DOMESTIC COFFEE CONSUMPTION STRATEGY

Presented by

Andrew Lajul Kilama, MBA, FCCA

Board Secretary & Head of Corporate Services
UGANDA COFFEE DEVELOPMENT AUTHORITY

OUTLINE

1. Background
2. Methodologies used
3. Drivers & Barriers in Uganda
4. Consumer, Market & Industry
6. The DCC Strategy
7. Development Perspective
8. Key Findings
9. Achievements
10. More to do

1. BACKGROUND

- The Domestic Coffee Consumption goal as defined in the National Coffee Strategy 2040 and UCDA Corporate Plan for 2015/16 – 2019/2020 is to:
  - *'Develop a Coffee Drinking Culture' with the Key Output of Increasing Per Capita Domestic Consumption from 360g to 500g by the year 2020".*

2. METHODOLOGIES USED

- ICO Step-by-Step Guide to Increase coffee consumption
- Study & identify drivers & barriers in producing countries with growth in coffee consumption
- Studies on coffee consumption in Uganda
- Visiting key websites
- Consultations from public & private institutions
- Study tours in different countries
- Development of DCCS Integrated Matrix-Roles of different players (Public & Private Partnership)

3. CONSUMPTION TRENDS

- Drivers & Barriers identified in these countries:

Country	Per Capita Coffee Consumption (kg)
• Russia	0.7
• India	0.075
• Brazil	5.14
• Mexico	0.84
• Ethiopia	1.17
• Colombia	3.2
• Costa Rica	3.9
• China	Negligible
• USA	4.25

3.1. KEY DRIVERS

- Favourable investment climate-zero tax on plant & machinery
- Buoyant tourism industry
- Growth of supermarkets even in suburbs
- Redesigns of supermarkets & cafés
- Changing consumer tastes & preferences-new cafés coming up- Café Morca, Pap Café, Café Ballet, Café Javas, Good African Coffee Shops, Emin Pasha, Panorama, Nandos, Source Café, Flavours Café, Jinja,Transnet Internet & Café, Samcof Internet & Café, Lira, Nguvu House, Nateete,

3.1. KEY DRIVERS CONT..

- Strong private sector-PSFU, UMA, Enterprise Uganda,
- Improving ICT networks
- High enrolment in tertiary institutions
  - Tapping the youth-need for dispensers
- Different Uganda coffee brands on the market: Star Coffee (Instant & R &G), Good African Coffee, Masaba, Savannah, Elgon Pride, Zigoti Coffee, Nguvu, Kifaru Kawa, Gorilla Kawa, Elgonia, One Café, Mountain Coffee (Organic), Salati Coffee, Kifaru

3.2. BARRIERS

- Unorganized players constitute the major threat to organized players
- Most coffees have a very small proportion of coffee in the final product
- Coffee preparation played a key role in consumption of coffee:
  - which equipment was available
  - the training of personnel
  - education of both consumers and media
- Negative perceptions of coffee as a health hazard
- Poor infrastructure-road & distribution network

4.CONSUMERS, MARKET & INDUSTRY

- The Coffee Consumer
  - Coffee Consumption Surveys
  - Demography
  - Consumption Features
  - Young Consumers
  - Recall & Trends
- The Coffee Market
  - Standards & Regulations
  - Taxation & Licensing

4.CONSUMERS, MARKET & INDUSTRY

- The Coffee Business
  - Production, exports, domestic consumption, stocks
  - Coffee chain
  - Geographic distribution
  - Coffee associations
  - Govt. agencies involved
  - Products
  - Production capacity
  - Prices

4.CONSUMERS, MARKET & INDUSTRY

- The Coffee Industry
  - Technology
    - Roasting & Brewing Equipment
    - Expertise in roasting & brewing
  - Wholesale & Retail Markets
    - Positioning Coffee in the retail market
    - Coffee Positioning out-of-home

