A MINI PROJECT REPORT ON

PRICE SENSITIVITY ANALYSIS OF COFFE CONSUMPTION IN BANGALORE

MINI PROJECT SUMBITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF

MASTER IN BUSINESS ADMINISTRATION

FROM

Bangalore central university

Submitted by

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REG NO. MB206214

UNDER THE GUIDANCE OF

ASSOCIATE PROF. DR.Y.V SHESHADRI

AL-AMEEN INSTITUTE OF MANAGEMENT STUDIES AFFILIATED TO BANGALORE CENTRAL UNIVERSITY

CERTIFICATE OF INSITITUTION

This is to certify that this mini project entitled a study on price sensitivity analysis of coffee consumption in Bangalore has been successfully completed by FIRDOUS FATHIMA Reg. MB206214 during the year 2020-2022 and the report is submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration as prescribed by Bangalore Central University under the guidance of Prof DR. Y V sheshadri.

Place: Bangalore **DR.B.A.ANURADHA**

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This is to certify that the Project Report title **"PRICE SENSITIVITY ANALYSIS OF COFFEE CONSUMPTION IN BANGALORE"** Submitted by **FIRDOUS FATHIMA** bearing Reg.no **MB206214** is an original work of the student and is being submitted in partial fulfilments of the requirement for the award of degree of **"MASTER OF BUSINESS ADMINISTRATION" (MBA)** of **"BANGALORE CENTRAL UNIVERSITY"** under the guidance **PROF.DR.Y.V SHESHADRI** of this report has not submitted earlier either to this university/ institution for the fulfilments of the requirement of a course of study.

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NAME OF THE GUIDE: DR.Y.V SHESHADRI

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I hereby declare that the project report entitled **"PRICE SENSITIVITY ANALAYIS OF COFFEE CONSUMPTION IN BANGALORE"** has been prepared by me under the supervision and guidance of PROF.DR.Y.V SHESHADRI, during the year 2021-22 in a partial fulfilment of the university regulations for the award of the degree of "MASTER OF BUSINESS ADMINISTRATION" by "BANGALORE CENTRAL UNIVERSITY".

I further declare that this topic is based on the original study undertaken by me and has not been submitted at any university or institution for the award of any other degree or diploma.

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PLACE: BANGALORE **FIRDOUS FATHIMA**

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CHAPTER 01

INRODUCTION

Price sensitivity refers to how much a product's price influences customers' purchasing decisions. In Economics, price sensitivity is commonly measured using the price elasticity of demand, or the measure of change in demand based on its price change.

Price sensitivity is commonly measured in economics using the price elasticity of demand, which is a measure of demand change depending on price change. Some consumers, for example, are hesitant to spend a few rupees more per litre for petrol, especially if a lower priced station is nearby. Companies and product makers can make accurate judgments about products and services by analysing price sensitivity

UNDERSTANDING PRICE SENSITIVITY

The degree to which demand varies as a product's or service's price changes is known as price sensitivity.

The amount of significance customers place on price in comparison to other purchase factors determines a product's price sensitivity. Some people may place a higher value on quality than on price, which makes them less price sensitive. Customers looking for high-quality items, for example, are less price-sensitive than bargain seekers and are ready to spend more for a higher-quality product.

By contrast, people who are more sensitive to price may be willing to sacrifice quality. These individuals will not spend more for something like a brand name, even if it has a higher quality over a generic store brand product.

Price sensitivity differs from one individual to another, or from one customer to another. Some people have the financial means and willingness to pay more for products and services than others. In comparison to individuals, businesses and governments are able to pay more.

PRICE SENSITIVITY AND ELASTICITY OF DEMAND

The Law of demand states that if all other market factors remain constant, a relative price increase leads to a drop in the quantity demanded. Inelastic demand means consumers are more willing to buy a product even after price increases. High elasticity means even small price increases may significantly lower demand.

In an ideal world, companies would set prices at the exact place where supply and demand generate the greatest amount of cash. The equilibrium price is what we call it. Although complex, computer software models and real-time study of sales volume at certain price points can assist in the determination of equilibrium pricing. Even though a tiny price increase reduces sales volume, the relative income increases may outweigh a correspondingly smaller decrease in customer.

STATERGY FOR PRICING

Businesses develop pricing plans based on a variety of criteria. Consumers will be segmented depending on their price sensitivity as a result of these criteria. Businesses may utilize marketing and advertising strategies to encourage consumers to divert their attention away from pricing and toward other considerations such as product features, advantages, and other values.

