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Starbucks Enters India: The Indomitable competitor or underdog?

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What was taking Starbucks so long? Howard Schultz, the CEO and founder of Starbucks, admitted to an Economic Times reporter in 2011 that "The coffee market here [in India] is ferocious in terms of competition. There are so many players trying to do what we think we can do better" (Krishna, 2012). Not surprisingly analysts and journalists had been buzzing about why Starbucks had been so timid with its entry into India, in spite of reports that the café market in India was rapidly expanding with local and international brands entering and gaining market share quickly. Without explanation or apology, the US category creator indicated in a press release that, "Starbucks is reviewing all options and evaluating how we can proceed related to our entry into one of the fastest growing economies in the world" (Starbucks Investor Relations Annual Report, 2012).

Starbucks, the worldwide firm

Starbucks was an $11.7 billion global firm at the end of 2011. Expansion globally since 1987 had been aggressive and continuous with an average of two new stores a day worldwide (Starbucks Investor Overview, 2013). In 2011 Starbucks marketed its products in 55 countries and had over 17,000 stores worldwide (Starbucks Investor Relations Annual Report, 2011). India had been earmarked as a country for Starbucks as long as a decade ago, a logical choice given its size and forecasted growth projections (Bajaj, 2012).

Internationally, Starbucks had experienced great success with the recent launch in China (Krishna, 2012). Earnings from international business had been reported to be about 14 percent of overall corporate earnings in the last quarter of 2012 (Starbucks investor relations quarterly report, 2013). Starbucks' success worldwide was dependent on what was called by Starbucks the "Starbucks experience" (Starbucks 2013 Investor Relations Annual Report, 2014).

Starbucks strikes a deal with Tata

In 2011 Starbucks had announced the first of several agreements with Tata Coffee, an India-based conglomerate. This first agreement focused on buying coffee beans from Tata and using the company's affiliates for distribution of the first Starbucks Coffee in India (Bajaj, 2012). Later agreements involved opening stand-alone coffee cafés in cities and malls throughout India. By 2012 Starbucks and Tata had agreed to a 50/50 joint venture (Business Wire, 2012). Starbucks outlets were named Tata Starbucks emphasizing their local partner.

By joining a 50/50 venture with Tata, Starbucks gained the assistance and partnership of a division of Tata Group, an Indian conglomerate and multi-national firm with holdings in hotels, steel mills, coffee and tea plantations and automobiles. The Tata global beverages division of Tata group was the world's second largest tea company and one of the largest vertically integrated coffee businesses. They grew coffee beans, and cured, roasted and ground coffee into a variety of forms, e.g drip, ground, etc. They also supplied coffee to the hospitality industry, rail and airline industries (Tata Coffee, 2014). Furthermore, the partnership gave the new venture a strong, local, well-known name with the capability of sourcing, roasting and packaging (Business Wire, 2013).

Starbucks Moves on its Plan to Enter India

With the support Tata Coffee, in 2012 Starbucks opened its first two stores in Mumbai in October 2012 and followed by two more stores in Delhi. Analysts and journalists were reporting that Starbucks had been investigating India as market for more than six years. Plans to open its first cafés by the middle of 2011 had been thwarted by difficulties in acquiring well-valued real estate due to high land costs. Speculation and criticism of the press ended early in 2012 when Starbucks announced a goal of fifty stores by the end of 2012 (Bose, 2012).

However, Starbucks failed to meet its fifty store goal by year end. There was little indication from Starbucks or the press as to why they missed their goal. Schultz declared only that he was "optimistic about achieving our aspirations for the future" (Starbucks Investor Relations Quarterly Results, 2013). Analysts wondered whether Starbucks, the indomitable competitor, was moving too late? Howard Shultz, CEO was undeterred. "We are here to build a major business," assured Shultz, "… we think over time India will be one of the largest markets in the world for Starbucks…competition has done us a favour. They have educated the market and created lots of consumers (Krishna, 2012)".

The Coffee Cafe Market in India

The advent of the Indian café dated back to the late 1990's with V.G. Siddhartha, the founder of the Café Coffee Day café chain, better known today as simply CCD. As an exporter of green coffee beans, Siddhartha knew of the volatility of low margins and fluctuating pricing in the world coffee market. Southern India was an agrarian society rather slow to develop industry. As such, there were many family-owned businesses in which no one business held the power of the market. These family-owned Arabica farmers were relying on this growing industry to sustain them.

