





**JUAN VALDEZ IN THE COFFE MARKET OF FRANCE**

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**THESIS-BACHELOR HONOURS IN BUSINESS ADMINISTRATION**

**EDNA KATHERINE RODRIGUEZ MALDONADO**

**TYPE OF DOCUMENT**

**DISERTATION TO OBTAIN THE DEGREE OF BACHELOR HONOURS IN  
BUSINESS ADMINISTRATION**

**APPROVED BY UNIVERSIDAD DEL ROSARIO –**

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**TUTOR:**

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## **DEDICATORY**

This thesis is dedicated in first place to god for always giving me the strength and  
inner peace in all stages of my life.

To my parents because they have been the most important symbol of inspiration  
and struggle. For all their effort they've offered me to have the best intellectual and  
personal education.

To the Colombian Enterprise Juan Valdez, national icon of entrepreneurship  
dedicated to strengthen the international image of the most representative products  
of our country.

## **ACKNOWLEDGEMENTS**

I would like to thank the Rosario University for its unconditional support over these  
five years of academic and personal training

To my Tutor Rose Mondelus who was my guide in the hall process of  
research to create innovative ideas

To my family who have always believed in my skills and have always offered  
me the most sincere support all over my life.

## **ABSTRACT**

The main objective of this work is to present an organizational frame that shows specifically all the activities, operations and all Juan Valdez possibilities' to enter in the market of France. The analysis is based on a market research that has as its main goal to know the consumption tendencies to drinks with a high percentage of caffeine (energy drinks, sport drinks, coffee etc.). Likewise there is an analysis of the Potencial partners that have the financial capabilities and that are experienced enough to handle all Juan Valdez operations. Also they need to have enough knowledge of the local market and affinity with Juan Valdez corporate culture.

The current research takes us to generate an application of theoretical knowledge that are related to consumer Behaviur, cultural diversity and its influence to the creation of market strategies, the network concept and complexity, as well as aspects such as the organization and their challenge to start international operations.

## **KEY WORDS:**

- Tendencies
- Consumer behavior
- Strategic Partners
- Marketing Strategies
- Network

## **RESUMEN**

El objetivo de este trabajo es presentar un marco organizacional en profundidad de las operaciones de Juan Valdez y sus posibilidades de incursionar en el mercado Francés. El Análisis se presenta en base a una investigación de mercados que tiene como referencia las tendencias de consumo, más exactamente hacía bebidas con alto contenido de cafeína, (Bebidas energizantes, deportivas, café etc.). Igualmente se analizan los socios estratégicos con más fuerza de realizar alianzas con la empresa colombiana, sus posibilidades financieras, así como su experiencia y conocimiento de su mercado local, y la similitud de procesos o cultura organizacional.

La investigación de la propuesta nos lleva a generar una aplicación y conocimiento más a fondo de aspectos teóricos relacionados con el estudio del consumidor, la diversidad cultural y su influencia en el momento de realizar estrategias de mercadeo, el concepto de red y complejidad, así como aspectos teóricos relacionados con la organización y desafíos de una empresa al optar el camino de la internacionalización.

### **Palabras claves:**

- Tendencias
- Comportamiento del consumidor
- Socios Estratégicos
- Estrategias de Mercadeo
- Red

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## INTRODUCTION

Since their origin in Africa until now coffee has been one of the most influencing beverages in the society, "Coffee has had a profound effect on the lifestyles of people from all walks of life"<sup>1</sup>. The culture of coffee might be related to different situations and customs depending on the cultures across countries, some people like coffee for the effects of caffeine, some for a break during a hard day of work and some others just for its taste and health effects.

According to the new scientist journal coffee increases intellectual activity when fatigued or bored, it is an important key point to make a research about all the products with this kind of effects; energy drinks and beverages with a high percentage of caffeine.

The coffee business is one of the most profitable; in fact, "coffee is the second most valuable commodity after oil"<sup>2</sup>. My project is about how Juan Valdez as an enterprise that pursues to promote Colombian coffee around many countries can enter in the market of France. I will describe its performance local and internationally and analyze the way they advertise their products.

The possible strategic partners of which Juan Valdez can launch their products are brasseries, hotels and restaurants.

France is one of the most appropriate countries to launch coffee products "It (France) remains as the world's third largest coffee market, although followed closely in volume now by Italy and Japan"<sup>3</sup>

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<sup>1</sup>Mioduszewski, Tim. *Coffee Shops Standardizing Modern Society*. [On line] [http://www.associatedcontent.com/article/16783/coffee\\_shops\\_standardizing\\_modern\\_society.html](http://www.associatedcontent.com/article/16783/coffee_shops_standardizing_modern_society.html)

<sup>2</sup> IBID.

<sup>3</sup> Bell, Jonathan. *France: rich and stable in coffee, and an untapped resource*. [On line] <http://www.allbusiness.com/manufacturing/food-manufacturing-food-coffee-tea/164650-1.html>

Besides of the different products, of which coffee can be easily replaced, the competitors already established in France as some coffee shops and big competitors as Starbucks are a big barrier of entry for Juan Valdez Company.

Finally with the research about customers, competitors, politic and law regulation we will see the possible opportunities and capabilities of this company in France and we will be developing expectations and new opportunities in the future.