How do you calculate price sensitivity?

The formula for calculating Price Elasticity is generally used to calculate Price Sensitivity and is mentioned as follows:

1. Price Sensitivity Formula = % Change in Quantity / % Change in Price.
2. Solution:
3. Price Sensitivity = % Change in Quantity / % Change in Price.
4. (Updated Price –Previous Price) / Previous Price.

A SIMPLE OVERVIEW OF PRICE ELASTICITY OF DEMAND

The term "elasticity" is used in economics to describe how behaviour varies as a result of a change in circumstances.

It's important in the coffee industry, particularly for policymakers and major market players that want to change the way the coffee value chain works.

Low pricing and volatility are usually mentioned as significant causes for many of the world's estimated 24 million coffee producers. While it's simple to argue that paying more would address the problem, forecasting how this will affect consumer purchasing decisions is more challenging?

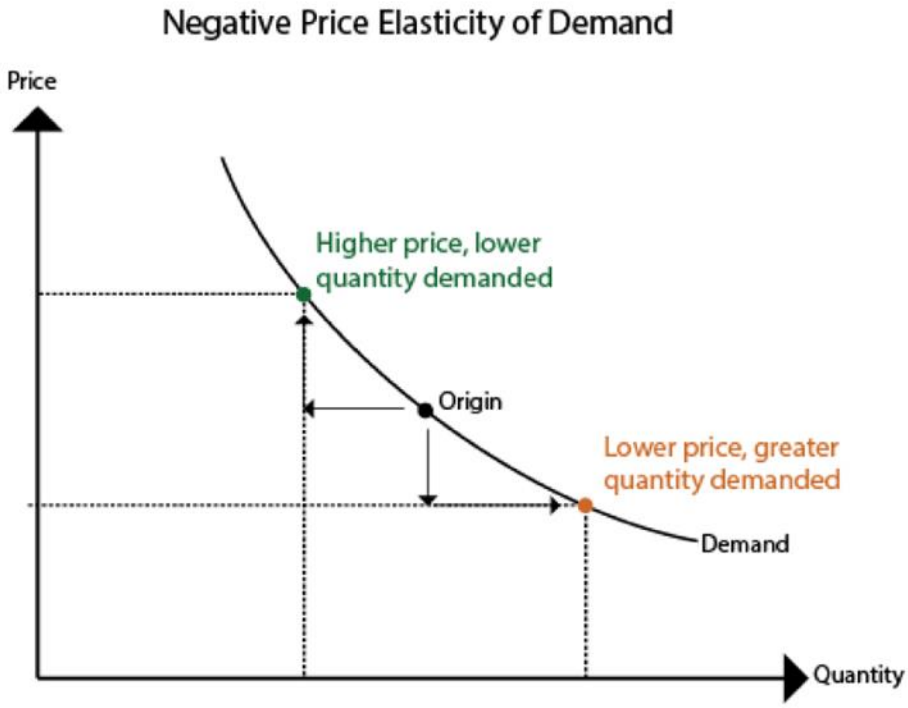
Because the task's complexity is usually underestimated, judgments are frequently based on assumptions made by decision makers or experts about expected customer behaviour. Sadly, these "common sense" predictions are usually incorrect. Broadly they will be based on previous behavioural evidence, making them less relevant and biased.

FUNDAMENTAL PRINCIPLES OF PRICE ELASTICITY OF DEMAND

If we accept that historic evidence is not enough to properly predict buyer behaviour, how do you determine what happens to buying behaviour if we raise the price of coffee?

