



Organización Internacional del Café
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Steering Group on Promotion
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**Proposal to increase coffee consumption
in China received from Mr. Paul Hai Wang**

Background

At the meeting of the Promotion Committee in May 2005, the Committee noted that exporting Members had agreed to allocate up to US\$15,000 for the Executive Director to develop a proposal to increase coffee consumption in China. At the request of the Executive Director, Mr. Paul Hai Wang has developed the attached proposal for consideration by Members.

Action

The Steering Group on Promotion is requested to consider this proposal and to submit a recommendation to the Promotion Committee.

PROPOSAL AND COSTING FOR ICO PROMOTIONAL ACTIVITIES

PAUL HAI WANG

1. Proposal objectives

China seems destined to be the next largest coffee consuming country in the world because of its rapid economic growth and huge population.

Coffee producing countries, international coffee bodies, regional coffee roasters and other coffee groups are all interested in seeing China's coffee market fulfil its potential as soon as possible. China's coffee consumption is currently very small and all parties should be aware of the importance and benefits of reciprocal promotional activities and collective efforts.

The International Coffee Organization is interested in promoting coffee consumption in China and this document outlines a project which the ICO can present to its Members and interested groups as a catalyst to generate funding.

2. Brief

To develop promotion proposals by Mr. Paul Hai Wang into a substantial project proposal.

3. Proposal and costing

3.1 Strategies

- To increase coffee consumption and awareness among a number of well-defined groups who are most likely to become regular coffee drinkers and can set the trend for the entire society.
- To generate public awareness about the benefits of coffee and enhance its image as an affordable and beneficial drink instead of a luxury beverage.
- To find the tipping point to ignite substantial growth in coffee consumption.

3.2 Three areas for promotion

Promotion is divided into three interlinking areas: captive consumer groups, coffee professionals and public awareness of coffee.

Direct, consistent and repetitive promotions which focus on captive consumer groups, especially in universities and offices where people are in a restricted environment, are resource-efficient, effective and sustainable.

Coffee professionals such as coffee house owners and retailers/wholesalers deliver coffee to consumers. They need to have basic knowledge of coffee, the coffee business and marketing. They also need to have access to the open market.

Although large-scale coffee promotional activities to increase public awareness may be expensive, they are important. They can be linked with other coffee activities (such as conferences, trade shows, etc.), holiday season promotions and joint promotions with other interested parties.

3.3 Promotion themes and relevancy

Most people want to follow trends. People in universities and office workers are the most likely to start the trend for coffee. Therefore, the promotional themes have to be relevant to the intended audiences.

Coffee stimulates the brain and is an economical and habit-forming drink and a social catalyst. These characteristics should be the themes of the promotion in addition to coffee's global image and its association with responsible social activity.

3.4 Current status of coffee consumption and promotion in China

The Chinese do not drink coffee regularly.

High retail prices in coffee houses

In China, coffee houses with their expensive prices and luxury environment bear little resemblance to the tradition of coffee houses, which have usually been the tipping point for large-scale coffee consumption. China's students and its middle class cannot afford to drink coffee in coffee houses.

Domination of instant coffee

Instant coffee is widely viewed as an "afternoon-workplace-keep-everybody-awake" drink. There are few choices available – either Nestlé or Maxwell. The quality and image of instant coffee alone is not enough to compete with tea and soft drinks.

Limited access to better quality coffee, ground/whole bean coffee and coffee brewing equipment

Instant coffee is almost the only choice available since many food chains and local stores only carry instant and canned coffee. The Chinese have very limited access to good quality ground or whole bean coffee. In addition, the lack of appropriate brewing equipment is another factor which limits the potential for increasing consumption.

Advantages of coffee in the land of tea and soft drinks

Coffee is intrinsically very competitive compared to tea and soft drinks in terms of price and image. Unfortunately, both domestic and foreign roasters and retailers have set prices at unreasonably high levels in China. There are no major tea companies to rival traditional tea with modern coffee, but nor are there coffee companies providing decent coffee at a decent price.

3.5 Key elements for the project to succeed

Promotional activities on the one hand have to be relevant and sustainable to be effective; but on the other hand, have to keep both domestic and international coffee business entities in the loop because, as mentioned previously, the Chinese do not have access to good quality ground or whole bean coffee, only low quality instant coffee and expensive coffee from coffee shops.

It is also important to study and monitor the coffee market in China to ensure that promotional activities are practical and continue to evolve.

3.6 Selected groups of people for promotions during the first year

College students, white collar workers and the middle class, aged between 17-40 years old and living in cities.

3.7 Selected cities for promotional activities during the first year

During the first year, it is proposed that activities should be undertaken in Beijing, Shanghai and Hang Zhou (or Qing Dao).

Beijing has over 100 colleges and universities in a fairly concentrated area, which will help to ensure promotional activities are effective. Universities are always fertile ground for encouraging coffee consumption.

Shanghai is the most modern and open-minded city in China, like Japan was twenty years ago. Promotional activities will target people working in offices which are concentrated in a few areas of the city. High quality ground or whole bean coffee and coffee houses will help to make it easier to penetrate this city, where more than 20 million people live.

Both Hang Zhou and Qing Dao are well-developed cities. Hang Zhou is geographically close to Shanghai and is at the heart of one of the most rapidly developing and highest per capita income areas in China. Qing Dao, a city on the coast resembling Seattle, is where Starbucks chose to open its first company-owned (rather than licensed) coffee shop in China this year.

3.8 Evaluation of programmes in the first year of the promotion project

Objectives: to encourage funding by ICO members and the private sector of the following initiatives.

