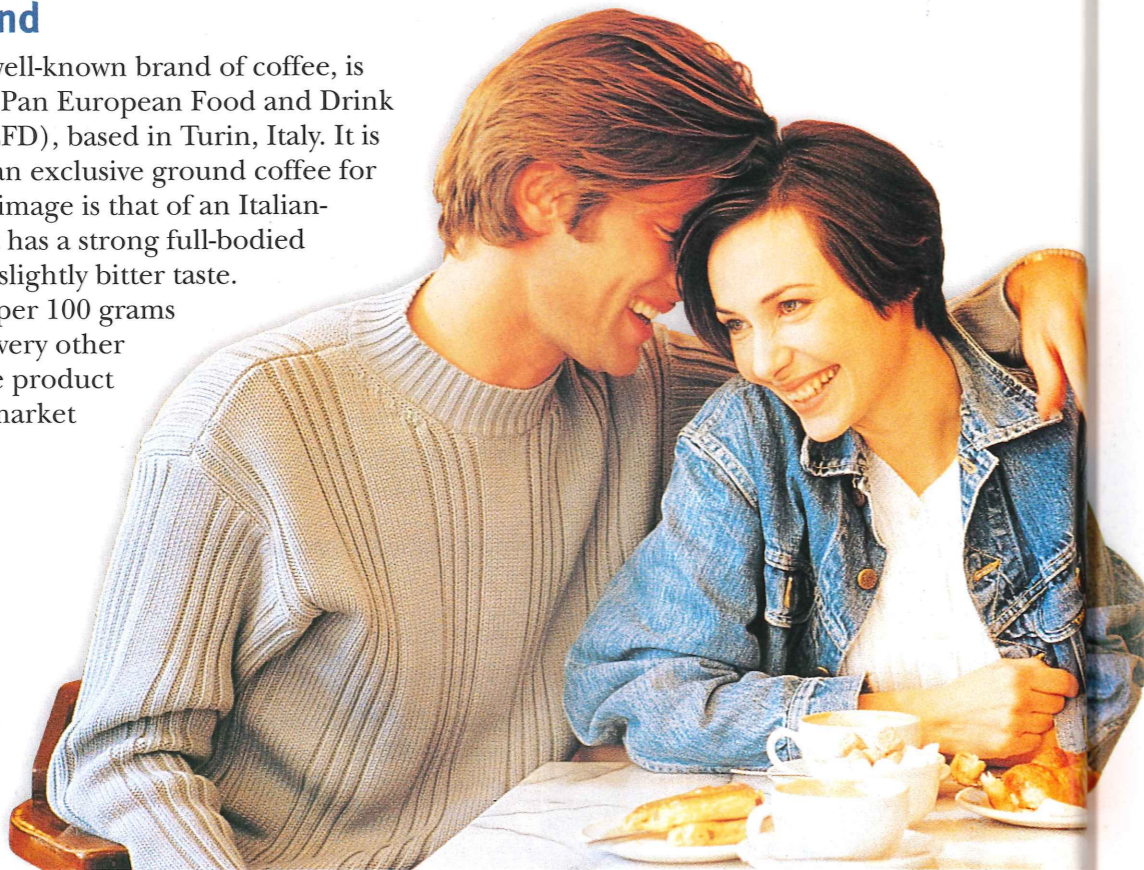


### Background

Caferoma, a well-known brand of coffee, is owned by the Pan European Food and Drink Company (PEFD), based in Turin, Italy. It is promoted as an exclusive ground coffee for gourmets. Its image is that of an Italian-style coffee. It has a strong full-bodied flavour and a slightly bitter taste.

It costs more per 100 grams than almost every other ground coffee product on the supermarket shelves.



### Problems

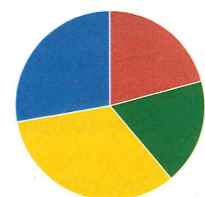
In the last two years, Caferoma's share of the European quality ground coffee market has declined by almost 25% (see chart). There are several reasons for this:

**Brand loyalty:** Consumers have become less loyal to brands and are more willing to trade down to lower-priced coffee products.

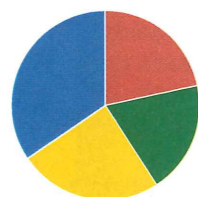
**Price:** Supermarkets have been producing, under their own label, similar products to Caferoma at much lower prices.

**'Copycat' products:** Competing brands of Italian-style ground coffee at prices 30% to 40% lower than Caferoma's price have cut into Caferoma's market share.

**Brand image:** Consumer surveys show that the Caferoma brand no longer conveys a feeling of excitement and enthusiasm, and that it does not give the impression of being up-to-date and contemporary.



Last year



This year

Market share, European quality ground coffee

■ Top five European coffee brands

■ Supermarket own label brands

■ Other brands

■ Caferoma

### Possible solutions

#### Repositioning the product

Change Caferoma's image to appeal to a different market segment. (Which segment, and what changes should they make to taste, quality, packaging, logo, labelling, etc?)

#### Pricing

Reduce the price by, say, 20% to 30% to make it more competitive.

#### Advertising

Devise a new advertising campaign. (The new message, kind of campaign, and any special promotions need to be considered.)

### Task

You are members of PEFD's European marketing team. Hold an informal meeting to discuss Caferoma's problems. Decide what actions are necessary to halt the decline in the product's market share and to increase profits.

#### Multiple brands

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

#### Own label products

Sell Caferoma coffee for supermarkets to package and sell under their own labels (but 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.

#### Stretching the brand

Allow selected manufacturers of coffee equipment (cafeteries, percolators, coffee machines, etc.) to use the brand on their goods – for a licensing fee, of course.

### Writing

Write a memo for the attention of Caferoma's Managing Director, Mario Cumino. Summarise what action you agreed to take at the meeting to solve Caferoma's problems. Explain your reasons.

➔ Writing file pages 144 and 145