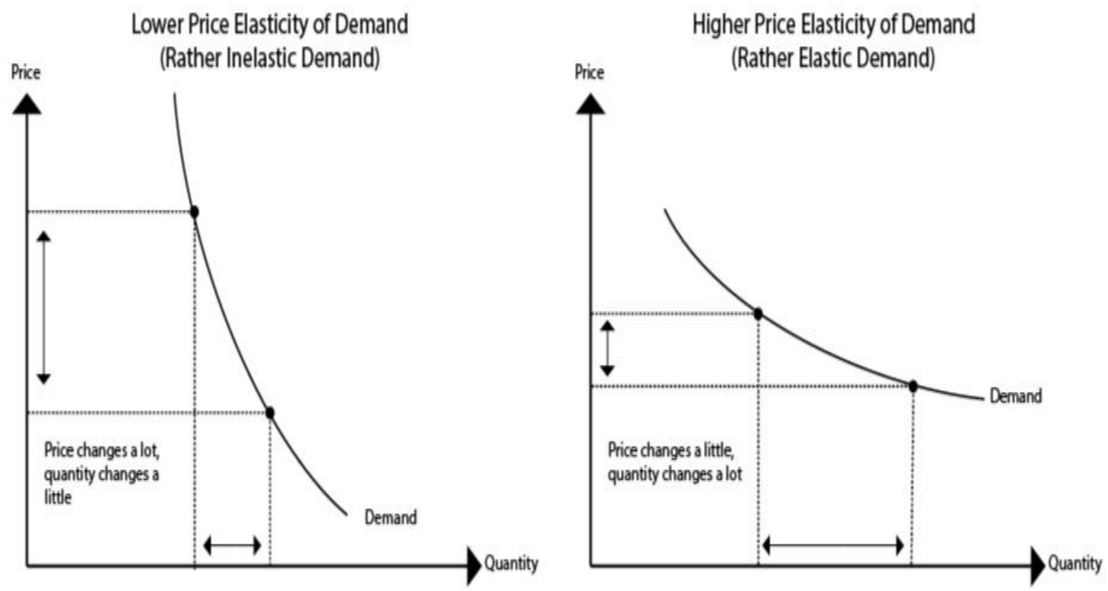
Well, the first step is to grasp the relationships and different factors that influence purchasing decisions. This will help us understand cause-and-effect relationships. In most markets, we experience something called as “**negative price elasticity of demand”.**

”



With negative price elasticity of demand, people buy more of something as it becomes cheaper, and less of something as it becomes more expensive. How much more or less they buy against the change in price is the **elasticity**.

So, if a price change doesn’t alter demand much at all, we consider it to be inelastic. However, if demand is highly dependent upon price, we consider it to be elastic .With lower price elasticity of demand, the curve above gets steep with higher elasticity, it gets flatter, as you can see below with higher elasticity it gets flatter, as you can see below



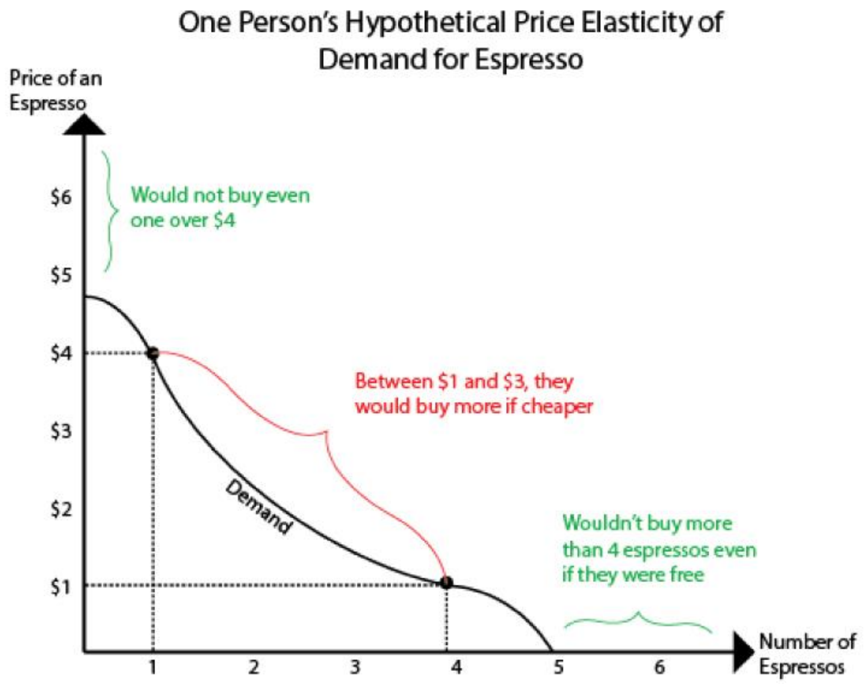
MARGINAL UTILITY & DIMINISHING RETURNS

To begin, we must take into account the rule of diminishing returns. When something is cheaper, people will eat more of it, assuming that more is "better."

Is it true that two espressos are better than one? We can most likely answer yes to those who prefer espresso. But what if there were 10 of them?