5. THE STRATEGY (DCCS)

- Vision of DCCS
  - **'A competitive local roasting and retail sector for enhanced consumption of high quality Uganda coffee'**
- Relevance & Significance
  - The DCCS is an integral part of the National Coffee Strategy, UCDA Corporate Plan 2007/8-2009/10; 2013/14 – 2019/20
  - The Plan concentrates on the following key areas:
    - Develop a domestic coffee consumption strategy (DCCS)
    - Train stakeholders in good roasting and brewing practices

5. THE STRATEGY (DCCS) CONT..

Relevance & Significance;

- Carry out inspection of all roasting facilities
- Benchmark at roasting level to ascertain minimum quality standards
- Promote coffee dispensers
- Disseminate information on good attributes of drinking coffee, and
- Carry out market research periodically.

5. THE STRATEGY (DCCS) CONT..

The DCCS targets over the medium term (5 years):

- At least an annual growth rate of 5% in coffee sales (R&G & Soluble)
- Quality standards adherence and management programs at roaster level
- Enhanced perception of coffee as a non-hazardous beverage
- Institutional Development
- Accessibility of affordable and appropriate coffee equipment
- A pool of coffee professionals who can prepare a good cup of coffee
- Accessibility of affordable trade finance by roasters, café operators, hoteliers, restaurant, campsites and guest houses operators.
- Improved image and branding of Uganda Coffee

5. THE STRATEGY (DCCS) CONT..

DCCS Strategic Priority Areas:

- Sensitization and Promotion
- Institutional Development
- Training
- Networking
- Technological Development
- Funding
- Market Research

5. THE STRATEGY (DCCS) CONT..

DCCS Objectives:

- Increase domestic coffee consumption by 5% per year in the next five years through increased sales in supermarkets and coffee vending outlets
- Set up a functional Secretariat that will over see the implementation of the DCCS
- Revise coffee regulations to address quality adherence at roasting level.
- Train industry players how to prepare a delicious cup of coffee including baristas
- Improve packaging and branding of Uganda Coffee

5. THE STRATEGY (DCCS) CONT..

DCCS Objectives cont..

- Promote, sensitize and disseminate information on positive attributes of coffee drinking to the public and medical professionals
- Avail affordable technology on coffee roasting and brewing
- Solicit for funding to sustain the programmes & initiatives.
- Carry out market research to discern changes in consumer perceptions, tastes and preferences.

6. Development Perspective

- Is in line with the PAF 2006-2011& National Export Strategy (2008-2012)
- Will contribute to employment creation & reduction in poverty
- Will have a positive knock-on effect on coffee quality
- Value Addition

Strengths

- Good coffee with intrinsic quality characteristics
- Industry-based UCDA Board
- Adequate & convenient space for training
- Basic Quality Control Course
- Roasting & brewing equipment at UCDA Lugogo Laboratory
- Qualified Staff in coffee liquoring, brewing & marketing
- Participation in international fora
- Professional courses in catering & hospitality management

Weaknesses

- Low capacity of UCRA
- Obsolete roasting machinery
- Low coffee consumption levels
- Lack of awareness of the public on good quality coffee
- Weak enforcement at roaster level
- Weak P-P-P
- Lack of business ethics & managerial capacity of some local roasters
- Absence of local expertise in soluble coffee manufacture
- Few coffee academies
- Inadequate market research & insufficient follow-up on findings

Opportunities

- Favourable Investment Climate-Zero tax on plant machinery & equipment
- Growing demand for soluble coffee
- Positive trend in consumption of specialty coffees
- Linkage with regional & international organizations: EAFCA,ICO,IACO, SCAA
- Emergence of a middle Class in Uganda
- Growth of supermarkets in the EA region even in suburbs

Threats

- High cost of doing business-production/operating costs: electricity, fuel, rent, salaries, packaging materials,
- High cost of money (interest rates)
- High retail prices compared to close substitutes like tea & mineral water
- Not a very transparent distribution system compared to water & mineral water
- Poor infrastructure

Opportunities

- Favourable Tax Policy framework including SME Policy
- Emerging strong private sector-PSFU, UMA, Enterprise Uganda
- Buoyant Tourism industry
- High % of youngsters (< 30 yrs)
- High enrolment in tertiary institutions
- Improving ICT network/infrastructure: internet cafes, district information centres & telecentres

