30.00 per cent of them had not made any effort for finding new customers and promoting their sale volume.

Current product / New market

More than half (57.00 %) of the respondents had assessed new regions such as Bangalore, Mysore, Hassan, Hubli, Mumbai and Kanpur etc., for promoting, extending their sales and services, whereas, 43.00 per cent of them did not take any effort for extending sales and services as there were sufficient market with their regular customers.

More than three- fourth (76.00 %) of the respondents expressed 10 per cent of profit expected from the new market for promoting current product, whereas 24.00 per cent of them expected more than 10-20 per cent of profit from the new market.

New product / Current market

Majority (83.00 %) of entrepreneurs viewed that, they had not attempted to develop a new product in current market as majority of entrepreneurs were unable to compete with leading coffee industries like Coffee Day, Nescafe etc.,

Difficulties faced by the entrepreneurs while launching a new product in current market were scarcity of labour and high cost of inputs

which were expressed by 70.00 per cent and 63.33 per cent respectively. Timely delivery of product in to current market was expressed by 46.67 per cent of the entrepreneurs.

Few steps had been taken by the entrepreneurs to improve the new product in current market such as grading (10.00 %), processing (3.33 %) and packing (3.33 %).

New product / New market

About 23.33 per cent of the entrepreneurs willing to take risk for development of new product in new market, followed by 76.67 per cent of them had not showed enough interest to take any risk for development of new product. Already existing product gave satisfaction to the customers.

More than one - fourth (26.67 %) of the entrepreneurs decided to invest high cost for development of new product, followed by 73.33 per cent of them who were not willing to high investment cost for developing a new product in new market.

One fifth (20.00 %) of them reported new way of business viz., online marketing, attracting customers towards attractive packing, labeling and various packing size etc., whereas 80.00 per cent of the entrepreneurs had not attempt new way of business as they had adequate and consistent marketing.

Pricing

From the analysis, it was revealed that criteria followed by the entrepreneurs to fix

different price rate of coffee product were: International daily market price (90.00 %), types of coffee variety like Arabica, Robusta (83.33 %), mixture of coffee and chicory ratio (70 %) and quality of chicory (46.67 %).

Different prices of coffee products were sold by the entrepreneurs in the market. The prices were up to Rs. 150/ kg, Rs.150-200/ kg, Rs. 200-250/kg, more than Rs. 250-400/ kg for coffee powder and graded beans. A 10-20 % price variation took place depending on retail price, seasonal price and wholesale price. Hence the price fluctuation affected the coffee price at regular intervals.

Regarding price policy of coffee product like coffee beans the price depended on daily international market price (80.00 %) followed by coffee powder price which depended on local market rate of coffee seeds. This was reported by 50.00 per cent of the respondents.

Market price fluctuation (93.33 %), season (90.00 %), quality of product (83.33 %), demand and supply (80.00 %), competition among traders (76.67 %), over production and productivity (73.33 %), cost of coffee beans (56.67 %), sale volume (46.67 %) and cost of chicory (36.67 %) were the factors affecting the coffee price policy.

The strategies adopted by the entrepreneurs to overcome the price fluctuations were consistency in quality, updated market information through various media such as Newspaper, Radio, TV, Mobile and Internet, own experience, contact with marketing people at periodical intervals,

increased selling price of coffee products, storage of bulk coffee seed etc.,

Cent per cent of them had adopted coffee price forecasting broadcasted by various media.

Place

The entrepreneurs selected the location as nearby town, potential areas, no value addition unit in their locale, easy approachable by the customer, ideal location to produce quality coffee, centre of town, tourist place, main road towards tourist place etc.,

Average processing volume of curing centre was 50-100 tons per day; value addition ranged from 25-50 to 50-100 kg/day. Similarly volume sale noticed from the entrepreneurs were 25-50 kg/day, 50-75 kg/day and 75-100 kg / day and more than 100 kg/day respectively.