Even if it were free, most people would prefer not to have another espresso after two or three. The "utility" of a product refers to how much a customer loves or appreciates having it (for example, sipping an espresso). We may conclude from this that the "utility" they gain from the first espresso is likely to be significantly higher than it is from the fourth. It's possible that by the tenth, it'll be negative.

"Marginal utility" refers to the increased pleasure a customer has from purchasing more of something. Take a look at the graph below for an illustration of how this affects price elasticity of demand.

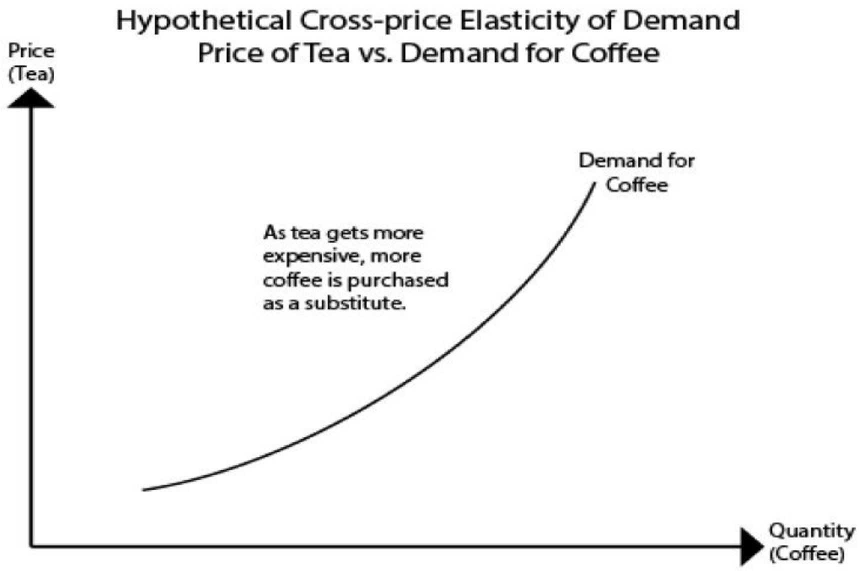


SUBSTITUTES:

Substitution is another crucial idea to consider when forecasting demand for a product.

The term "cross price elasticity of demand" refers to how much demand for one product varies as a result of the price of another.

Simply said, if coffee were prohibitively costly, people may switch to tea. Conversely, if tea becomes prohibitively costly, demand for coffee may rise.



Impact of COVID-19

The coffee business has experienced both supply and demand effects as a result of the COVID-19 outbreak.

The pandemic's effects on the industry will take time to emerge since there is a long gap between the origin of the impact and its effects being measurable.

These consequences might be direct, as a result of employees missing work due to illness, or indirect, as a result of steps made to stop the virus from spreading. Social distance and work-from-home regulations, for example, can have an impact on the effectiveness and productivity of individuals, organisations, and businesses.

Effects of supply

COVID-19 has impacted export infrastructure such as warehouses and ports directly

Supply chain interruptions, shipment delays, and increased transaction costs are among the consequences. Changes in systems aimed at preventing the spread of the virus entail delays and interruptions. Reduced onsite workforce, increasing social distance (fewer people performing the same activity in the same location), and other changes might occur in a warehouse. Increased time spent at the border for COVID-related inspections and checks, fewer drivers due to illness, and so on are examples of these changes for a transportation division.

Global coffee exports were 3.7 percent lower in March 2020 than in March 2021, which is not excessive nor primarily due to COVID.

Effects of Demand

Coffee costs originally rose in the early weeks of the epidemic, owing to massive shifts from out-of-home consumption to at-home consumption.

However, because coffee consumption is typically inelastic (meaning that price changes have minimal influence on demand), there has been little change in coffee demand thus far.

Top ten coffee producers (in millions)	
BRAZIL	2.70
VIETNAM	1.28
INDONESIA	0.63
COLOMBIA	0.47
INDIA	0.40
ETHIOPIA	0.37
PERU	0.33
HONDURAS	0.28
MEXICO	0.25
GUATEMALA	0.24
TOTAL PRODUCTION IN MILLIONS	**8.46**
Source: *UN FOOD AND AGRICULTURE ORGANIZATION*	

HISTORY OF COFFEE

The word "coffee" entered the English language in 1582 via the Dutch *coffee*, borrowed from the Ottoman Turkish *kahve*, in turn borrowed from the Arabic *qahwah*.The origins of coffee are hidden in history. According to history, the ancestors of today's Oromo people in Ethiopia's Jemma area were the first to notice the coffee plant's stimulating effect. However, there is no solid proof that coffee was initially planted before the 15th century, and even where it was originally cultivated. The myth of Kaldi, an Ethiopian goat herder who discovered the stimulating effect of coffee after observing how enthusiastic his goats were after eating the beans from a coffee plant in the 9th century, did not appear in writing until 1671 and is very certainly fictitious.