## **1. CHAPTER 1: JUAN VALDEZ**

### **1.1 THE COMPANY**

#### **Procafecol:**

Procafecol was created in November 2002 by The National Federation of Coffee Growers of Colombia which is a nonprofit and nonpolitical cooperative that tries to stabilize the market for Colombian coffee and undertakes research, social assistance and promotion programs on behalf of the small, independent farmers.

Procafecol is 83.9% owned by Fedecafe, and 15.19% of all shares are owned by small Colombian coffee farmers, according to Fedecafe figures.

#### **Mission:**

Improve work conditions of the independent farmers and coffee producers, and at the same time pleased the coffee consumers with “The experience of Juan Valdez Products” in all stands of consumption.

#### **Vision:**

With Juan Valdez, our Strategic partners and with a big group of committed people we expect to be the second chain of coffee products in profitability and sells,

improving the life quality of coffee producers, also we expect to be recognized by our social responsibility and for being consumer oriented.

## **1.2 PRODUCTS**

Juan Valdez offers to its customer two products lines: Roasted and Instant Coffee. Product line is defined as “a series of related products[...].The motivations for marketing complete product lines rather than concentrating on a single product include the desire to grow, enhancing the company position in the market and optimal use of company resources”<sup>4</sup>.

### **a. Roasted Coffee:**

- Juan Valdez Colina Ground Coffee:  
Delicate balanced texture and gratifying sensation that softens the sense of taste, the result of a special bean called "peaberry".
- Juan Valdez Cumbre Ground Coffee:  
Pronounced aroma and good body. Its energetic character is enhanced by its acidity and clean finish that lingers just a bit.
- Juan Valdez Organic Ground Coffee:  
Embodies all of nature's allure to offer the environmentally-conscious coffee-lover a deliciously complex flavor experience, starting with a pleasant aroma and finishing with a clean soft finish.

### **b. Our Instant Product:**

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<sup>4</sup> Kurtz, David L. *Principles of contemporary Marketing*. Development of product lines.p.360.

- BuenDia Decaf Freeze Dried Coffee : This decaf soluble coffee is obtained using the freeze drying process, which preserves the organoleptic qualities of the coffee beans at its maximum level for a good cup of soft Colombian coffee. In packs of 6 units.
- BuenDia Regular Freeze Dried Coffee: This soluble coffee is obtained using the freeze drying process, which preserves the organoleptic qualities of the coffee beans at its maximum level for a good cup of soft Colombian coffee. In packs of 6 units.

### **1.3 JUAN VALDEZ AROUND THE WORLD**

Their decision of international expansion has been related to many issues due to the different activities abroad. Distribution, target market selection, promotional and pricing strategies are the major challenges the enterprise needs to set in order to satisfy the market.

Juan Valdez Expansion model does not include the possibility of individual franchises. In their expansion model the concept of brand development is integrated, that is, it includes all channels: retail channels as coffee shops and hypermarkets and the institutional sector which includes restaurants, hotels, offices and airlines.

#### **1.3.1 STRATEGIC PARTNERS**

**TABLA 1: STRATEGIC PARTNERS**

Country	Strategic Partner	Details
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Ecuador	Latin Café International food Services Corporation	<p>It belongs to the KFC group which is leader in the restaurant channels.</p> <p>Juan Valdez Sales Volume: \$1.970.000 in May of 2009<sup>5</sup>.</p> <p>4 Stores in Quito and 3 in Guayaquil.</p>
Chile	Falabella.	<p>It has different retail channels such as Banks and hypermarkets.</p> <p>Juan Valdez Sales Volume: \$965.000.000 In May 2009.</p> <p>Six Stores in Santiago de Chile.</p>
United States	Wal-Mart, Kroger, Giant, Bigy, demoulas, wegmans, Publics,	<p>Five Stores in New York, Washington and Philadelphia.</p>

<sup>5</sup> Procafecol profile. [On line] <http://www.juanvaldezcafe.com/procafecol/quienesSomos/>

	Hannaford, Safeway, Supervalu.	
Spain	Casual brand Group	Channel Restaurant services