Inspired by the growing trend of the Internet, Siddhartha copied neighboring Southeast Asia and their successful cafe culture that promoted free Internet access and glasses of beer amid a social experience. Siddhartha analyzed the margins of a café model and saw a growth potential with 35% greater margin than coffee bean exports alone. Siddhartha recognized the "potential for building a coffee brand for the India market," and set about to launch the first cyber café (Brewing success, 2008).

Siddhartha brought about a "paradigm shift in the café space in India," said Subroto Bagchi of author of *The High Performance Entrepreneur*. The coffee cafe concept was quickly embraced as an acceptable and interesting social gathering place. Café Coffee Day had redefined coffee for Indian consumers confirmed Bagchi, "Siddhartha has raised the coffee from a brew to an experience" (Brewing success, 2008).

Coffee café outlets grew in popularity with overall domestic coffee consumption increases of nearly 80% occurring over the last decade. Market penetration of café houses was projected to grow 30% over the next five years with the top 24 cities accounting for 70% of new additions (Nangia & Kumar, 2011). Annual coffee consumption stood at 3 – 3.5 oz. per person, per year in India, far below the 9 lbs.15 oz. per person in the U.S., the 14 lbs.15 oz. in Germany and 13 lbs. in Brazil. In spite of its cultural preference for tea, India's coffee consumption was increasing approximately seven percent annually, partly due to expansion of the coffee café culture and the spread of the coffee drinking habit throughout India. The rate of foodservice sales growth of hot drinks by tonnes is shown in Table 1 below:

Table 1: India Foodservice Sales
Hot Drinks by Category
Volume 2006-2011in Tonnes (000)

	2006	2007	2008	2009	2010	2011
Coffee	4,429.7	4,759.5	5,134.1	5,505.8	5,895.3	6,335.0
Tea	99,062.3	101,940.1	104,658.6	107,418.2	110,499.9	113,688.8

Source: Euromonitor, (2013), Hot Drinks in India, Table 7
Foodservice Sales of Hot Drinks by Category: Volume 2006-2011. Foodservice sales is defined as sales to consumer foodservice outlets that serve the general public including cafes/bars, full service restaurants, fast food, cafeterias and street stalls/kiosks.

The concerted efforts of the Coffee Board and coffee marketers in promoting the beverage as a lifestyle drink via coffee cafes and vending machines added more visibility to coffee (Govidan, 2010). Coffee had "changed from being a traditional beverage consumed mainly in South India, to a youthful and trendy beverage with a national presence," which accounted for its "phenomenal growth in North India" (Srivastava, 2012). The rise of local coffee cafes provided the social hub to support India's young adult market with rising aspirations. Consumers were mostly college students or the rising employed middle class citizens benefiting from the robust economic growth India had undergone in major metropolitan areas.

India's leading pioneers, Café Coffee Day and Quiky's Coffee Pub expanded quickly in populated urban centers, highlighting this change in consumer tastes and signaling a cultural shift underway, as more young, affluent Indians embraced global trends and Western influences toward food preferences and social gathering spaces. Amidst all the talk of market opportunity, market analysts were quick to acknowledge that coffee was not the primary attraction for the youth market, but rather it was the socialization culture the stores offered that made them popular. A recent report by India's Coffee Board had claimed the Indian café market had grown by 200 stores a year for the past five years, with a total of approximately 1500 cafes and space for 2700 to 5000 by some accounts (Ahmed, 2012) that led to a highly competitive first-to-market environment. More information about India and the market opportunity for Starbucks appears in Appendix 1 at the end of the case.

More on Consumer Behavior

Young Indians had, in the last decade, enthusiastically adopted the new café culture that had arisen across India. While coffee consumption had doubled, the growth of these coffee cafés had been due to the new culture that had evolved. Cafés were popular places for young people to spend time alone and with friends. Music and sofas helped to entice this new generation to stay. The foreign vibe was attractive as well to those in their twenties and thirties (Gopinath, 2012). For many the first cup of coffee or tea was at home, the second was at Starbucks (Rao 2012). The press continually reported that coffee consumption in India was increasing (Coffee consumption rises, 2011; Coffee consumption shows phenomenal growth, 2011).