From the early 16th century, there is an evidence of either coffee consumption nor knowledge of the coffee tree in Yemen Sufi monasteries, spreading quickly to Mecca and Medina. It had spread over the Middle East, South India (Karnataka), Persia, Turkey, India, and northern Africa by the 16th century. After then, coffee spread throughout the Balkans, Italy, the rest of Europe, and Southeast Asia.

Coffee arrived in India much before the East India Company, according to a Sufi saint named "Baba Budan" from India. The introduction of coffee beans from Yemen by Baba Budan to the hills of Chikmagalur, Karnataka in 1670 is the first record of coffee growing in India. Since then, coffee plantations have become established in the region, extending south to kodugu.

In India, coffee production is dominated by the hill tracts of South Indian states, with Karnataka accounting for 53% of total output, Kerala for 28%, and Tamil Nadu for 11% of total production of 8,200 tonnes. Indian coffee is regarded to be the best coffee in the world since it is cultivated in the shade rather than in the sunshine. In India, there are over 250,000 coffee growers, with 98 percent of them being small farmers. In 2009, India produced barely 4.5 percent of the world's total coffee production. Almost 80% of the time.

Coffee is grown in three regions of India with Karnataka, Kerala and Tamil Nadu forming the traditional coffee growing region of South India, followed by the new areas developed in the non-traditional areas of Andhra Pradesh and Orissa in the eastern coast of the country and with a third region comprising the states of Assam, Manipur, Meghalaya, Mizoram, Tripura, Nagaland and Arunachal Pradesh of North-eastern India, popularly known as "Seven Sister States of India".

In India, coffee is grown in regions that receive 2,500-4,000 mm rainfall for more than 100 days, followed by a continuous dry period of a similar duration. Coffee growing areas in the country have diverse climatic conditions, which are suitable for the cultivation of different varieties of coffee.

COFFEE BOARD OF INDIA

The Coffee Board of India is engaged in the research, development, extension, quality upgrade, and domestic and international promotion of Indian coffee. Since 2002, the board has been conducting the India International Coffee Festival, a biennial event held in India in collaboration with other industry stakeholders.

India Coffee House is one of the older coffee establishments in Bengaluru.

MEASURE OF PRICE SENSITIVITY

Finding the best pricing for your goods is a difficult and time-consuming task. Many businesses employ one of two pricing strategies: cost-plus or competitive pricing.

PRICING IS DONE ON A COST PLUS BASIS

Calculating your cost base and simply adding a percentage mark-up is what cost-plus pricing entails. This is commonly utilised to meet a revenue or profit objective.

PRICING THAT IS COMPETITIVE

Setting prices based on rivals' pricing methods is known as competitive pricing or market-led pricing. This is based on the premise that the optimal pricing for the product has already been determined by rivals.

Both of these techniques, however, have limitations. The most major restriction is the failure to consider the desire of purchasers to pay the established price. Customers may be hesitant to acquire a product even though the pricing is competitive relative to competitors' or the mark-up is minimal. Customers may also purchase the goods, but not in a manner that maximises sales. Using a pricing strategy that ignores your most important stakeholder—your customers—means you're missing out on a critical chance to establish the greatest possible price for your product based on data-driven, real-world facts.

Many retailers face situations where in-demand, appealing products are simply not selling.

A widely accepted belief that lower prices are always better when it comes to driving sales may encourage you to cut your prices. In fact, this isn't always the greatest strategy. Some customers are not price sensitive for a number of reasons, which we will explain below. Others are, too, but in unusual ways. We know, for example, that for some commodities, customers unconsciously retain a price range that includes both lower and higher boundaries. Many customers have a lowest acceptable price based on buyer concerns that a deal is "too good to be true" or that "you purchase cheap, you buy twice." When the price goes below that level, their desire to buy decreases as well.

