International Coffee Organization
Organización Internacional del Café
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Brazilian proposal for the promotion of coffee consumption at the ICO

Background

The attached document has been received from Brazil and outlines a proposal to create an ICO network for the promotion of coffee consumption, which will build on knowledge already gained and bring together participants in the world coffee industry to collaborate on ways of increasing coffee consumption in all markets.

Action

Exporting Members are requested to consider authorizing the Executive Director to use a sum not exceeding US$120,000 from the Promotion Fund to contract specialized firms to create an ICO network to promote coffee consumption as described in this document

BRAZILIAN PROPOSAL FOR THE PROMOTION OF COFFEE CONSUMPTION AT THE ICO

1. Introduction

Forecasts of world coffee consumption indicate that, over the next ten years, 20 to 30 million bags may be added to the volume consumed today. An increase of 10 million or 30 million, or some figure in between, will depend on annual growth rates, which can be greatly affected and influenced by promotion activities. The Brazilian experience has shown us that the choice of how much we want to grow depends, to a significant degree, on initiatives undertaken by the world coffee industry itself.

The theme of "promotion" has been the subject of intense debate in the ICO in recent years. This reinforces the Brazilian perception that the promotion of coffee consumption is one of the key objectives of the Organization. Since Brazil has been working for several years in the field of promotion of consumption, we have decided to present a proposal to the ICO to use a small portion of the funds available to create the basis for a promotion program that would be much broader than might be imagined, and which could be self-sustaining in the near future.

The ICO has at its disposal two funds, comprising contributions received from producing countries that amount to more than one million dollars. The balance of these funds is invested in the financial markets, at the low interest rates prevailing today. Producers can allocate the balance of these funds to promotion activities, if they are convinced this will be a good investment. A modest portion of these existing funds could be used to start a self-sustaining process of promotion at the ICO.

We live in a world that is vastly different from the golden age of promotion of consumption under the auspices of the ICO. Potential donors and participants, namely, countries, institutions and private corporations, are interested in investing in specific projects, instead of making donations to funds with broad objectives. The inclusion of promotion at the ICO within this new environment requires the disruption of the vicious circle of lack of money for promotion because of lack of projects and lack of projects because of lack of money for promotion.

The present proposal recommends the institutionalization within the ICO of a process of articulation through networks that has characterized not only Brazilian promotion programs but also the coffee and health program of the ICO and, more recently, the initial application of the ICO Step-by-step Guide to Promote Coffee Consumption in India, Mexico and Indonesia. The proposal calls for the cooperation of agents involved in the world coffee industry to create, in a collective and shared format, projects and actions for the promotion of consumption through an ICO Network for the Promotion of Coffee Consumption.

Together with the organic network described above, this proposal emphasizes a focus on the consumers of the future, without neglecting other audiences. The focus on young consumers is justified not only by their sheer numbers – 2 billion people – but also because globalization and information technology are creating a generation with similar behaviour and tastes. These youngsters are easier to reach through strategies and similar messages spread by modern high technology media, such as the Internet, cellular phones and podcasts. The focus on young consumers provides a unique opportunity to shape consumer preferences with regard to coffee for the next 30 or 40 years.

2. Recent experiences with networking

The concept of networks has permeated, although perhaps not intentionally, some of today's most important programs for increasing coffee consumption.

The successful approach used to communicate knowledge through the Positively Coffee program is based on an informal dissemination network. The program organizes, develops and creates content, publishes it on the Internet and prepares informative bulletins for stakeholders (associations, corporations, consumer groups, etc.) who publicize the findings, in what can be considered to be a traditional top-down information network.

The current Brazilian promotion program also concentrates on the creation of ideas, content and materials, the latter being produced by the program itself or, more usually, by private companies. Companies are responsible for distributing and publicizing the materials, which are frequently printed by them and bear their commercial brands. This is an *ad hoc* network for institutional and brand promotion with benefits for all those involved.

The Step-by-step Guide to Promote Coffee Consumption in producing countries itself recommends network-based promotion structures in the section covering institutional arrangements. The initial stages of the first large-scale applications of the Guide, in India, Mexico and Indonesia, concentrate precisely on establishing promotion networks bringing together the main participants in the coffee industry of the respective countries. It is surprising how the network structure enables the rapid identification of problems and the definition of strategic lines of action for the promotion of coffee consumption. These exercises prioritize the opinions of those who have the most knowledge of the problem, namely, those agents that are closest to consumers, while simultaneously taking into account the opinion of other agents, in what can be considered to be a network that works from the bottom up.