Competitors

As newer players entered the Indian market jockeying for position and offered more locations and options to consumers, industry analysts anticipated a peak in India of 5000 cafe outlets. The significant growth in the number of coffee chains was attributed to the newly forming middle class of Indian families, increased disposable incomes and changing lifestyle patterns as exposure to Western culture had become accessible through television and Internet. Some of the key first movers who'd staked their "café experience" position well before Starbucks were India home-grown competitor Café Coffee Day (CCD) as well as Barista, Costa Coffee, and Qwiky's Coffee Pub. Dunkin Donuts had just opened its first outlet in May 2012. McDonald's, a presence in India since 1996, had ramped up its breakfast efforts in selected cities in the last few years (Dunkin Donuts website, 2014). McDonald's had a 33% value share of the Quick Service Restaurant business and was clearly a company to watch (McDonalds, 2013). More information on competition can be found in Appendices 1 and 2 of this case.

Marketing Strategy

CCD had established the market for the "coffee experience" opening its first store in 1996 and with over 1400 stores by 2013 (Kuila, 2013). Their slogan was "where the young at heart unwind". Barista had a more focused approach aiming for business customers who might choose cafés in metro 5-star hotels. Costa Coffee focused on airports, malls, shopping avenues and IT parks promising the coffee experience (Brahma, 2010). Dunkin Donuts opened its first two stores in early 2012 emphasizing their lower cost coffee beverages (Dunkin Donuts to open, 2012). McDonald's from its inception almost twenty years ago had focused on how affordable and convenient McDonald's is for the family. McDonald's India had also committed to the use of local spices and chiles and product offerings based on local tastes. Recent efforts in 2012 were to establish McDonalds for breakfast, including items such as Veg McMuffin catering to vegetarians, a large part of the Indian population (McDonalds website, 2012). Breakfast as of 2012 year end was limited in scope to selected metropolitan cities

Competitors' Expansion Plans

Competitive expansion goals for India were ambitious. The number of outlets that served the café culture and the projected openings over the following years are listed in Table 2:

Table 2: India Café Outlet Expansion Projections

	Approx. # of outlets 2012	Planned expansion (# of outlets)	Timing
Café Coffee Day	1400	650	by end of 2014
Barista	185	300	2013-2015
Costa Coffee	100	100	by 2014
Qwiky's Coffee Pub	70	unpublished	n/a
Dunkin Donuts	10	100	2013-2017
Starbucks	0	50 in Yr. 1; ~1500*	2013-2017
Other	300	100	
Totals	2015	2750	

Source: news sources on company websites (2013).

However, by the fourth quarter of 2012, Starbucks had only opened 2 stores and would not confirm a set number for 2013 projections.

Enter Starbucks International Division

Since the founding in Seattle, Washington in 1971, Starbucks Coffee Company had grown to become a leading worldwide provider of premier coffee and specialty drinks via their retail stores. Howard Schultz, founder and chief executive of the company, had returned in 2008 after a brief retirement to help restructure and reorganize the company following an economic downturn in the U.S. driven largely by a housing bust and subsequent recession.

Starbucks was already on the international front in 57 countries at the time (Kinetz, 2012). For international operations, Shultz created three divisions under a new structure: China and Asia Pacific; the Americas and EMEA, which included Europe, the Middle East, Russia and Africa (Baertlein and Barr, 2011). The executives at the newly structured China and Asia Pacific Division were late to arrive to India; however, they believed it was early enough in the growth phase of the café life cycle to compete for the young urban target market.

In fact, analysts confirmed the entry of a large, well-established premium brand would further stimulate the growth of the category overall (Baertlein and Barr, 2011). Projections for India's café market were anticipated to grow 30 percent per year, with upwards of nearly 3000 more outlets projected to be added to the already existing 1500 to meet the growing demand. This burgeoning $190 million café market was sufficiently attractive to other entrants to compete for a share of the Indian café consumer (Ahmed, 2012). As far as pricing was concerned, industry pundits believed Starbucks would continue to play to their strength of premium price and positioning. "The entry of Starbucks in many ways creates a caste system in the café chains within India at large," wrote one Ex-VP of Tata Coffee Limited. You will have coffee that will come at 1$ a cup (Café Coffee Day), $2 a cup (Costa Coffee) and maybe $3 a cup (Starbucks?)" (Ahmed, 2012).