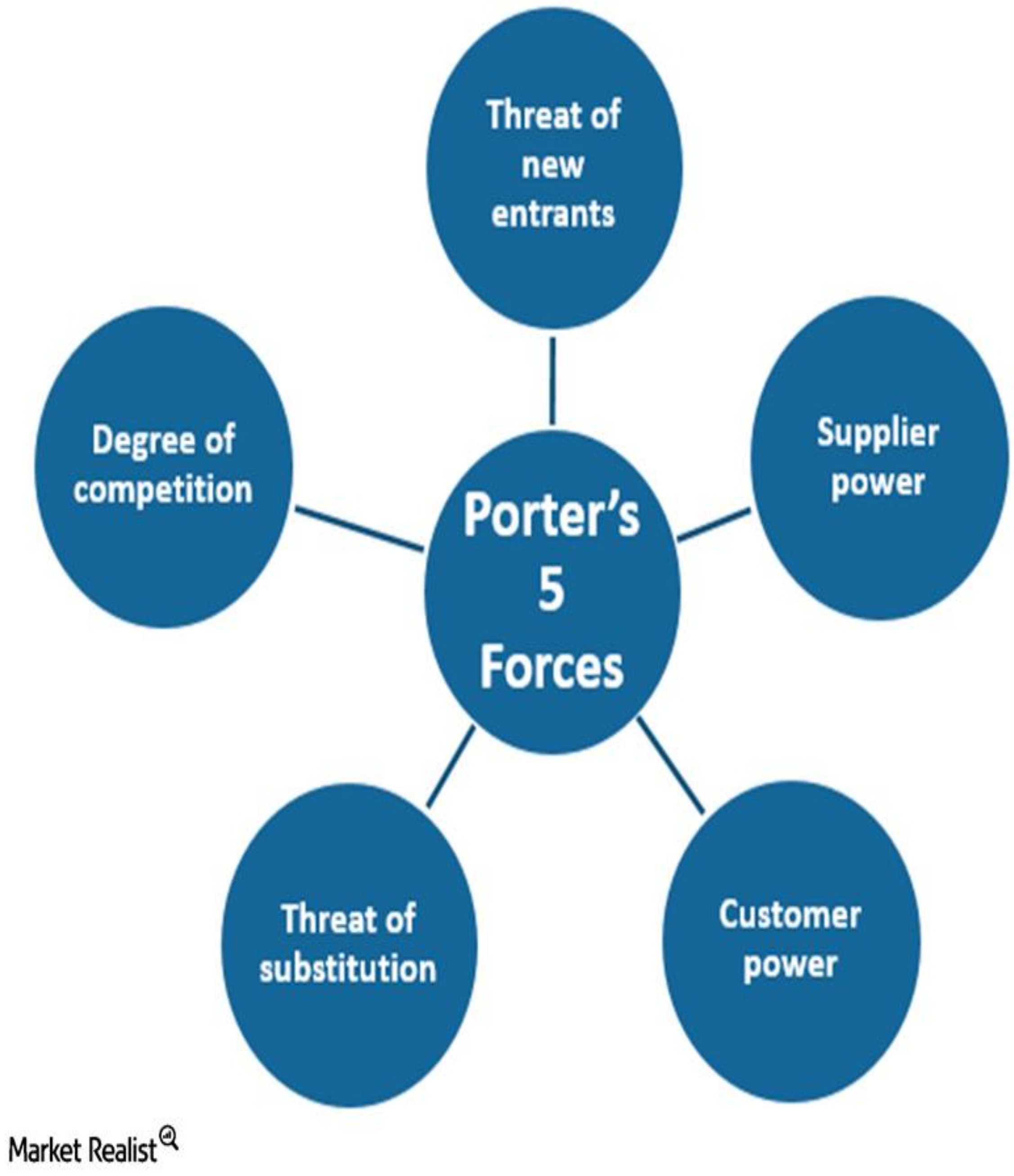
You might unintentionally reduce your pricing below this level if you don't know your customers' price sensitivity.

Measurement of price sensitivity, on the other hand, might assist you in determining your clients' upper price limit or ceiling price. Customers say the product is bad value for money if it costs more than this. Knowing these higher pricing limitations ultimately offers you the ability to keep your rates inside a market-acceptable range.

In other words, knowing if and how the highest and lowest price effects consumers' behaviour supports in developing a smart pricing plan. As a result, company profits may increase.