3.8.1 Internet and website, and online education and training

Programme:

- Establish a positive, modern image of coffee in China.
- Establish communication channels between China and the ICO, and between China's coffee community and the world coffee community.
- Provide English language materials to foreign business entities with an interest in China who want to minimize opportunity costs.
- Provide authoritative and informative materials about coffee and the coffee business to help to develop the coffee market in an opaque market.
- Market and promote coffee consumption directly to Chinese consumers by working with local and international roasters.
- Provide training and marketing guidance on opening coffee businesses and coffee-related businesses.
- Address issues such as coffee and health.

Assessment: Design the content of the website in an interesting way to target coffee consumers and coffee businesses; cost the development and management of the website; identify ways of promoting the website; identify areas and content for developing training and marketing guidance; explore business opportunities through the website for the private sector.

3.8.2 Lecture tour/events on college campus and tasting demonstrations in offices

Programme:

- College students are attracted to exotic stories about coffee, which has been associated with success, romance, adventure, creativity, and other characteristics. Students can have the opportunity to experience coffee through lectures and tasting.
- Tasting demonstrations, sales/distribution of good quality coffee, and the distribution of promotional materials in the form of small mobile stands can take place in offices throughout the business district on an on-going basis.

Assessment: Identify the necessary materials and procedures for universities and office promotions in Beijing, Shanghai, Hang Zhou and Qing Dao. The geographic differences may require the focus of the promotional activities to be different.

3.8.3 Advertising and media

Programme:

- Hill & Knowlton worked with the ICO during previous promotional activities. Exchange ideas and knowledge about advertising, public relations and marketing with them.
- Cartoons and animations are becoming increasingly popular through TV programmes, the Internet and mobile phones and are likely to be closely followed by young students and professionals. The success of Maxwell's TV show in the 1930s could be a template for generic promotion activities. A popular cartoon character can accomplish what millions of dollars in advertising cannot.

Assessment: Evaluate the potential for developing a pilot cartoon/animation series.

3.8.4 Leveraging the influence of trade shows and international coffee conferences, and other joint activities held in China

Programme:

- Sponsor or provide in-kind sponsorship for local trade shows and activities.
- Organize an international coffee conference in China.

Assessment: Identify a series of coffee-related trade shows taking place in China. The ICO could help to provide information about conference events taking place in China.

3.8.5 Free coffee donated by producing countries and cooperation with the private sector in distribution

Programme:

- Encourage coffee houses and food retailers to cooperate with the ICO in capping prices. The ICO could provide free (or low-priced) coffee beans, paper cups, endorsements on the website and marketing materials to encourage consumption.
- Look for university retailers to promote ground/whole bean coffee.
- Offer coffee tastings during coffee promotions.
- Explore and generate opportunities in direct marketing to associate private firms and producing countries with the coffee being marketed.

Assessment: Identify the potential for local roasters and importers to receive and roast coffee; identify potential retail partners for distributing coffee.

4. Budget estimate and timetable

The proposal will combine the proposed programmes into one project with relevant strategies and rationales, timetables, costs, potential parties and partners, activities, expectations, and other aspects. It will also show how these programmes serve the interests of the private sector, the producing countries and other interested parties.

The proposal will take two to three months to complete. A monthly report detailing progress will be sent to the ICO at the end of the first month and the first draft of the proposal will be sent to the ICO at the end of the second month. The final proposal report will be submitted no later than three months after the starting date.

A breakdown of the budget is given below:

| Activities | USD | Total |
|---|-------|-------|
| 3.8.1 Internet and website, and online education and training | | |
| Design the content of the website in an interesting way to target coffee consumers and coffee businesses; cost the development and management of the website; identify ways of promoting the website; identify areas and content for developing training and marketing guidance; explore business opportunities through the website for the private sector. | 1,500 | |
| 3.8.2 Lecture tour/events on college campus and tasting demonstrations in offices | | |
| Investigate 25 universities and 30 offices in Beijing and Shanghai (and possibly Hang Zhou and Qing Dao) for regulatory policy, past events and associated costs (rental, etc.), interest, potential partners such as student committees and building management, etc. | 4,000 | |
| Prepare the promotion format for offices and the action plan for universities in details of the physical materials (booths, billboard, etc.), advertising materials (brochure, etc), costs (staff, rents, etc.), speakers, topics, etc. | 3,000 | |
| 3.8.3 Advertising and media | | |
| Exchange ideas and information with Hill & Knowlton. | 100 | |
| Prepare cartoon/animation promotions including evaluation of distribution channels, budget for pilot programme, cost of development and production, explore the theme, relevancy and effectiveness to potential coffee consumers. | 750 | |

| Activities | USD | Total |
|---|-------|--------|
| 3.8.4 Leveraging the influence of trade shows and international coffee conferences, and other joint activities held in China | | |
| Identify a series of current coffee-related trade shows taking place in China; identify the format of sponsorship and cost the sponsorship. | 200 | |
| 3.8.5 Free coffee donated by producing countries and cooperation with the private sector in distribution | | |
| Prepare plan for free green coffee beans and cost logistics such as transportation, storage, labour, etc. | 500 | |
| Research and provide a list of about five local roasters in China interested in participating in ICO promotional activities. | 750 | |
| Research and provide a list of local coffee shops, convenience stores and fast-food retailers interested in participating in ICO promotional activities with an agreed price cap. | 2,000 | |
| Prepare draft benefits, rules and procedures for both roasters and retailers. | 1,000 | |
| Outline the promotional materials required for this programme. | 250 | |
| Total fee | | 14,050 |
| Travel expenses, out of pocket expenses and government tax | | 950 |
| Total | | 15,000 |