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PREFERENCES OF COFFEE CONSUMERS ON SERBIAN MARKET[1]

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Abstract

Many citizens of Serbia consider coffee as indispensable food in daily nutrition, so nowadays drinking of coffee turns into a social phenomenon embodied in irreplaceable accomplice in almost all meetings of people.

The main goal of this paper are the factors that determine demand and consumption of coffee, i.e. to gain insight in consumers preferences, motives, attitudes and interests to buy products that contain coffee in the Republic of Serbia. According to that, during 2011 was conducted market research (survey), based on previously created questionnaire. Paper also provides comparison with results obtained by similar survey in 2006 in order to notice the level of consumers' attitudes move in last few years.

Key words: market research, coffee, consumption, Serbia

INTRODUCTION

World-wide over the last few centuries coffee drinks are after the water the most widespread. World Health Organization emphasizes that daily are drank about 1,5 milliard cups of coffee, and way of its consumption greatly affect on the appearance of cultural identity, customs and lifestyles of inhabitants from many countries.

According to the FAO, coffee is grown on total area of about 10 million ha, with average realized yields of approximately 850 kg/ha of green coffee beans, as well as with trend of constant increase of produced quantities. Within the group of leading producers dominate countries from Latin America, Africa and Asia (primarily Brazil, with production of about 2.432.904 t and concentration of around 30% of world production, then Vietnam, with 1.176.000 t, Colombia with 887.661 t, as well as Indonesia, Mexico, India and others).

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Green coffee is in the last two decades, according to the value of foreign trade, consistently in the top 20 world's agricultural products. Brazil is absolutely dominant within exporters, with realization of more than 4 milliard USD. It is followed by Colombia and Vietnam, with export of around 2 milliard USD. It is interesting that among ten world's largest exporter of coffee four states do not have the area under the mentioned plant (Germany, Belgium, Italy and USA). Reasons for this can be found in the fact that the biggest importers of coffee are economically most developed world economies where are located companies with large processing facilities, so imported quantities of coffee besides meeting the needs of their population, often are subjected to re-export of final products that contain coffee. Leading importers are USA, Germany, France, Italy, Japan and others.

Annually, observing per capita, the most coffee drinks people from Nordic countries (11-15 kg). They are followed by citizens of many EU countries (about 8 kg), USA, Canada and Japan (besides Japan is growing coffee consumer, it imports mainly the highest quality and most expensive coffee blends).

Coffee is plant that does not fit to climatic conditions in Serbia, so it is not grown on the Republic territory. Domestic companies[5] usually import green beans of coffee in bulk (organizing its' additional processing) or products that contain coffee.

In total value of imported agricultural products traditionally dominate non-competitive products, such as green coffee, tropical fruits and tobacco products. During 2010, Serbia imported 34.493 t of coffee and products containing coffee, in total value of 83,7 million USD. Within the structure of imported products are coffee with caffeine (raw and roasted, as beans or grinded), decaffeinated coffee (raw and roasted, as beans or grinded) and coffee substitutes that contain coffee. Coffee was usually arrived from Brazil, Vietnam, India and Uganda. In same year from Serbia was exported a negligible amount of coffee with different levels of processing (407 t in total value of approximately 1,8 million USD).

Although there is opinion that citizens of Serbia are great coffee consumers, consumption per capita is estimated at about 1,3 kg (this is a direct consequence of fall of living standards, considering that it was about 3,4 kg during the 80' of XX century).

RESEARCH GOAL, METHODOLOGY AND DATA SOURCES

The survey was conducted with the aim of perceiving of all factors that determine demand and consumption of coffee in Serbia, in other words in order to come to knowledge about preferences and attitudes of domestic consumers. As similar survey was conducted in 2006, in paper wherever obtained results allow, it was made comparison with consumers' attitudes from 2006.

5 In Serbia are registered 50 legal entities that are dealt with import, processing, distribution and export of green coffee and coffee products. According to the sales volume per year and strength of the company's brand impact on domestic consumers stand out Grand Prom ad Beograd, Strauss Adriatic doo Šimanovci, Nestlé Adriatic doo Belgrade, Greenet doo Beograd, Bambi success doo Pozarevac, Bonito ad Beograd, Centroproizvod ad Surčin and others.

In paper is applied research method of survey, based on previously created questionnaire. Study was conducted on simple random sample of 150 examinees on the territory of Belgrade city during the period January-March 2011. Despite, to number of examinees relatively limited sample, generated answers are indicative enough for pointing out the main factors of coffee consumption in Serbia.