Half of (50.00 %) the entrepreneurs had reported that local traders were the only competitors in the coffee business; remaining 50.00 per cent of them reported no competition among coffee traders.

Techniques followed by the entrepreneurs to overcome the competitors were better pricing, supply of quality coffee product with reasonable price and good service to the customers.

Attraction of customers depends on many ways such as better price, personal contact/ approach, way of talking, product explanation

during selling to new customers, attractive display boards, quality, taste, aroma and flavour, supply of product on discount basis, display of coffee product in the shop, better service to customers, free sample offer to tourist/bus drivers and conductors, tourist agents and also maintaining good human relationship among buyers – sellers.

Promotion

Promotional activities carried out by the entrepreneurs were developing a larger customer base (83.33 %) and working towards building customer loyalty (76.67%).

Relationships followed among stakeholders were good partnership, price and profit sharing, offering commission, service and quality. Market demand reported by entrepreneurs were: demanded for coffee beans from July to November, demanded for coffee powder was during rainy season (June-September), winter season (December-January) and summer holidays (April-May).

Feedback mechanism reported by coffee entrepreneurs were: quality analysis report received from the export organization, physical analysis, cupping/cup test, personal contact through phone, e-mail and also personal letters.

In a nutshell, strategies adopted by entrepreneurs revolved around promoting and enhancing quality parameters (as depicted by conjoint analysis); innovating new procedures for roasting and packing; finding and opening up new avenues of market infrastructure;

taking proper management decisions in selecting new locale for sales and giving a boost to promotional activities.

CONCLUSION

From the above findings the marketing strategy analysis revealed that results of conjoint analysis showed quality attributes preferred by the entrepreneurs. They were Arabica and Robusta (50:50) mixed variety, mixing of 70:30 coffee, chicory ratio, keeping quality up to 6 months, medium level of taste/ aroma, filter size of the powder and roasting time of 15 minutes/ 10 kg of seeds. About 83.00 per cent of entrepreneurs produced coffee powder as a final form of coffee product, nearly two-third (63.00 %) of the entrepreneurs did not have any brand name or logo, cent per cent of them reported manual packing only. Major criteria to fix different price rate of coffee product were International daily market price (90.00 %), factors affecting the price policy were market price fluctuation (93.33 %), season (90.00 %) and Cent per cent of them had adopted coffee price forecasting broadcasted by various media. Selection of the location depends on nearby town and coffee potential area, techniques to overcome the competitor were better pricing and supply of quality coffee product, attraction of customers depends on personal contact, attractive display boards, quality, taste, aroma and flavor. Promotional activities carried out by the entrepreneurs were developing the customer base (83.33 %) and working towards building customer loyalty (76.67%).

Relationships followed among stakeholders were good partnership, price and profit sharing, commission basis, service and quality, supply-service and demand. Further, market demand reported by entrepreneurs were: the demand for coffee beans peaked during July to November, coffee powder were more demand in three seasons namely rainy season (June-September), winter season (December- January) and summer holidays (April-May). Feedback mechanism reported by coffee entrepreneurs were: quality analysis report received from the export organization, physical analysis, cup test, personal contact through phone, e-mail and also personal letters.

REFERENCES

- Anonymous, 1996. Coffee Guide, Central Coffee Research Institute, Chikmagalur District, Karnataka.
- Anonymous, 2011, Data Base on coffee, Coffee Board, Government of India, Bangalore. Available at: www.indiacoffee.org.
- Anonymous, 2010, 70th Annual Report, Coffee Board, Government of India, Bangalore.
- Arulanandu, U, 2007. An Econometric Analysis of International and Domestic Trade of Spices. Unpub. Ph.D Thesis, AC & RI, Madurai, TNAU.
- Dannof, C.H., 1949. Observations at Entrepreneurship in Agriculture Change and the Entrepreneur. Harvard University Press, Cambridge, pp. 13-18.
- Moore, W.L., 1980. Levels of Aggregation in Conjoint Analysis: An Empirical Comparison, *Journal of Marketing Research*, 17: 516-523.