PORTERS FIVE FORCE MODEL FOR COFFEE INDUSTRY:

Coffee is regarded as one of the most popular beverages, and it is enjoyed in many parts of the world. The frequency of use varies by nation according to flavour and weather, but overall usage is quite high, since the worldwide coffee business generates more than 100 billion dollars in sales year, with an average of 500 billion cups consumed. The coffee sector is growing at a positive rate of 5.5 percent, demonstrating the industry's appeal. Porter's five forces analysis is used to gain a thorough understanding of the industry.


Threat of new entrants
Supplier power
Customer power
Threat of substitution
Degree of competition
Porter's 5 Forces
Market Realist

- **COMPETITIVE RIVALRY:**

Despite a growth rate of more than 5%, the sector is confronting a ruthless rivalry due to the existence of several rivals. With a revenue collection of 22.38 billion dollars, Starbucks leads the coffee market, while Tim Hortons follows in second with a revenue collection of 3 billion dollars per year. Panera bread, lavazza, costa coffee, peet's coffee, dunkin donuts, and caribou are ranked 3rd, 4th, 5th, 6th, 7th, and 8th, respectively, with revenues of 2.8 billion dollars, 900 million dollars, 800 million dollars, 662.5 million dollars, and 500 million dollars. It indicates that the actors in the coffee sector are internationally recognised and have significant financial resources, putting them in direct competition with one another.

- **BARGAINING POWER OF BUYERS:**

The availability of a huge number of coffee providers with no significant differences gives buyers a strong bargaining position in the coffee sector. Consumers have loyalty, but it isn't strong enough, and customers' switching behaviour in the coffee sector is significant, with little or no switching cost. The buyer has the choice of selecting from a variety of worldwide and local brands, which increases the buyer's negotiating power. Companies make offers based on the buyer's bargaining power.

- **BARGAINING POWER OF SUPPLIERS:**

Economies of scale, Supplier bargaining power is limited since companies are powerful and have a vast number of suppliers from whom to choose. Many companies grow their own coffee beans, which are one of the most important components of coffee. The corporation has the choice of purchasing from a variety of vendors, giving it a competitive advantage. Because suppliers are keen to secure contracts from such huge corporations to produce the companies' sales level is their power when bargaining with suppliers.

- **THREAT OF NEW ENTRANTS:**

The risk of new entrants in the coffee industry is high due to the low Number of obstacles to market entry. Even the obstacles that exist in the coffee sector are not difficult to overcome, which is one of the reasons for the market's ease of entrance. Because the coffee shop or supply may be established on a modest scale with a little takeaway store on the corner of the street, there is no need for a large amount of money. It indicates that the capital requirements in the coffee sector are not a barrier for newcomers. The required skills are not highly technical, but they are trainable, making it even easier to break into the coffee sector. The coffee sector's 5% growth draws new participants and makes the situation for newcomers in the coffee business easier.

- **THREAT OF SUBSTITUTES:**

Because there are so many alternatives, the threat of substitutes for the coffee business is quite real. The number of replacements in the coffee market is growing, posing a challenge to the sector. Tea is one of the most common coffee alternatives, putting the coffee industry in jeopardy. In many countries, tea is preferred over coffee, and coffee is only consumed on rare occasions. Due to the adoption of local hot beverages, various local hot beverages pose a danger of replacements to the coffee business.

STATEMENT OF THE PROBLEM:

The objective is to develop the correlation between the price and demand of coffee consumption in Bangalore for the year 2018 to 2020. The elasticity of demand changes when there is fluctuation in price. Some customers are very much sensitive towards pricing. Price sensitivity is commonly measured using the price elasticity of demand, or the measure of change in demand based on its price change.

NEED FOR THE STUDY

The need for study is to ascertain the relation between price and demand of coffee consumption in Bangalore for three years.

A study dealt on correlation of price to demand with special reference to coffee industry.

To understand the price sensitivity and the factors that influences the customers towards consumption habits when there is difference in price.