Threats

- High cost of machinery
- Strictness in adherence-traceability of international quality standards
- High global coffee price volatility

8. IMPLEMENTATION

- The DCCS process will entail a strong Public-Private-Partnership (PPP)
- The Strategic Matrix illustrates how each actor will play significant role(s) in the DCCS
- Need a functional Secretariat with clear TORs is paramount
- Funding & Sustainability of interventions
- Prioritizing the activities-Ghant Chart

The Key Players

- UCDA
- UCRA
- UIA, UMA, MTAC
- NUCAFE
- UCTF, PSFU
- COREC
- MTTI, UWA, UEPB
- MFPED
- MGLSD
- MAAIF
- MES
- UNBS
- UNCST & UIRI
- ACADEMIA
- VENDING OUTLETS
- FUNDING AGENCIES

The M & E of the DCCS

- Develop an integrated M & E taking in line with the Strategic Integrated Management Framework Matrix
- DCCS Secretariat
- TORs?
- Who oversees programme implementation?
- UCDA? UCRA? MTTI? Funding?

8. KEY FINDINGS/ISSUES:

Amongst student and urban professional consumers:

- Lack of knowledge and awareness of coffee driven by habit of tea drinking seems to be the biggest barrier to consumption. Generally, there is no concept of coffee as a drink but is well understood as a bean for export.
- Lack of availability of coffee in the market place, particularly in the informal retail sector.
- No publicity to drive a conscious decision to trial coffee
- No appreciation of the quality of Uganda’s coffees compared to other producing nations.
- Coffee shops are driving the experience of coffee drinking where it is actively promoted.
- Negative health associations are creating a barrier to coffee drinking. This is much stronger amongst the ladies.
- Price is a barrier to trial and regular consumption of coffee.
- Perceived sourness and bitterness of coffee is also a barrier, driven by experience of low quality “coffees” and Nescafe.

8. KEY FINDINGS/ISSUES:

Hotels:

- Tea still out-sells coffee by c. 65:35 in most hotels but coffee service at breakfast is increasing, with the exception of Mbale resort where more coffee is sold. This is driven by large number of tourists, corporate professionals and NGOs from Kampala on workshops.
- Customers taking coffee are predominantly the expatriate audience but more and more professional Ugandans are adopting coffee drinking, although the speciality preparations are still largely unknown.
- Most of sampled hotels have a barista machine with the exception of Lake View hotel (Mbarara) and Mbale Resort. In both cases the machines had broken down and not been replaced.
- Hotel Afrikana had an expensive machine but no Barista to operate it.
- Some roasting companies try to educate them and sell their coffee but not many.

8. KEY FINDINGS/ISSUES:

HOTELS:

- Sophistication of coffee service is only developing along the tourist trails of Mbarara, Fort Portal, Jinja and Mbale to tap into the Muzungu market. Towns in between offer basic Nescafe even at the large hotels
- F&B Managers knowledge and awareness of coffee and potential lacking. One said, “To me, coffee is coffee!”. As a result coffee service is often demoted to the bar amongst alcoholic drinks with no visibility, dormant and therefore absent of aroma.
- Relationship between Coffee roasters and Hotels not strong enough. Pro-activeness of Roasters selling to Hotels is lacking.
- Relationship with Baristas is weak – Baristas are not empowered to develop coffee business, they are merely machine-operators.
- Appreciation for barista profession is only at high end hotels.
- Hotel managers are not seeing the opportunities to promote and market coffee and position Uganda and their region as coffee growing regions for tourists and local market appreciation. This equally applies to hotels with specialty coffee offer.
  - Coffee branding and imagery of coffee growing “Beauty spots” completely absent.