Starbucks executives believed the business environment was primed for more growth, yet a clearer picture was needed to assess demand and cultural acceptance of their elaborate coffee beverages and third place between work and home atmosphere. Nonetheless, they faced laws prohibiting full and direct investment from a foreign firm, resulting in foreign expansion within India via acquisitions or joint ventures with local enterprises. India presented challenges due to its democratic political system which, while vibrant, well-established and consistent, was fraught with corruption within its heavily bureaucratic government. Corruption was said to exist mostly at the state and local levels. The country had a strong labor pool that included English-speaking management talent coming from its business and technical schools (Khanna, Palepu and Sinha, 2005). In 2012, India's commerce law had been changed to allow "foreign retailers to invest directly in some cities provided they build infrastructure, especially roads and cold storage facilities that would help reduce the relatively high amount of perishable food that rots before it can get into the hands of consumers" (Young, 2012). The government of India had loosened the FDI policy in the last decade or so, but there still was a bureaucracy to negotiate. Investors were encouraged to invest via the purchase of shares, either convertible debentures or preference shares of an Indian company (Millar, 2007).

Market Opportunity Weighed Against Environmental Constraints

Starbucks had initially announced a launch of 50 cafes before the end of 2012, targeting "various locations like colleges, universities and railway stations to take on CCD's popularity," according to retail consultants (Mitter, 2012). By some accounts they'd planned to open 1500 stores within the next five years (Baertlein & Barr, 2011).

However, based on their late entry, there were some complex issues that needed to be considered. There were still bureaucratic hurdles to face when entering into the Indian market. While India had opened the option for foreign direct investment ("hereafter referred to as FDI"), they required that companies seeking FDI would have to invest directly in some cities to build "infrastructure, especially roads and cold-storage facilities that would help reduce the relatively high amount of perishable food that rots before it can get into the hands of consumers" (Young, 2012). This additional expense had to be factored into any new entry strategy for a multinational firm.

Secondly, there were large regional disparities in growth and consumer income levels. The rising middle class and the growing economy would continue to be "dominated by the megacities (Delhi and Mumbai) plus the six next-largest urban agglomerations" of Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad, and Pune (Beinhocker, Farrell & Zainulbhai, 2007). India's speed of urbanization was unprecedented. "It took nearly 40 years between (1971 and 2008) for India's urban population to rise by 230 million. It could take only half that time to add the next 250 million."

Yet, not all urban citizens had prospered. Seventy five percent of urban citizens lived "in the bottom income segments, earning an average of 80 rupees (around $1.80) a day. Armed with this data, analysts challenged Starbucks, saying Shultz and Culver would need to offer a "much lower price point than the $4 lattes sold in the U.S. to a market where the per capita annual income was $1600 and two-thirds of the country lived on less than $2 per day (Young, 2012). Coffee pricing at coffee cafés varied from $1 at CCD, $2 at Barista and $3 at Costa Coffee. While these prices were dramatically lower than prices in the U.S., it stood in contrast to a cost of $.22 US at a restaurant in many parts of India. Specifically, the annual median per capita income in India stood at $616 per year, the 99th position among 131 countries (India's Median, 2013). CCD had helped establish the latest trend in India to hang out in a coffee café. A detailed competitive profile for each company appears in Appendix 2.

And, while middle class urban-based families enjoyed a disposable income $3,732 to $18,633 U.S. dollars a year, it was the rural markets where most of India's population resided with roughly 70% of India's total population and 56% of the country's income per Figure 1 (Building India Financing, 2010; Brewing success, 2012).

The Associated Chambers of Commerce and Industry of India reported that India suffered from a decline in public transport to accommodate the population and a lack of investment in basic buildings, roads and power supplies. Low infrastructure investment, poor enforcement of urban regulations and the lack of education of the populace made it challenging to promote economic development (Study on urbanizing India, 2012). Furthermore, India's infrastructure spending was not keeping pace with the country's economic growth resulting in a decline in investment as a percentage of GDP to GDP growth rate between 1998 and 2007 vs. the previous ten years. The power sector was in the best position with good profitability; nonetheless, there were inefficiencies and generation shortages that had to be dealt with. Roads, while expansive, were reported to be well below the world's standards. Ports also needed investment and capacity expansion (Building India Financing, 2012). The Starbucks marketing team compiled data to evaluate volume potential in terms of number of stores and consumption statistics based upon competitive retail store data, regional population, (Table 3) city population (Table 4) and sales projection data. Based on population data, the projections for first year distribution for Starbucks were 10% (Ahmed, 2012).