Besides internal documentation (questionnaires), paper writing included all available data sources (primarily statistical data and current professional literature). Processing and analysis of collected data was based on standard statistical and mathematical methods.

RESULTS AND DISSCUSION

Great part of population in Serbia considers coffee as indispensable beverage in daily nutrition, and drinking of coffee turns into a social phenomenon embodied in irreplaceable accomplice in almost all meetings of people.

Coffee consumption - The majority of surveyed persons consume coffee products (89%). On other side as main reason for not drinking, examinees mentioned unpleasant taste (41%), or health reasons (24%).

Frequency and place of coffee consumption - Most of examined coffee consumers enjoy this drink 2-4 times a day (66%), while 8% of them drink coffee occasionally. Structure of frequency of coffee consumption is approximately same to the results of survey done in 2006, when more than 75% of respondents declared that drink coffee several times a day.

As most usual place for coffee drinking examinees mention their homes (59%). How only 8% of them consume coffee in restaurants, it can be concluded that under the influence of economic crisis coffee consumption is moving to the locations where additional costs of service for this beverage are not charged[6].

Motive in coffee purchase - What drives consumer to behave in a certain way? Primarily a sense of some need, by which satisfaction he would be existentially safe, accepted in community, or even able to express the prestige over other members. Situation in which company can understand the motives of consumers greatly helps in timely and adequate organization of activities for meeting their needs, as well as for more successful realization of its products or services in the market.

As like in 2006 survey, motif that dominates during the purchase is quality of coffee (65%). It is followed by brand (22%) and price of coffee (8%). It is interesting that examinees are motivated at least by packaging, only 1%.

Importance of brand during the coffee purchase - Brand name is a name of some product, or name under which certain services are done. Brand of coffee brings to consumer the message that with its consumption he becomes privileged, in other words with drinking of certain brand he gets acknowledgement for particularity. Accepting these values, besides

6 It is interesting that younger examinees more often consume coffee in restaurants/bars (20% of examinees of age up to 25 years), what is justified by the fact of more expressed need for socialization within younger population.

needs for pleasure consumer also satisfy segments of power, respect and self-attestation. He truly believes that using a certain brand, he gets a package of added value, so that he satisfies his real needs on much better way.

More than ¾ of respondents (76%) emphasizes the importance of brand name during the purchase, considering brand as guarantor of good quality. It was noticed that with the increase of examinees purchasing power brand plays a major role during the choice of coffee (percentage of marked answers *very important* grow from 17%, at households from the lowest income category, to 41%, at households from the highest income category).

Also, over the 90% of young examinees (age up to 25) believe that brand is very, or in higher degree important to them during the purchase, what leads to conclusion that younger population is more loyal to the selected producer.

Substitution of brand mark - With asked question was tested readiness of consumers to buy some other brand, if they do not find on shelf that one they usually consume. Nearly ¾ of examinees have willingness to buy a product from other producer. Showed level of loyalty can be a good signal to coffee producers to influence with adequate marketing activities on strengthening of customers' trust to the products they offer.

Frequency of coffee purchase - Dominant number of surveyed consumers (48%) buys coffee for weekly, while only 1% of respondents bought this product every day. The results are partly overlap with the results from 2006, when 77% of examinees said that they purchase coffee once a week, or that 3% of them buy this item on a daily basis.

Choice of brand – On segment of the national coffee market, currently is present a number of coffee producers and their brands. In fierce competition, participation of brands in coffee market did not significantly change in compare to 2006 survey. Still dominant are brands *Grand kafa* (39%) and *Don kafa* (29%). Comparing the disposable income and coffee brand selection, it was noticed that with growth of household income demand is moving to above mentioned brands (leaders within domestic market), which attests to the fact that consumers with higher income level usually gravitate only to selected brands.

Packaging size - Dominant number of respondents (72%) are usually buying coffee packs of 200 grams, while only about 1% of examinees purchase larger packages (1 kg). Compared to 2006 survey, there was an increased participation of 200 g packages of coffee in the structure of consumers' choice according the size of packaging[7]. On other side, it was noticed that with increase of number of household members grow the size of purchased packages (20% of five-member households are buying most often 500 g packs, in compare to the same choice of only 3% of two-member households).