## 2. CHAPTER 2: JUAN VALDEZ NETWORK

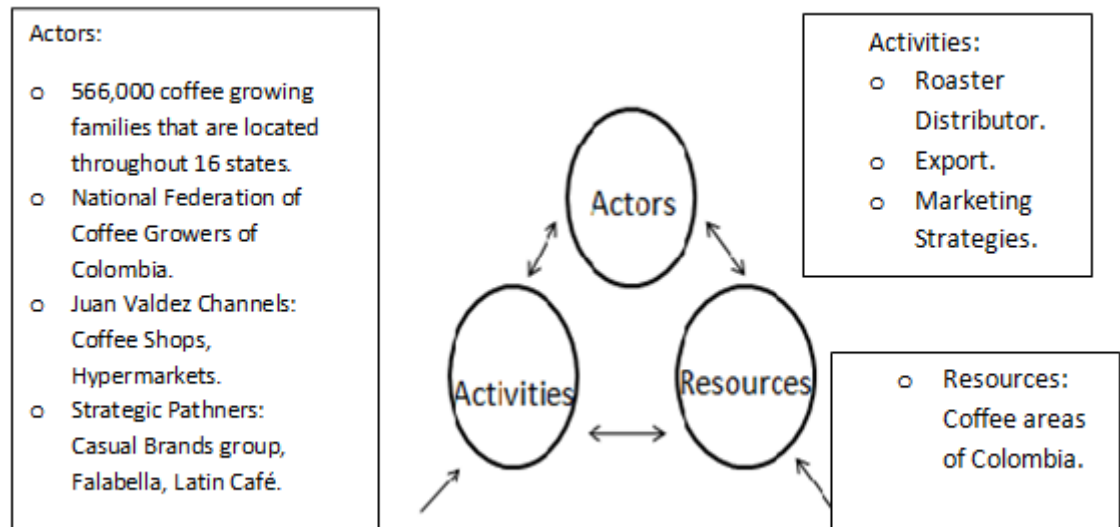
A Network can be defined as “a model or metaphor which describes a number, usually a large number of entities, which are connected”<sup>6</sup> it can also be called as a ‘group’ or a web of relationship.

The Swedish school has defined a basic structure of a network in international operations, according to them the basic network model is made up for actors, activities and resources.

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<sup>6</sup> Backhaus Klaus, *Contemporary development in Marketing*. Networks defined. p298.

## Ilustración 1: Juan Valdez's Network



In a network each individual actor has to increase control over the operations, and in this case trust is one of the most important factors within the coffee industry; “Later studies have found that the totally of the network is dynamic, actors come and go over time, but the relationships between two companies or actors were often found to be ongoing and based on trust”<sup>7</sup>. The different retail channels created due to the relationship between the strategic partners and Juan Valdez is defined as an strategic network; “Long-term purposeful arrangement among distinct but related for profit organizations that allow those firms in them to gain or sustain a competitive advantage”<sup>8</sup>. The enterprise need to set common goals and objectives with those that fulfill the requirements to make a joint venture.

Besides trust based relationship among the actors of the network the flow of information is another key factor to have successful operations. The communication network between the 566.000 coffee growers and the organization

<sup>7</sup> Backhaus Klaus, *Contemporary development in Marketing*. Critical Success factors. P. 299

<sup>8</sup> Backhaus Klaus, *Contemporary development in Marketing*. Strategic Network. P.301.

is managed by a process that takes place every four years, each employee vote for the candidate that will represent their local region in the central organization of the national federation of coffee growers.

Based in the current operations within the network is important to establish which are the main values and objectives that Juan Valdez enterprise may have in common with future strategic partners, “The partners must be chosen very carefully, [...] with similar values and motivations” and at the same time have the enough amount of resources to start long term operations.

## **2.1 DISTRIBUTION CHANNELS**

A distribution channel also called a marketing channel is defined “as an organized system of marketing institutions and their interrelationship that enhances the physical flow and ownership of goods and services from producer to consumer or business user.”<sup>9</sup> Nowadays Juan Valdez has four types of distribution channels local and internationally:

- **Chain Stores:**

Group of retail outlets that operate under central ownership and management and handle the same product lines.<sup>10</sup> The enterprise has about one hundred and fifty stores in five countries and look forward to sell Colombian coffee directly to consumers and to sell other different products such as clothes and accessories.

- **Brasseries:**

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<sup>9</sup> Kurtz. David L. *Principles of contemporary Marketing*.p.415

<sup>10</sup> Kurtz. David L. *Principles of contemporary Marketing*.p.461

This distribution channel can be a really good option for Juan Valdez to sell its products; it is a typical French restaurant with a relaxed, upscale setting, which serves single dishes and other meals.

The reason why this type of places can be viewed as an excellent distribution channel for Juan Valdez is because the brasseries are part of the French culture and people go there in order to have a moment of nice and relaxed talk, which are elements strongly related to the culture of coffee. In brasseries meals such as lunch and dinner are served and Colombian premium coffee could be the perfect complement where people in France start l'heure de l'apéro or simply a drink at any time of the day.

## **Ilustración 2: Juan Valdez Distribution Channel**



*Juan Valdez flag-Ship distribution channel operates under the same concept of Brasseries.*

The environment of brasseries are connected to warm and conformable environment, elements that Juan Valdez wants to transmit in the places where its products are being sold.

### Store Atmospherics:

The atmosphere of a store has the aim to promote an environment according to the type of product or service, is related to physical characteristics and amenities that attract customer and satisfy their shopping needs. Juan Valdez Stores offer an atmosphere warm and relaxing that let you smell the original taste of Colombian coffee, Juan Valdez Stores also show an image where you can easily perceive Colombia Identity and social work of the coffee growers.

- Hypermarket:

It is a way of retailing that “offer wide selections of grocery and general merchandise products at discount prices”<sup>11</sup>. The products are decided to be sold in this distribution channel with the aim of offering coffee product for consumers to have them at home not just in the stores.

### Carrefour:

It is the number one retailer in Europe and The world’s second-largest retailer. Carrefour group has grown to become one of the world’s leading distribution groups. Carrefour is characterized by sell imported products with the best price and quality standards, and people especially in France recognize Carrefour as one of the biggest leaders in the retailing industry.