Table 3: India Population by Region

Region	Population (000)
North	300,368.9
Total NE	45,588.0
Total East	270,065.9
Total E and NE	315,653.9
Total West	241,963.4
Total South	254,469.2

Source: Census of India, 2011

Table 4: India Top Cities by Population

	City	Population	State/Territory

		(2011)	
Tier I cities	Mumbai	12,478,447	Maharashtra (W)
	Delhi	11,007,835	Delhi (N)
	Bangalore	8,425,970	Karnataka (S)
	Hyderabad	6,809,970	Andhra Pradesh (S)
	Ahmedabad	5,570,585	Gujarat (W)
	Chennai	4,681,087	Tamil Nadu (S)
	Kolkata	4,486,679	West Bengal (E)
	Surat	4,462,002	Gujarat (W)
Tier II cities	Pune	3,115,431	Maharashtra (W)
	Jaipur	3,073,350	Rajasthan (W)
	Lucknow	2,815,601	Uttar Pradesh (N)
	Kanpur	2,767,031	Uttar Pradesh (N)
	Nagpur	2,405,421	Maharashtra (W)
	Indore	1,960,631	Madhya Pradesh (C)
	Thane	1, 818,872	Maharashtra (W)

Source: Census of India, 2011

Consumption patterns

More Indians, who traditionally drank tea, were turning to coffee. Historically, the migrant workers residing in the south preferred tea; but now urban dwellers in the north were trending toward coffee drinks. This shift had been driven by the younger population of aspiring college students and new workers (age 18 – 29) and those in the midst of their careers (age 30-44) that comprised 43% of India's total population based on 2012 data (Euromonitor, 2014).

Consumption of coffee stood at 3 – 3.5 ounces a person each year in India. This is compared to 9 lbs. 14.7 ounces per person in the U.S. Coffee consumption in India was rising 7% a year, according to the Indian government with the country's café market forecasted to reach $680 million in annual sales by March 2016, according to consulting firm Technopak Advisors Ltd. (Ahmed, 2012). Specific hot drink sales were forecast by region per Table 6 with compound annual growth rate projections reported through 2016 per Table 5:

Table 5: India Forecast Foodservice Sales of Hot Drinks

by Region: 2011 – 2016 in Tonnes (000)

	2011	2012	2013	2014	2015	2016
East and NE	30,072.7	30,918.6	31,823.9	32,794.4	33,838.3	34,957.2
North	41,159.8	42,228.6	43,290.1	44,343.5	45,388.8	46,469.9
South	21,184.2	21,937.1	22,731.0	23,575.1	24,476.8	25,432.0
West	29,765.1	30,899.0	32.055.6	33,234.8	34,437.4	35,665.1
TOTAL	122,181.8	125,983.3	129,900.7	133,947.7	138,141.4	142,524.2

NOTE: Does not include Central region (8% India population)

Source: Euromonitor (2013), Hot Drinks In India Table 39 Forecast Foodservice Sales of Hot Drinks by Region: Volume 2011-2016

Table 6: India Forecast Foodservice Sales of Hot Drinks by Region: %Volume Growth 2011-2016

	2015/16	2011-16 CAGR*	2011/16 Total
East and NE	3.3	3.1	16.2
North	2.4	2.5	12.9
South	3.9	3.7	20.1
West	3.6	3.7	19.8
TOTAL	3.2	3.1	16.6

Source: Euromonitor (2013). Hot Drinks of India Table 40

* Compound Annual Growth Rate; the geometric average of annual growth rates. $CAGR = (\text{ending value} \div \text{starting value})^{1/(\text{number of years})} - 1$

Additional data to assess relative demand against market penetration showed a strong retail presence by 2012 in terms of number of stores in the top cities as depicted for leading brands CCD, Barista and Costa Coffee.

Table 7: India Number of Retail Store Outlets per City

Leading Brands as of 2012

	CCD	Barista	Costa Coffee
Mumbai (West)	101	29	14
Delhi (North)	95	38	
Bangalore (South)	126	25	
Hyderabad (South)	33	11	
Ahmedabad (West)	15		
Chennai (South)	32	9	
Kolkata (East)	33	11	
Surat (West)	2		
Pune (West)	39	4	3
Jaipur (West)	11	1	1
Lucknow (North)	4	4	
Gurgaon (North)	39	18	16
Nagpur (West)	6		
Indore (Central)	4		
Thane (West)	5		
Other	805	35	66
TOTALS	1350	185	100

Source: CCD, Barista and Costa Coffee websites, 2012; also (Store Search, 2012).