7 By domination of 200 g pack, consumers indicate that they are adjusting to economic crisis and rising of green coffee prices in the world market by choosing for them optimal packages (these are often considerably cheaper than 100 g packages, and on the other side by buying of 500 g or 1 kg packages they would unnecessarily tied larger amount of money in household stocks).

The influence of design and quality of packaging on coffee purchase - Although only 48% of respondents made it clear that the packaging (by quality and design) affects their choice during the purchase, it is understood that it plays one of decisive roles (primarily due to preservation of product quality)[8]. Also, it was noticed that younger examinees are more focused on design of package, since they, unlike older people, more prefer the specificity of visual design.

Rating the quality of the coffee in the Serbian market - More than half of examinees (55%) has assessed the quality of the coffee as satisfactory, while unfortunately a small part of them (5%) gave it the highest mark (excellent). About 9% of examinees have not give the quality a passing mark. Compared to the survey from 2006, it is noticeable that today consumers generally assess the quality of offered coffee with poorer marks[9].

Rating of the coffee market supply - A number of respondents (77%) believe that the market supply with coffee and products containing coffee, in its assortment is at satisfactory level.

The influence of advertising on the purchase of coffee - Advertising, as a marketing concept subsystem, represents a paid method of companies' mass communication with consumers, which aims the information transfer that will drive consumer preferences in favour of products and services of the advertised company. Most examinees (71%) believe that advertising has no impact on their choices when buying coffee.

Impact of promotional activities - *The presence of promotional activities* - Functioning of today's society is best described by words of R. L. Stevenson - *Everyone lives by selling something,* and to sell something and win over *the Consumer* is often not an easy task. Sellers in Serbia in cooperation with the producers gladly organize promotional activities, mostly in the retail stores aiming to attract new customers; reward loyal customers; gain the former customers; shorten the time between two purchases; or increase the amount of products in one purchase. The predominant number of respondents (94%) has noted some of the coffee promotional activities in the domestic market.

Types of promotional activities - Provided answers show that TV commercials' message (in 75%) reaches the consciousness fastest and leaves the deepest mark within the coffee buyer. This is valuable information for producers since the conclusion imposes that *the modelling of consumer preferences* is usually done in the relaxing atmosphere of their homes.

8 Estimation is that in 2008 world packaging market reached the value of 470 billion USD, while until 2014 it will worth up to 600 billion USD. Researches show that quality package raises the price of food products up to 20%. As packaging of the future for powdered food is imposing stick pouch packaging (paper or polyethylene bags) which annual production has growth for about 10%.

9 Assumptions are that producers affected by the economic crisis and growth of green coffee prices in the world market are balancing within their offer between the rapid products price jumps and selling of slightly lower quality mixtures.

On other hand, only 12% of examinees are aware of promotional events in retail stores[10].

Strengthening the promotional activities for coffee - Most respondents (78%) believe that promotional activities related to coffee are at satisfactory level and that their intensity should not be increased. On other hand, producers can easily found themselves in situation that their efforts to improve their sales can become counterproductive (consumer irritation).

Coffee price - We are witnessing a continuous rise in prices of food products. In 2009*, Bloomberg agency* estimated that in the world coffee market is present a constant deficit. The causes to this phenomenon can be found in cyclical fluctuations of Brazilian yields and in increasing of world demand at an annual rate of 2%. In early 2011 coffee price increases in the world markets for almost 30% compared to the previous year, reaching the highest value in last 34 years, with experts forecasts that its upward price tendency will continue.

Most examinees (89%) think that coffee is currently accessible by its' retail price. Having in mind that coffee is imported, the increase in prices in the world market also reflects on the increase of prices of these products in retail stores in Serbia. Producers (importers), aware of the situation with consumer purchasing power, often opt for the solution of maximum amortization of pressure on the consumer, delaying the increase in prices, or moderating the rise in price jumps of above mentioned product.

The dominant number of respondents (62%) stated that the retail coffee price has no impact on their purchase. The obtained stances in large overlap with the results of the 2006 research, when on 65% of examinees price did not have significant impact. It is interesting to note that with increase of households' income category, the impact of coffee retail prices on the purchase falls down, from 33% of respondents in the category of households with minimum income to 5% of examinees in households with a maximum reported income.