Another important advantage of this distribution channel is that Carrefour has within the retail format the convenience stores with the aim of having a customer oriented position. This kind of channel plays a positive role for Juan Valdez Company to be more approach to the purchasing tendencies in France.

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<sup>11</sup> Kurtz. David L. *Principles of contemporary Marketing*.p.474

Convenience store is positioned strategically in the city centre for the following reasons:

- According to 46% of the French public: “everything is close by”. [...] 13% of the French, city-centre stores offer advantages because they have longer or more extensive opening hours.<sup>12</sup>
- The French frequent a complementary array of retail shops. To find attractive prices and a wider selection, [...] (price: 72%; selection: 70%).<sup>13</sup>
- 53% go to the city centre on a regular basis to do their grocery shopping.<sup>14</sup>
- The most frequent visitors are managers, young adults (ages 25-34) - still single or in the process of starting a family - and, logically, residents of major French cities (Paris, Lyon and Marseille).<sup>15</sup>

Carrefour takes into account these tendencies and expectations of customer within the habit of shopping, “Carrefour offers stores that keep pace with urban lifestyles, offering an expanded line of ready-to-eat products. In rural areas, convenience stores provide a real service to local residents, with a selection of products for day-to-day life as well as repairs”<sup>16</sup>.

- Internet Retailing:

“Internet-based retailers sell directly to customers via virtual storefronts on the web. They usually maintain little or no inventory, ordering directly from vendors to fill customer orders received via their web sites”<sup>17</sup>.

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<sup>12</sup> Convenience stores: lending vigour to the city centre.[On line] <http://www.carrefour.com/cdc/group/point-of-view/>

<sup>13</sup> IBID.

<sup>14</sup> IBID.

<sup>15</sup> IBID.

<sup>16</sup> IBID

<sup>17</sup> Kurtz. David L. *Principles of contemporary Marketing*.

The web site where Juan Valdez offers their lines of products is [www.juanvaldecoffee.com](http://www.juanvaldecoffee.com) here all the prices are available and customer can order anywhere, any time.

The internet retailing gives Juan Valdez a strong positioning among its competitors, according to the new trends of Food distribution, the non-traditional convenience outlets such as petrol stations, kiosks, video shops and leisure centers, and Online shopping for food seems likely to grow because is a distribution channel that allows customer have products without visit any store around, it improve Juan Valdez performance in customer service and give them a competitive advantage.

#### Institutional Sector:

##### Hotels

The Hotels channel has the aim of having direct contact with customers that are looking forward to have a moment of leisure such as travelling and knowing different places world-wide. Within this distribution channel we will have not only French customers but also customer overseas.

The products would be sell from four to five stars hotels with the aim of relate the concept of best and high quality of premium Colombian coffee.

Accor Hotels has the financial capacity and the strengths to make a partnership with Juan Valdez Company, nowadays Accor hotels has partnership with enterprises such as dadone,lcl, hsbc,visa and American express.

The coffee products would be served the most at breakfast time and in the evening.

## **2.2 MARKETING**

### **2.2.1 LOCAL AND INTERNATIONALLY**

Market Standardization: Advertising:

The level of standardization “depends on a product’s intended position in the customers’ minds and the target audience, the optimal level of standardization may range from complete standardization to complete localization”<sup>18</sup>

#### **Juan Valdez Icon:**

The publicity agency of Juan Valdez company had the work to create the character Juan Valdez, which name was selected due to the easy pronunciation for anglospeakers around the world and symbolizes the culture and traditions of all coffee growers’ families in Colombia. Juan's constant search for the best coffee beans personifies the many hard-working Colombian "cafeteros" (coffee farmers) that depend on coffee for their livelihood.

He typically appears alongside his mule Conchita, carrying sacks of harvested coffee beans. Part of the advertising campaign includes educating consumers about the merits of Colombian-grown and harvested coffee beans, including how soil components, altitude, varieties and harvesting methods to create good flavor.

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<sup>18</sup> Letcher Richard and Brown Linden. *International Marketing*.p625.

The main aim of Juan Valdez as an advertising icon is to remark all the different aspect that makes Colombian coffee unique and with high quality compared to other origins of coffee.

The decision of operates with an standarized advertising has the aim of send a clear and unique message to markets world-wide, for the products to be remembered and positionated among its competitors.

### **3. CHAPTER 3: INTERNATIONAL EXPANTION**

The company starts its international expansion operations approximately ten years ago; Juan Valdez wanted its products to be known internationally and to export one of our main Colombian products. Also it wanted a sustainable development for more than 250.000 families in the domestic market, to protect growers from price declines in the world of coffee market:

Other reasons for international expansion:

- Desire to follow competitors or customers abroad
- Growth aspirations and international orientation of the firm
- Backward or forward integration to reduce costs and increase control of coffee resources.
- Complete understanding of customer needs and behavior foreign market.
- To set long term goals of high profit.