Next Steps for Starbucks China/Asia Pacific International Division

Starbucks had originally announced aggressive entry plans with the goal of opening 50 stores in 2012 and 1500 more by 2017. The market opportunity and potential was very attractive from an economic point of view given its size and burgeoning middle class; however, top Indian cities were flush with competition and expansion beyond the key cities into rural India would not occur at the same pace without huge investments and funding to untangle bureaucratic red tape. Might Starbucks, the indomitable competitor become the underdog due to its late arrival?

Schultz and the China/Asia Pacific team had to tackle the massive competition which had been at the game on the ground longer and had been making progress toward growth objectives every day. How should Starbucks deal with the challenges it faces in India? What should the positioning of the new Starbucks in India be? What areas of India seem to make the most sense based on coffee market development? Is the joint venture with Tata an answer to Starbucks' plans for success? What else should they do to be successful in the sea of competition they face?

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Appendix 1
India Market Opportunity

Starbucks Worldwide

Internationally, Starbucks operated over 18,000 stores in 60 countries and had experienced great success with the recent launch in China (Krishna, 2012). Earnings from international business had been reported to be about 14 percent of overall corporate earnings (Starbucks Investor Relations Quarterly Results, 2013). Starbucks' success worldwide was dependent on what was called by Starbucks the "Starbucks experience" (Starbucks Our mission, 2014).

India GDP and Growth

With GDP projected to be 6.5 percent in 2011-2012, India's economy was thriving (India today, 2012). Indeed, during the past fifty years India's population had grown two and half times, and urban India had grown by nearly five times. By 2016, it was projected almost 35% of the Indian population would be living in the urban centers and would contribute upwards of 65% to the GDP growth up from the current 60% of GDP (Census of India, 2012).

The size of India itself, 1.21 billion people, represented a strong, large market for a variety of products and services. In fact, India represented one-sixth of the world's population and was expected to continue growing to likely equal China by 2025 at an approximated 1.4 billion people (India Census, 2012). Because of this growth, India was viewed as an untapped market for foreign food companies. Its rising middle class was adopting Western-influenced interests that included dining out and indulging on beverages, food and social entertainment. This younger segment was tech savvy, mobile and had been introduced to world cultures in an unprecedented way. According to Technopak Advisors, a New Delhi-based research firm, the coffee café market, a rapidly rising industry in the country, had shown promise for future growth valued at $190 million U.S. dollars. This market opportunity was expected to continue to expand at a compound annual growth rate ranging from 17 percent (Euromonitor, 2013) to as high as 25 percent (Nangia & Kumar, 2011) through 2015.

Since, the population of India was growing quickly, it represented a seemingly attractive market opportunity from an economic point of view. In fact, India was growing faster than China. This was coupled with extensive growth in urbanization. Whereas India had long been a country of villages, the trend toward urbanization had been dramatic and was expected to continue. By 2030, it was expected that the urban/rural mix would reach 40% urban and 60% rural. Furthermore, fifty percent of the Indian population was aged 30 years or less making for a tremendous opportunity.

Other food service corporations had already opened franchises in major metro areas of India and were expected to fuel category growth including U.S.-based McDonald's and Wendy's fast food restaurant chains. McDonald's had just announced an aggressive expansion plan to add 250 new stores to their current 250 locations within the next few years (McDonald's India to Double, 2011).

Appendix 2
Competitive Background Data

Café Coffee Day

With a tagline that stated *"Where the young at heart unwind,"* CCD targeted the urban youth, thereby providing a critical social component to the café experience new to the Indian culture. This positioning of a "third place" away from home and college or workplace for the young at heart appealed to CCD's primary target of 15-30 year olds. The urban youth in India was readily exposed to western lifestyle cultures and "seeking an experience which was world class in nature and yet easily accessible," according to Siddhartha, CCD's Chairman. CCD's global plans were to open cafes outside of India. They had already launched three in Vienna and two in Karachi. Positioning the company as the new way to interacting for individuals and businesspeople, in contrast to traditional Indian ways, CCD had grown steadily. CCD integrated vertically by moving beyond retail, growing and roasting their own coffee beans with the help of its parent company Amalgamated Bean Coffee Trading Co.; overtime CCD had developed a strong supply chain advantage (Govidan, 2010). Some analysts were saying that CCD had already done what Starbucks is trying to do.