8. KEY FINDINGS/ISSUES:

RESTAURANTS:

- Type and importance of coffee in restaurants varies according to the class of restaurant.
  - Nescafe or Star Café is in small mid-market restaurants serving local cuisine (Tipsy takeaway, Sebankyaye's).
  - Cultural influence of African tea served with traditional food is strong. Menu did not feature coffee at Sebankyaye's even though Nescafe is served and is popular but actual sales were not known.
  - National Theatre restaurant only serves Nescafe yet Specialty coffee is served at the Museum restaurant.
  - Barista machines and specialty coffees are in high-end restaurants frequented by expatriate audience (eg. Faze 2, Bistro, Romeos, Cafesserie).
- Sales initiatives from roasting houses not evident amongst mid-market restaurants to encourage up-grading coffee service.

8. KEY FINDINGS/ISSUES:

Coffee Houses:

- Tapping into the coffee trend created primarily by the expatriate market
- Coffee houses are developing along the tourist trail and in Kampala high-society areas.
- Some are set up by expatriates, others by local coffee enthusiasts.
- Most cafes do not market themselves apart from on social media platforms.
- Some are better at in-house promotion through the service staff and have gained the benefits.
- Coffee branding and visibility in most cases is non-existent and relies on prior knowledge of coffee preparations.
  - They are not pro-active in developing the coffee beverage market
- Some have been very successful in stimulating coffee consumption by creating a take-away market (Kahawa and Shell station café brands), tapping into the corporate commuters. Both use a loyalty cards - buy 9 get 10th free.

8. KEY FINDINGS/ISSUES:

Roasters:

- Packaging: Prohibitive costs are choking the development of the industry.
  - Cheapest 250g bag @ 3000/- but usually 4000/-! (1kg lined paper bag from CURAD for trade is 6000/-)
- Taxation: duties on imported bags are inconsistent (some have to pay where others don't).
- Machinery: Roasting machines and facilities are very expensive and creating a barrier to value addition amongst the processors or market entrants
  - 2kg roasting machine costs $8000
- Access to funding: Commercial banks are expensive. Loans and grants hard to access and take a long time.
- Low demand: Lack of shelf movement, low customer consumption, low interest and awareness in coffee.
- High marketing costs: Expensive distribution, high media costs.
- UNBS accreditation: long and frustrating process. Many by-pass.
- Branding: Lack of brand concepts and promotion.

8. KEY FINDINGS/ISSUES:

Baristas – the front line influencers:

- Baristas are the key to developing the coffee consumption at the top end of the pyramid and building a positive image for coffee.
- Strengthen our Baristas – the front line influencers by:
  - Improve organisation of Barista camps
    - Engage qualified agency to manage with clear targets and deliverables.
  - Improve baristas marketing skills and knowledge training

9. ACHIEVEMENTS

- Barista training (average 40 trainees per year since 2006) which rewards the best through Uganda National Barista Championship (UNBC).
- The Uganda National Barista champion has an opportunity to compete in the Africa Barista Challenge (ABC), Fushan Barista championship (China) and World Barista Championship (WBC);
- Inter University Barista challenge (IUBC) involves training of members of youth coffee clubs from MUK, KYU, MUST, KIU and Gulu Univ. in barista skills and holding an annual competition. The best six compete in the Uganda National Barista championship (Average 40pp);
- Over 60 Cafes established all over the country.
- 14 Licensed Roasters. Several Unlicensed/Unregulated
- 45 Established brands of mostly high end coffees on the market.
- 250,800 (60 Kg Bags) locally produced coffee consumed. Per capita consumption, 0.40 kg

10: Creating a passion for Coffee through branding & advertising.

- Connect Uganda to coffee and build a strong sense of pride in its production and its coffee in the cup. (Relevant for both domestic and export promotion).
- Create umbrella themes such as;
  - Coffee – the source of our pride and our wealth.
  - Africa's heart of coffee
  - Africa's Pearl of Coffees
  - Get to Know Uganda Coffee
- Extend into brand stamp on quality approved coffees / branding and use consistently at Point of Sales, hotels, Advertising and Government communications, and exhibitions etc. eg.
  - "The Pearl of coffee" icon.
  - Define a brand identity map for Uganda coffee brand – What are the characteristics, image associations etc?

Thanks for Listening

- Cappuccino cup