3. Focus on Young Consumers

Today's social and economic environment has two important characteristics, which facilitate promotion and contribute to the formation of future consumers:

- modern and inexpensive communications technologies and
- Generation M, where "M" stands for Media and Multitasking.

There exists a variety of new, modern and inexpensive communication technologies associated with the Internet, such as blogs, "viral" activities, text messaging and, probably, new approaches that will arise in the near future. These new communications tools are reducing costs and changing the way in which we communicate with partners, customers and consumers in the coffee supply chain.

This Generation M, which is "tuned into" many media channels and practices multi-tasking, comprises 2 billion youngsters that are interconnected and have similar tastes all over the world. In contrast with the baby boomers, who were different and had distinct tastes in different countries, Generation M has more uniform tastes. The Internet and globalization are making this generation less susceptible to the influences of local culture.

A promotion structure based on an organic virtual network can treat young people not only as the main target public of the programs, but also as engaged participants that provide their own opinions and participate in the very creation of strategies and messages. Such a procedure would correspond to a true bottom-up approach, including the participation of the target public, which is the basis for successful results in any marketing program.

4. ICO Network for the Promotion of World Coffee Consumption

The present proposal encompasses the institutionalization of promotion at the ICO by means of the establishment of an organic virtual network that will build on knowledge that has already been gained, including with regard to network arrangements, and bring together participants in the world coffee industry to think jointly and to seek consensual ways to increase the consumption of coffee in all markets.

The virtual **network** will bring together the various agents of the international coffee market, under the coordination of a governing body (network governance) representing the various segments of the industry in order to create, in a collective, collaborative and shared manner, initiatives to promote world coffee consumption.

The network will be composed of **sub-networks** representing market segments that bring their specific perspective of the problem to the process of collective development of ideas, strategies, programs and initiatives. The sub-networks will correspond to producing countries, traditional consumers and emerging markets.

Discussions will take place in **collaborative communities** – virtual environments coordinated by a mediator and a team of collaborators – which, through debate and sharing of information, involve the network participants in a collective construction process. The collaborative communities envisaged include an idea bank (generation of ideas for promotion), a desk for promotion projects and institutional arrangements for promotion. A fourth collaborative community will be responsible for ensuring a focus on young consumers, without neglecting other potential target audiences. This fourth community will serve as a third dimension in the matrix formed by crossing the sub-networks with the collaborative communities, thus permeating the discussion of the themes to be developed.

The **topics** to be developed under the perspective of each sub-network are presented in the matrix in Figure 1, where the focus on young consumers appears in the column dedicated to young consumers / new media. As previously stated, the focus on young consumers must be an integral part of discussions in other cells of the matrix.

Other participants in the network include **business communities**, composed of corporations that may develop business relations with members of the network as a result of the thematic discussions that occur in the collaboration communities. Business communities may comprise public relations, marketing and advertising firms, fairs and events, technology and telecommunications, consultants, financial services, etc., in addition to corporations directly linked to the coffee industry, such as producers, traders, industrial firms, distributors and retailers. These communities will generate the business required to assure the self-financing nature of the network, as explained below.

Finally, the network will also include **knowledge communities,** comprising centres of excellence that sell themselves to the network, bringing the state of the art to the thematic discussions occurring in the collaboration communities. The knowledge communities, which may include universities, research centres, think-tanks and even third sector organizations (NGOs), will also help to make the network financially viable.

The network proposed above can be viewed, in schematic form, in the Appendix: ICO Network for the Promotion of Coffee Consumption.

