

Barista-Which way to go?

This case provides an interesting situation for management students to discuss and analyze. It addresses a number of marketing and strategic issues like branding, brand extension, international expansion, distribution, franchising, pricing and positioning to name a few. What is very interesting about this case is that it identifies typical problems associated with formulating strategies in a fast evolving market with competition expected from all over the world. With each new entrant, the industry structure and market dynamics changes. What is introduced as an up market product does not remain one or does not want to remain one because of loss of volumes to new players who have introduced cheaper products. This happened in the auto industry and it is happening in the coffee café industry in which Barista is participating.

Another interesting issue for management students to discuss and analyze is how fast a company should try to grow? Should volumes be the key focus? It is felt that a lot of companies in an effort to increase their volumes try to dilute and/or tamper their positioning resulting in serious problems.

The case also deals in a small way with the entry of strategic investors who have their own agenda. Also, there could be some cultural issues involved. Of course, a case study is like a Pandora's box. I have seen students identify issues which I have never thought of before and come up with interesting alternative solutions.

Competitive strategies proposed by Porter, Ries and Trout as well as the concept of positioning can be very effectively applied to this case.

Barista: Various marketing issues

March-April 2003

The top management of Barista is under a lot of pressure from different directions. Some of the pulls and pressures are:

- To increase volumes by cutting prices by nearly 25%. For instance, the price of standard cappuccino coffee should come down to Rs. 30 from Rs. 40, Frappe from Rs. 55 to Rs. 40 and classic cold coffee from Rs. 45 to Rs. 33. Such a step could send a confusing message to the market as Barista had increased prices in middle of 2002.
- To change the brand positioning of Barista from "indulgence" to a "hangout," that is, as a meeting place for an increasing number of people. In order to attract large numbers, it is being argued by some that it is imperative to make the menu affordable. They suggest introduction of low priced drinks in line with the new positioning. Some feel that by diluting the premium position, volumes and share will increase.

- To introduce specialty teas in order to increase its client base among the tea consuming regions.
- With a "hangout" positioning, to open outlets in middle class localities as well as B-class towns.
- Adopt the franchise route to increase the number of outlets more rapidly while reducing its capital investment in new stores especially the real estate.
- Reduce costs and deliver profits.
- The average bill size has not increased. A lot of people are coming in to "recharge and unwind" but how to make them spend more and make them upgrade to more expensive blends. Almost 50% of their sales are from Rs. 30 cappucino coffee.

Top management is concerned. Many of the pulls and pressures have conflicting objectives. It is not sure what it should do. Also, it feels that competition is hotting up. For instance, Coffee Day has set up its outlets next to Barista's in Delhi with a cheaper menu.

Form groups to discuss and write about what strategies each of the player in the coffee café industry should adopt.