#### **3.1 JOINT VENTURE**

It is “A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking. All parties agree to share in the profits and losses of the enterprise”.<sup>19</sup>

### **3.1.1 CONDITIONS AND REQUIREMENTS**

- Be local operators in the country in question, with a similar business activity.
- Have knowledge of the local market: consumer habits, food and beverage sector, and strategic locations.
- Have current, on-going experience in managing multiple points of sale or chains in the food and beverage sector and/or the real estate sector and/or the retail sector.
- Operate current businesses with a solid, integrated organizational structure capable of supporting and managing the Juan Valdez Café network (Marketing, Personnel Management, Logistics, Operations, Administration and Financial Management).
- Possess a good network of business contacts.
- Financial capacity – Have access to the financial resources necessary to guarantee the achievement of a critical mass of stores nationwide within a period of three to four years as well as develop distribution channels in the supermarket/hypermarket and institutional sectors.

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<sup>19</sup> Joint Venture Definition:[Online] [http://www.investorwords.com/2671/joint\\_venture.html](http://www.investorwords.com/2671/joint_venture.html)

### **3.1.2 MARKETING STRATEGIES**

Market Adaptation:

Exemplifies local responsiveness and is more appropriate in multidomestic industries. In this case France has a high competition in the coffee sector so it definitely has to adapt its capabilities to the local market:

- National preferences
- Law and regulation
- Living Standards and economic conditions

Advantages:

- Meet needs of customers more precisely.
- Enjoy unique appeal
- Comply with government regulation
- Achieve greater success in combating customer resistance.

### **3.2 FRANCE**

France can be considered as one of the countries to rank among the biggest of all coffee markets. It can be assumed that now in Europe no other national market has more diversity in coffee drinks than France. "The French market consumes approximately 25,000 tons of roasted coffee, including soluble products, per annum, and approximately 72% of the French people drink coffee every day, and more than 90% of French home kitchens have a coffee maker of some kind."<sup>20</sup>

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<sup>20</sup> Bell, Jonathan. "France: rich and stable in coffee, and an untapped resource" [On Line]. Tea and Coffee trade

Journal.June1 1991. <<http://www.allbusiness.com/manufacturing/food-manufacturing-food-coffee-tea/164650-1.html> >.

Besides it, Colombian coffee is very well positioned in the market of France because it is seen as a high quality product: "In France, [...] there are now some 50 origins that the French can have commercial access to regularly. The most popular of these are "moka" Ethiopia and Colombia Supreme, Industry professionals can smile at these vague terms but for the French they have become quite important"<sup>21</sup>.

### 3.2.1 CONSUMER BEHAVIOR

The French consumer is defined by different dimensions that are given for a variety of motivations, expectations and needs. Juan Valdez Products needs to be aware of the consumer tendencies that a consumer is seeking in the moment of purchase.

The following data give us an approach of the preferences of French beyond beverage and food industry.

Purchasing Habits: The need of Safety:

**Tabla 2: Purchasing Habits: The Need of Safety**

The product has the hygiene and security guarantees.	78%
The product has a quality label	70%
It is an artisanal product	70%

<sup>21</sup> Bell, Johnatan. *France: new found gold in its coffee market*. [On line]: Lockwood Trade Journal Co. May 1, 2009. < <http://www.thefreelibrary.com/France:+new+found+gold+in+its+coffee+market.-a0200723043>>.

The product has ecologic guarantees	60%
Natural (Bio, vegetal)	40%
To eat in a healthy way. Is it important to you?	96%
In a general way, do you have fears about the aliments?	55%

1. Source: *Les Mutations du Consommateur français. Comment s'y adapter ?*

### **Social Responsibility :**

- 73, 5% of French people are willing to pay a higher price for a product that will support the fair trade.
- 52% of French people are willing to pay 5% in addition of the normal price for products that are called "ethic".

**Tabla 3:Purchase Motivations**

Product fabrication that support projects of development in poor countries	69%
The manufacturer is aware of the rights of employees	64%
The manufacturer gives financial support to an humanitarian cause	56%

1. Source: *Les Mutations du Consommateur français. Comment say adapter?*

**Some tendencies in the French Market<sup>22</sup>:**

- Espresso is the kind of coffee that French feel more related to “In brick packs or tins, pods or caps, espresso is chic in France, and this is of inestimable value on this market where fashion rules”.
- The corresponding sales in both professional and home espresso machines have also jumped. With the professional market finding growth in the expanding fast food and coffee bar chains, the at-home market now sees sales of 1.5 million espresso machines per year in France, almost all in dosed system pod or cap units. In 2008 this meant espresso machines represented one-third of French coffee machine sales.
- Flavored coffees, Italian espresso, cappuccinos, decaf and more are now on the menus. A new placement figures too, such as in gas stations and rest stops on France's numerous auto routes.
- Over the years the French coffee market has changed radically, more so than any other large, established coffee market in the world. Twenty years ago it could fairly easily be defined as an old fashioned R&G market wedded to the blended coffees of former colonies in Africa. The only trend then was a rather tepid acceptance of Arabica as an idea of something premium in coffee--and the vacuum brick pack.

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<sup>22</sup> Bell, Johnatan. *France: new found gold in its coffee market*”. [On line]: Lockwood Trade Journal Co. May 1, 2009.  
< <http://www.thefreelibrary.com/France:+new+found+gold+in+its+coffee+market.-a0200723043>>.

- Coffee is the most consumed hot beverage in France, with a coverage rate of 87%.
- Tendencies are changing and French consumers are looking for new flavors and innovation.