The price of a cup of coffee at CCD was Rs50 or $1.00 US per cup. While this was a low cost in the U.S., it stood in contrast to a cost of $.22 US at a restaurant in many parts of India. The price was set as a premium price cup for most Indians. Specifically, the annual median per capita income in India stood at $616 per year, the 99th position among 131 countries (India's median, 2013). Customers at CCD consisted of area residents of the local community including the growing young, middle class (Machado, 2014). Given the latest trend in India to hang out in a coffee café, CCD was poised for continued success. Furthermore, their offering indicated a strong understanding of what the middle class wants including a vegetarian offering, spinach and corn cheese sandwiches, and the Maharaja Crush, a mango drink spiked with ginger.

Barista

Owned by Italy-based parent company Lavazza, Barista launched in 1997 (Vats, 2012) and "positioned itself as an upmarket, premium coffee cafe and targeted young urban executives who saw it as a less expensive alternative to coffee shops in five-star hotels" (Brewing success, 2008). Deco and colors in its café interiors, logos and images were designed to project a "warm, earth glow, synonymous with coffee". Barista used shades of orange and brown to good effect to promote its "laid-back" atmosphere; the brand image reflected a simple, classic and traditional European café for coffee lovers. Over 65% of Barista's customers fell into the 15 - 30 age group; with a majority being students and young urban professionals.

Prices for a cup of coffee were considered mostly inexpensive at $2.00 U.S. dollars relative to other Western offerings, as in five-star hotels. However, compared to CCD, the price per cup was twice the cost of a CCD cup. By 2010, Barista was operating approximately 205 outlets across India with plans to open another 300 new stores over the next 3 years (Govidan, 2010).

Costa Coffee

Costa Coffee was the UK's largest coffee retailer and was aggressively setting up shops alongside other competitors in India beginning in 2005 (Mitter, 2012). The London based company specialized in imported Italian coffees and made-to-order coffee concoctions like risteretto (stronger than espresso). According to Santhosh Unni, CEO of Costa Coffee, the corporation directly transplanted their original UK retail format geared toward the take-out market, and missed a key opportunity once Costa discovered cafes were first and foremost meeting places. As a result, plans for 2010 reworked the model and altered the existing 100 store layouts and atmosphere to better accommodate socializing. The location of these cafes also needed to be strategically placed in high traffic areas, like airports, malls, shopping avenues and IT parks (hubs of offices of the top technology corporations). The brand needed to refocus greater effort in the south, where coffee was a popular drink. The chain expected to open another few hundred shops with its reworked "café experience" model by 2014 in order to dominate the Indian coffee market (Costa Coffee website, 2014; Govidan, 2010).

Qwiky's Coffee Pub

Qwiky's Coffee Pub offered over 100 varieties of coffee including specialty drinks, espressos, lattes, cappuccinos, mochas, Americanos and friazzos. It also offered lunch fare of grilled sandwiches, pastries and ice creams. Qwiky's also had a clothing brand, greeting cards, magazine, books and coffee mugs. This ambitious model of variety was distinctive, yet difficult to manage, as the chain tried to be "all things to all consumers". Its emphasis on fast foods ran counter to the cafe socializing culture. By 2010 with 50+ stores in southern India and 20 stores in the northern districts, rather than selling the experience, management shifted to a "mobile coffee" strategy to meet demand for coffee-to-go for the early morning working crowd. New offerings included coffee names like Jet Fuel, Kick-Start and Ignition plus Qwiky's "swipe for coffee" cards to speed up consumer transactions (Govidan, 2010).

Dunkin Donuts

Dunkin' Donuts (DD) Brands Group first opened its doors in New Delhi in early 2012, where Jubilant Foodworks Inc., their strategic partner was based. Dunkin' Donuts offered a menu that combined DD coffee, espresso-based drinks, baked goods and other snacks, along with products "specially tailored for the Indian market." Playing to DD's to-go strengths, emphasizing speedy customer service for those taking their coffee to work, the agreement called for a joint venture partner with India-based Jubilant FoodWorks Ltd. to develop, sub-franchise, and operate 80-100 Dunkin' Donuts restaurants throughout India over the next 5 years (Ahmed, 2012). The first Dunkin' Donuts location was planned to open by early 2012. The arrangement marked "the largest international store development commitment in Dunkin' Donuts' history." Dunkin was a strong contender for the to-go category but had also repositioned its stores to provide an experience, which included a socializing atmosphere and more specialty options including hot and cold lattes, cappuccinos, chai teas, dunkachinos and coolattas (Dunkin Donuts website, 2014).