FIGURE 1: THEMES TO BE DEVELOPED BY THE SUB-NETWORKS

SUB-NETWORKS	**COLLABORATIVE COMMUNITIES**			
	IDEAS BANK **(Generation of Ideas)**	**PROJECT DESK** **(Dissemination of ideas)**	**INSTITUTIONAL ARRANGEMENTS** **(Responsibility for promotion)**	**FOCUS ON YOUTH** ***(Third Dimension of Matrix / Network)***
PRODUCING MARKETS	- Use/apply ICO Guide - Take advantage of experience with projects in India/Mexico/Indonesia - Coffee & Health - Take advantage of Brazilian experience (past/present/future) - Coffee & Children	- Public Relations - Direct marketing - Events (quality contests/auctions/baristas/etc.) - Publicity - Traditional media - Strategies - Coffee & Health program - Coffee & Children program - Education - Partnerships	- Define Promoter(s) - Create Programs - Define Managing Group - Relations with Trade Associations - Relations with Governments - Relations with other fields of business - Relations with the 3rd sector (more structured)	- Modern high technology media (Internet/cellular/podcasts/other) - Universal messages - Lifestyles (modern/hedonistic/"western") - Coffee & Sport - Coffee & Pleasure
TRADITIONAL MARKETS	- Coffee & Health - Take advantage of experiences of consumers (e.g. NCA/USA) - Virtual market of ideas - Take advantage of Brazilian experience (present/future) - Use/apply ICO Guide - Obstacles to expansion of consumption	- Partnerships with Coffee Trade Associations - Partnerships with corporations/brands (industry and retail) - Public relations - Events (baristas/others) - Viral activities - Strategies - Coffee & Health program	- Define potential Promoter(s) - Relations with Trade Associations - Relations with corporations/brands (industry and retail) - Relations with 3rd Sector (less structured)	- Modern high technology media (Internet/cellular/podcasts/other) - Universal messages - Lifestyles (modern/hedonistic/"western") - Coffee & Sport - Coffee & Pleasure
EMERGING MARKETS	- Virtual market of ideas - Take advantage of India project - Take advantage of ICO experience (Russia & China) - Coffee & Health - Cultural barriers	- Partnerships with producing countries - Partnerships with corporations/brands (industry and retail) - Integration with traditional/mature markets - Public relations - Events (festivals/baristas/other) - Viral activities - Strategies - Coffee & Health program - Coffee & Children program	- Define potential Promoter(s) - Relations with producing countries (government, associations and corporations) - Relations with corporations/brands (industry and retail: packed and ready-to-drink)	- Modern high technology media (Internet/cellular/podcasts/other) - Universal messages - Lifestyles (modern/hedonistic/"western") - Coffee & Sport - Coffee & Pleasure

5. Operation of the ICO Network

The ICO network must be assembled and operated by a firm specialized in the construction and management of virtual organic networks, as proposed above, with the assistance of a marketing firm with experience in institutional programs for the promotion of consumption.

The ICO itself will be responsible for **network governance**, with the assistance of firms specialized in the development and management of networks and promotion of consumption. On behalf of the ICO, the Steering Group on Promotion could take responsibility for the governance of the network, directly or through representatives nominated by the member countries of the Group, assisted by the current staff of the ICO, without the need to hire personnel specifically for this purpose, since the brunt of the technical work will be borne by the professionals of the firms under contract and remunerated by the network's own activities.

With the support of the network governance and using the methodology of firms under contract, a **diagnosis** of consumption promotion in the target markets will be made. Based on this information, a **strategic plan** and an **action plan** will be prepared to guide the activities of the collaboration communities led by **mediators**, who will execute the plan and administer the projects in each of the areas of the action plan.

Collaborators will contribute with mediators to the execution of the projects defined by the action plan. The collaborators may belong to the network itself or can be external professionals, representatives of suppliers and/or members of institutions.

Finally, the **participants** should include all members of the value chain related to the promotion of coffee consumption, who will participate in the process by giving opinions, debating and taking part (or not) in the actions to be executed by the mediators and collaborators, according to the action plan formulated after the establishment of the managing group.

6. Self-financing of network activities

Once installed, the operation of the network should be entirely self-financing, without any recourse to the resources of the ICO and possibly even generating income for the organization, depending on the business model adopted. Income may be generated in a variety of ways, including media, relationships, electronic transactions, etc.

7. Budget

Based on research conducted with potential suppliers of services, the total costs of developing the ICO Network for the Promotion of Coffee Consumption in the form described above have been estimated at a maximum of US$120,000. This estimate involves the services of specialized firms for the conception and design of the network, development of Internet information infrastructure, creation of a governance structure, preparation of the diagnosis, mobilization of mediators, collaborators, suppliers and participants and set-up of the operation.

In order to assure that the above-mentioned proposal can be accomplished within the stated budget, the Executive Director has been sent price quotations from specialized firms with experience in these activities that cover all the services provided for in this document.

The Brazilian proposal is that the Executive Director should be authorized by producing countries to use a sum not exceeding US$120,000 from the Promotion Fund to contract specialized firms to create the ICO Network for the Promotion of Coffee Consumption in the form described above.

8. Advantages

The proposal has several advantages. First, it is capable of being developed immediately and work on promotion would be able to begin in the near future at a very modest cost. Second, it involves the creation of a promotion network that would be self-sustaining and might generate income for the ICO. Third, it focuses on current and future markets, using the IT technologies that are preferred by young consumers. Fourth, it would “unblock” promotion activities at the ICO.

The present proposal enables the repositioning of the question of promotion within the ICO, such that it would become the focus of permanent and continuous activities in the network to be created, with positive results for all those involved in the world coffee industry.

In addition, this small investment may demonstrate the viability of networking operations for other ICO activities. If this is true, the promotion network could be broadened, with a minimal investment, to cover other areas.