The differences in prices between brands of coffee on the shelves are often in the range up to 50% for the same size of package. Manufacturers justify these differences by the fact that higher quality coffee blends are more expensive, but with the inclusion of a certain share of surrogates - barley, rye or wheat (in accordance with national regulations), they can become

10 Interesting is marketing phenomenon of the struggle for shelves that is also present in national coffee market (space on the shelves in retail stores is limited resource available to the seller). As average buyer made decision about the choice of products in max 15 sec, usually in front of the shelf (researches show that the products exhibited at eye level achieved up to 40% higher sales), this often leads to adjustment of the strength between producers at the shelves in store. For example, in stores of Delta Maxi Group, Grand coffee as a form of promotional activity has provided to itself a place on the most visible shelves, shelves that are facing the cash registers which customers can not evade in retail store.

considerably cheaper[11].

Presence of competition on the market – slightly less than half of examinees (44%) believes that presence of larger number of producers (brands) in market contributes to the growth of offered coffee quality.

Improvement of coffee consumption – Gained answers may serve primarily to producers and retail chains to fit the best possible way to customers' requirements. Most often answers were: improvement of quality; better price control; creation of new promotional activities; improvement of packaging quality and design.

The impact of coffee on health – Before all results describe level of awareness of coffee consumers about the effects of caffeine on their health. Most of examinees (92%) are informed about potential impacts of coffee, so it is imposed conclusion that there exists good communication between producers, healthcare institutions and consumers.

CONCLUSION

Coffee as global phenomenon, that got in Serbia elements of traditionalism, initiated at the beginning of 2011 survey with main goal to perceive the factors that determine demand and consumption of coffee in Serbia. Obtained results could be useful database for coffee producers in their assessment of current competition strength, as well as position of their products on market. Based on gained results it can be concluded:

a) Most of examinees (66%) consume coffee 2-4 times a day, while only 8% of surveyed persons drink coffee occasionally. As most usual place for coffee drinking appears home of respondents (59%). On the other hand, it was noticed that younger population more often consumes coffee in restaurants (20% of examinees up to age of 25 years).
b) Main motive that dominates during the purchase of coffee is its quality (65%). Timely and complete understanding of consumers' motives could make to producers much easier organization of all necessary activities that will satisfy their needs.
c) Researching results show that 76% of examinees put emphasis on brand importance during the purchase, considering it as a guarantee of good quality. However, nearly ¾ of respondents are ready to buy a product of other producer if did not find brand that usually consume, expressing that within this segment of national market does not exist

11 According to one marketing theory producer worth as much as charges its product, or in situations where the price is the only one differentiating factor of market competition, company has not allow that consumers perceive offered product as mercantile goods, the goods at which is difficult to differentiate the quality and that has the lowest possible value. Companies are striving to offer the coffee that have price expressed through the dealers' brand, high level of recognition in the market and adequate way of sale. The most valuable product that can be sold to the customer is contained in unforgettable experience that he gets in package with original product. Thus coffee can be offered: as mercantile goods (sacks in a warehouse in Brazil); as a trade item (on shelf in supermarket); as service (cup of coffee in restaurant); as extraordinary experience (cup of coffee served to the customer on, for him, exclusive location). Used logic warns that neither top brand name usually is not enough to product in reaching of high profits, but it has to be offered in package with the unforgettable experience.

significant customer loyalty.

d) Almost half of examinees (48%) purchase coffee weekly, while only 1% of them buy this product every day. Although on this segment of national market is currently present a number of producers, two brands are dominated among examinees *Grand kafa* (39%) and *Don kafa* (29%).

e) Dominant number of respondents (72%) chooses 200 gram packages. Guided by this information, producers can adjust their production towards the most required coffee package.

f) Only 48% of examinees pointed that packaging (by quality and design) have influence on their choice during the purchase. Also, it was noticed that younger population are more focused on design of packaging, what is consistent with world trend of packaging materials producers.

g) Slightly more than half of examinees evaluated quality of coffee in national market as satisfactory, while only 5% of them gave the highest mark.

h) Dominant number of surveyed persons (77%) believes that the market supply with coffee by its assortment is on satisfactory level.

i) Most of the respondents (94%) are aware of promotional activities for coffee, so this fact leads to conclusion that producers in cooperation with vendors create and implement this component of the marketing mix on best possible way.

j) Results show that on 62% of examinees height of retail prices has no impact during their coffee purchase.

Most of gained results correspond with answers of similar survey conducted during the 2006. Based on time comparison of expressed examinees' attitudes and preferences it could be concluded that in majority of researched segments was not came to noticeable move of consumers' attitudes.

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