### **3.2.2 STUDY OF THE FOOD AND BEVERAGE SECTOR**

The food and drink is very broad but can be defined “as the preparation of food and drink products ready for sale and consumption”<sup>23</sup>.

The food and beverage sector is made up of many subcategories and for this special case we are going to focus in these two main subdivisions:

- Cereal products: biscuits, bread and bakery products, breakfast cereals, cakes, desserts and cake mix.
- Beverages: Including tea, coffee, soft drinks, alcoholic beverages, fruit juices, mineral water and spring water.

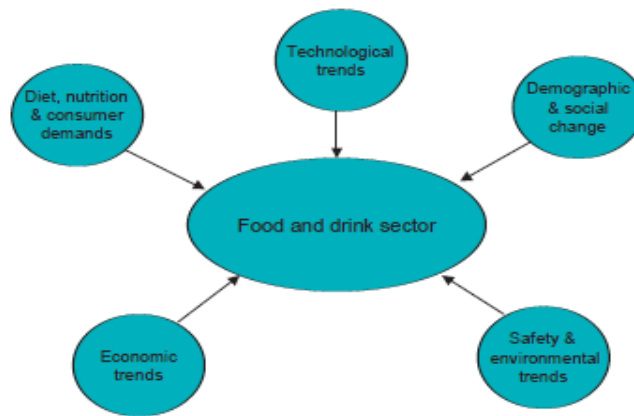
Juan Valdez operates under these two main categories, because it sells coffee and other bakery products.

The industry had to deal with continuous change on the tendencies and trends of the consumer; there is a wide variety of relevant material to identify trends and drivers of change. But nowadays we can identify five broad areas:

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<sup>23</sup> European monitoring centre on change. “*Sector Futures, The future of the food and drink sector*”. [On line]: European Foundation for the Improvement of Living and Working Conditions, 2004 [http://www.eurofound.europa.eu/emcc/publications/2004/sf\\_fd\\_1.pdf](http://www.eurofound.europa.eu/emcc/publications/2004/sf_fd_1.pdf).

### Ilustración 3: Drink and Beverage Sector: Influencing Factors



Source: *Sector Futures, The future of the food and drink sector*

#### Economic trends:

- Globalization and regionalization: growing consumer demand for variety and high demand for fresh produce.
- Competition and consolidation: The variety of pressures on the industry: globalization, price and availability of raw materials, increasing regulation in food safety, health and costs of innovation – all contribute to the need to achieve economies of scale and the trend towards further consolidation.

#### Demographic and social change:

- Population dynamics: Engel's Law also means that long-term demographic and social changes have significant effects on the market for food and drink: "changes in the size and make-up of the population, the way they live their lives and the wealth of consumers will influence the demand for different kinds of food products."<sup>24</sup>

<sup>24</sup> The social situation in the European Union 2003,[Online]:  
[http://europa.eu.int/comm/employment\\_social/social\\_situation/docs/SSR2003\\_en.pdf](http://europa.eu.int/comm/employment_social/social_situation/docs/SSR2003_en.pdf)

According to the European commission there are many other demographic and social changes that could possibly affect the demand of food and beverage consumption:

- Fewer children and having children later in life;
- Fewer and later marriages and more marital breakdowns;
- increase in non-marital unions and a rise in births outside marriage;  
trend towards smaller households with:
  - More people living alone
  - Increase in single parent families
  - Falling number of couples with children.

Safety and environmental trends:

-Food safety: From the food and drink manufacturing industry's perspective, food safety is crucial in building consumer confidence in its products. However, the need to ensure safety should not prevent the sector from responding to consumer demand through bringing innovative new products to market.

-Trends in diet, nutrition and consumer demand:

Arguably the most important driver of change is trends in consumer demand. The factors that influence consumer demand for food and drink products are complex and include many of the list below:

- Demographic and socio-economic change; busier lifestyles.
- Health, nutrition and safety concerns.
- Environmental and ethical concerns.
- Migration and demand for 'ethnic foods'.

Sustainable development:

According to the CIAA (Confederation of the food and drink industries of the US), The food and drink industry should achieve this long-term goals:

- To protect the environment where agricultural raw materials are grown and in which the industry operates.
- To improve access to quality and healthy food for consumers.
- To enhance economic growth.

The tendencies and information found about this particular sector give us an approach about how actors of this huge network are acting and which are the main elements that any enterprise within this sector should take into account in the moment of starting a new business. After analyzing the environment in which Juan Valdez is going to start its operation, the following information is going to go further in tendencies but concerning the French consumer towards the coffee products.

### **3.2.3 COFFEE CONSUMERS**

Target Market Analysis:

With the following data the aim is to identify the potential consumers of coffee and the stand of age where coffee is consumed the most.

- Young adults: (18-to 24 Years Old) those are the fastest-growing segment of coffee drinkers, according to the 2007 “National Coffee Drinking Trends,” a report by the National Coffee Association. Thirty-seven percent of those report drinking coffee.

- 25 to 29 Age group:  
44 percent report they are coffee drinkers, down from 47 percent in the prior year.
- 40 to 59 Age group:  
61 percent are coffee drinkers, up from 59 percent in 2006.
- Older Consumers:  
Those are the greatest coffee drinkers: 74 percent of those 60 and over said they were in 2007, up from 73 percent in 2006.

