

Caferoma

Background

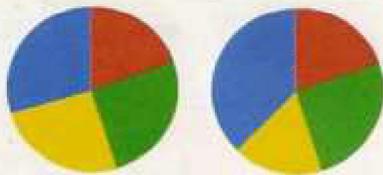
Caferoma, a well-known brand of coffee, is owned by PEF, a company based in Turin, Italy. It is promoted as an exclusive product for people who love ground coffee. Its image is of an Italian-style coffee. It has a strong and slightly bitter taste, and costs more than almost every other ground coffee product on the market.



Problems

In the last two years, Caferoma's share of the quality ground coffee market has declined by almost 30% (see chart). There are several reasons for this:

- a) **Brand loyalty:** Consumers have become less loyal to brands and more price conscious. They are willing to buy lower-priced coffee products.
- b) **Price:** Supermarkets are selling, under their own label, similar products to Caferoma at much lower prices.
- c) **'Copycat' products:** Competing products of Italian-style ground coffee are selling at prices 30 to 40% lower than Caferoma.
- d) **Brand image:** the Caferoma brand no longer seems to be exciting and up-to-date.



2 years ago

last year

Market share European quality ground coffee

- Top five European coffee brands
- Supermarket own label brands
- Other brands
- Caferoma

Sales outlets as a percentage of Caferoma sales



Focus group results

Do you think Caferoma is...	% of people answering 'yes'
expensive?	60
value for money?	43
good quality?	70
old-fashioned?	80
exciting?	23
exclusive?	55

The idea to live in the country doesn't appeal to me

She appeared in to appeal to the men for her child's safe return

Possible solutions

Repositioning the product

Change Caferoma's image to appeal to a different market segment. (Which segment? What changes to taste, quality, packaging, logo, labelling, distribution?)

Pricing

Reduce the price by, say, 20% to 30% so that it is in the medium range of prices.

Advertising

Develop a new advertising campaign to relaunch the brand.

Multiple brands

Sell Caferoma, with small changes to product, under different brand names at lower prices.

Own brand label products

Allow supermarkets and hypermarkets to sell Caferoma under the supermarkets' own brand labels. Continue to market the Caferoma brand at the same time.

A new product

Bring out an instant coffee or decaffeinated product under the Caferoma brand as soon as possible.

Stretching the brand

Allow some makers of coffee equipment (cafetieres, percolators, coffee machines, etc.) to use the Caferoma brand on their goods, for a licensing fee.

1.6 Claudia, Caferoma's Marketing Manager, has some recent news from one of Caferoma's biggest customers, Majestic Hotels, a major European hotel chain. She discusses the news with Caferoma's Sales Director, Pietro. Listen to their conversation. How does this new information affect your decisions?

Task

As members of PEFD's marketing team, hold an informal meeting. Consider the advantages and disadvantages of each solution. Then decide what to do to stop the decline in the product's market share and to increase profits.

Writing

Write an e-mail to Caferoma's Managing Director, Mario Cumino. Summarise what action you agreed to take at the meeting to solve Caferoma's problems. Explain your reasons.

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