### **3.3 POLITICS AND LAW REGULATIONS**

France is the world's second largest recipient of foreign investment. In all, some 23,000 foreign companies are already doing business in the country. And unlike certain other countries, in France the rules, regulations, rights, obligations and available State Aid are the same for all companies whether they are French or not.

General Legal Structure:

If Juan Valdez Operations are to be in individual Stores, it means Juan Valdez will have to follow specific regulation for creating a new enterprise in France, So all the formalities have to be deal in the "*Centre de formalités des entreprises*" (CFE). This center handles all the documents required to set up, change or close down companies and delivers them to the relevant authorities. The cost of administrative formalities is approximately €85 (since June 1, 2007), plus the cost of publishing a notice in the legal gazette (approximately €230).

**Registering your Branch:**

Registration is mandatory for branches. The registration application must include:

- Two copies of the parent company's articles of incorporation (two originals and two copies translated into French by a certified translator).
- Registration Certificate from the foreign company registers.
- Documents relating to the person empowered to act on behalf of the company: identity cards and a police clearance record.
- A declaration to the prefecture (for directors from non-EEA countries) or residence permit as appropriate and documents certifying the required

### **Creating a Joint Venture in France:**

The French judicial system offers different structures to make a Joint Venture in France which allow having many manners in which Joint venture is going to be implemented.

### **Some important issues need to be known when creating a franchise:**

- If the JV is to be an autonomous and long-term profit center, the partners will opt to Create a common subsidiary company and, to that end, will most often choose the Simplified corporate form known as a "société par actions simplifiée" ("SAS").

- Certain JV can be created by establishing of a set of “simple” contracts (contracts for supplies, services, licenses, etc.) which do not require a corporate structure. However, this is not always the case: the partners will often decide to create a common ad hoc structure, in addition to the general agreement that defines the context and the conditions of the partnership as well as the annexed agreements that are to be executed.

### **3.4 COMPETITORS**

Starbucks:

It is one of the most important competitors of Juan Valdez, since the company opened its stores in New York it has been a strong competition between both. Starbucks currently has 48 coffeehouses in France and according to Stephanie Wilkes, Vice President: “Starbucks high-quality products and brand-building expertise combined with Kraft Foods business acumen in marketing, sales and distribution have put us in a prime position to create further growth in the packaged coffee category in Europe,”.

Sara Lee's Douwe Egbert's French brand families:

Sara Lee's is a global organization supplying coffee systems for the out-of-home market to around 50 countries.

Sara Lee's 2010 target is 33% greater than its previous commitment (30,000 tons in 2009). The organization, which is the world's third largest coffee roaster and sells its coffee blends under flagship brands such as DOUWE EGBERTS, SENSEO, MERRILD, MAISON DU CAFE (France), and MARCILLA, will source 40,000 tons of sustainable coffee in 2010.<sup>25</sup>

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<sup>25</sup> Sara Lee Corporation, “Sara Lee to Source Record Volumes of Sustainable Coffee”[On line] < <http://blog.taragana.com/pr/sara-lee-to-source-record-volumes-of-sustainable-coffee-13413/>

Lavazza:

The world's largest espresso coffee company, "it has earned recognition here as the Italian coffee company, and in only 10 years of presence in France. At the same time, the company has managed to foster the image that Italian espresso is quality coffee, and that it belongs in daily usage as a mass market item. [...] Retail market share stands at 4.7%, value share is 6.8%. <sup>26</sup>

Cafe Meo:

Cafe Meo is one French-owned company that has attained wide recognition and competes in all market sectors, the history reaches back to the year 1928 whereas the MEO brand only exists since 1945.

As a regional family-owned enterprise MEO always knew how it needed to focus on innovation: "We devoted ourselves to the most developed machinery, integrated the newest technologies and in this way adapted to market developments! This perfect balance between tradition and modernity shows the success of a company which has never changed its philosophy: providing great coffee, made using expertise and experience."<sup>27</sup>

McDonalds Coffee:

Also called Macdo, as it is known everywhere in France. There are 1,134 McDonalds in France and more are built each year. One great contribution to French culture wrought by McDonald's is the habit of take away food and beverages, and specifically of beverages including coffee in paper cups.

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<sup>26</sup> Bell, Jonathan. "Riding Lavazza's espresso express". [On Line]. Tea and Coffee trade Journal. June 1 1991.

<sup>27</sup> "Café MEO" and the ThermoTwo™ 1200. [Online].  
<[http://www.probat.com/fileadmin/user\\_upload/Roester\\_Anlagentechnik/Kundenportraits/leonardo\\_0406\\_GB\\_Cafe\\_Meo\\_erste\\_Ausgabe.pdf](http://www.probat.com/fileadmin/user_upload/Roester_Anlagentechnik/Kundenportraits/leonardo_0406_GB_Cafe_Meo_erste_Ausgabe.pdf)>

McCafes are popular with McDonalds France because the company has seen that a unit is adding some 6% to the outlet's established revenue.

Substitutes Products:

Red Bull:

It is a product that can be viewed as a substitute because it causes the same effects due to the percentage of caffeine. Whereas it is important to point out that the market segmentation of this product is totally different, the advertising goes towards a young audience who like to be active in many situations of their daily life. The following causes explain us why young people consume red Bull:

- Improve performance: Whether in sports or parties.
- Concentration and reaction: Academic performance.
- Speed, vigilance.
- Emotional status and stimulate metabolism.

#### **4. CHAPTER 4: SOCIAL RESPONSIBILITY**

In 1927, Colombian Coffee growers formed the *National Federation of Coffee Growers of Colombia* as a non-profit organization, whose mission is to improve the coffee growers living conditions. Their social responsibility is connected to the following objectives:

- Designing and supporting coffee quality programs and research.
- Promoting global marketing activities like the "100% Colombian Coffee Program".
- Developing strategies to connect directly the coffee growers with the end consumers.

The social responsibility of the company can be viewed from three main perspectives:

#### A. Community:

- Education: coffee funded programs have built over 6,000 schools with 17,000 classrooms, accommodating up to 360,000 children. In addition, it has constructed about 5,000 housing facilities for teachers.
- Healthcare: the Federation has built more than 180 clinics and 200 rural health centers and sponsors mass vaccination campaigns for children.
- Electrification, Telephone and Waterworks: the re-investment program has brought electricity to over 200,000 rural homes, dramatically improved telephone systems, constructed community drainage systems and built 5,000 rural aqueducts.

#### B. Environment:

Juan Valdez ® has a profound respect for nature; it is actively seeking to support initiatives that contribute with sustainable development:

- Sustainable Coffees

Juan Valdez ® has developed a line of sustainable coffees which way of production is friendly to the ecosystem and the community. In order to achieve this Juan Valdez encourages the cultivation and sale of brown backed with international labels dedicated to protecting the environment.

- H2Origen: “Together we care about the water”:

Through H2Origen water and with the support of Cenicafé the work performed by coffee farmers in different areas of the country is protecting its water sources.

#### C. Guard Families:

Accompanied by the Government, the Federation has established the Guard Families as a strategy to combat illicit crops, by providing incentives to families to renew and improve their coffee, have the infrastructure to produce high

quality coffee, certification of Coffee and production projects. This program is being developed with families in 14 municipalities in the departments of Nariño, Huila, Cauca and Tolima.

## **5. CHAPTER 5: LONG TERM EXPECTATIONS**

The demand for variety and innovation has become an important factor in purchasing habits, young adults are becoming more interested in beverage that can offer them the sensation of activeness and energy; properties offered by the caffeine. The fact that indirect competitors such as Red bull takes a big part of the market share by selling in places no explored yet by the coffee industry it is a huge opportunity for Juan Valdez to set new objectives and goals in the long term.

After Juan Valdez products have gained a place in consumers' mind, it should start by offering its products in unusual places such as bars and sport event, places already occupied by energy drinks such as Gatorade and Red-bull. The coffee concept can be revolutionized by changing or adding a concept of energy beverage as well as it offer the healthy properties, it is definitely a market not explored by coffee industry and Juan Valdez company can reinforced its success by doing it.

Since the company is not only offering coffee to its customers but also offering an image of Colombian culture, the possibility to launch other products of bakery in the future could consolidate the brand in terms of differentiation among competitors.

## **CONCLUTIONS**

- Juan Valdez resources and capabilities are well defined by an experienced back ground in operations and activities abroad. The level of success in

France depends on the ability to choose a partner that can easily share its values and cooperate within the network. Carrefour fulfill the requirements asked by Juan Valdez for it to become a potential partner, because it has the enough knowledge of local market and has the financial resources to operate Juan Valdez activities.

- Despite the presence of large-experienced competitors in the industry, the fact that Colombian coffee is perceived in French customer as a high quality coffee itself, no matter which brand is concerned. Gives Juan Valdez a competitive advantage towards other companies that sells under other different concepts.
- Juan Valdez social responsibility and its support to the coffee growers must be highlighted in the advertising campaign as well as its commitment to social and environment issues. French consumer habits of purchase show us that within their motivations he or she is more likely to purchase products with an active social commitment.
- Apply the concept of brasseries in France can be a strategy that can easily adapt the French culture. Consumer will fulfill his or her personal expectations by drinking coffee in a place that not only has the high and premium quality coffee but also offer an environment where French consumer can fell identified.
- The line of products of Juan Valdez should include varieties of espresso products due to the French consumer preference for this type of presentation. Compared to Latin-American countries coffee in Europe is served with a less percentage of milk.
- The growing tendency of young adults to drink coffee in France may influence the advertising used by Juan Valdez. It should be toward to use a young and fresh image that attract and include lifestyle of this market segment.

- Since the habits of eating and drinking healthy have become in one of the most important concerns within the French tendencies, to set and remark Juan Valdez products out of caffeine may be an opportunity to have a strategy of differentiation among other kind of coffees.
- Coffee within the beverage sector has a high level of competition environment in France. Juan Valdez international expansion need to have a strong differentiation strategy for these products to be positioned among other competitors. A first step is using the marketing adaptation on advertising; its original icon definitely gives Juan Valdez brand uniqueness and innovation towards its new customers. Thus, advertising before the launch of products is a key point to the success of introduction within the market.

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