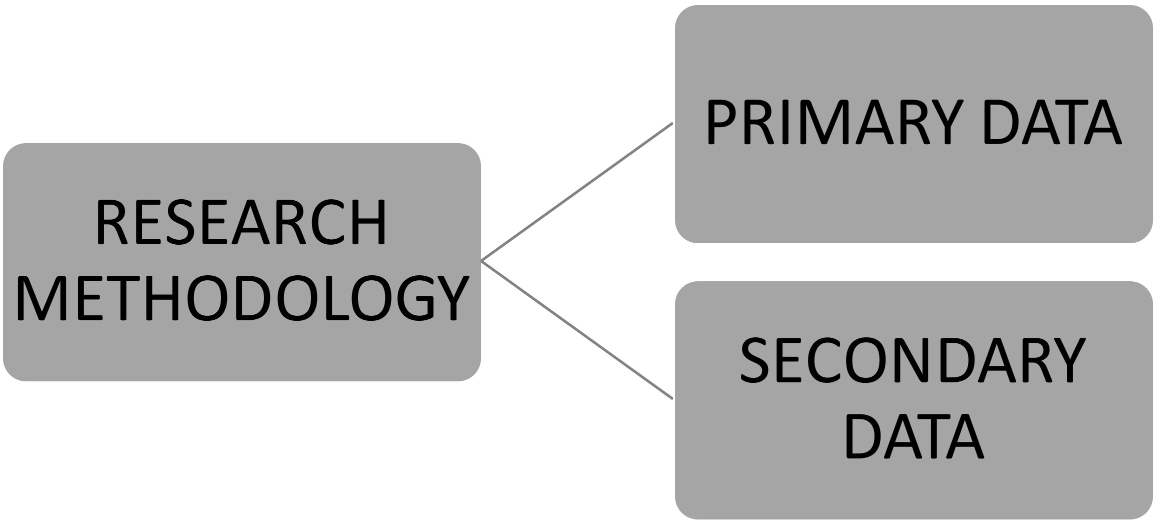
CHAPTER 02

METHEDOLOGY

OBJECTIVE OF THE SYUDY:

- To study the **Price Sensitivity Analysis** of coffee industry.
- To study the factors which influences the Price Sensitivity Analysis of coffee.
- To study the coffee consumption habits when price fluctuates.

METHODOLOGY OF THE RESEARCH



TOOLS FOR COLLECTING DATA:

- PRIMARY DATA
- SECONDARY DATA

➢ PRIMARY DATA:

- The primary data means the data gathered for the first time for the survey directly from the sample or population as per the requirement.
- Primary data is collected through observation and discussion with the Coffee consumers

➢ SECONDARY DATA:

Secondary data consists of information that has been already exists and has been collected for some specific purpose previously. For this study secondary data is collected through.

- **Websites**
- **Articles**
- **Social media**
- **Annual reports**
- **Books**
- **Magazines**
- **Journals**
- **Research reports**

DISSCUSSION (INTERVIEW)

The collected data is discussed keeping in view the objectives of the study i.e. price sensitivity analysis of coffee consumption and the factors which influences the price sensitivity of coffee consumers. The suggestions and conclusions are drawn.

LIMITATIONS OF THE STUDY:

- There might be bias in the information.
- Only secondary data is collected.
- Time period of the study was limited.

CHAPTER 03

SWOC ANALYSIS:

The coffee house industry is quite profitable. Every day, nearly 2.5 billion cups of coffee are consumed throughout the world, according to estimates. Experts predict that by the end of 2022, the proportion would have risen to 67 percent. Coffee and other ready-to-drink businesses are intriguing in that they are resilient and can easily thrive in tumultuous markets.

Starbucks is an excellent example of a coffee store. With 31000 coffee shops in various locations throughout the world, it has become a very popular brand. By the end of 2018, the company's yearly sales had risen to 42.71 billion dollars, with a net income of $3.88 billion dollars. Start a coffee shop company in one of two ways: first, purchase a franchise from a well-known brand, or second, build your own brand. You don't have to work on branding and advertising if you acquire a franchise agreement from a well-known business. In

Exchange, you must pay the parent company a certain amount each year.

STRENGTHS OF COFFE SHOP

➢ Outstanding Customer Service Culture

Despite the fact that the coffee shop is a modest business that may be turned around quickly. However, its target audience and clients obtain higher service, such as a clean environment, washed cups, comfortable seating, attractive chairs, and clean servers and employees. It's because all of these small details contribute to the appearance of a healthy atmosphere.

Customers will want to visit the cafe and consume coffee if the setting is nice and clean, and the staff is kind. It's more than simply a location to get a cup of coffee it’s a place to make people feel wonderful and transform their mood.

➢ CONTINIOUS SALE:

People can prepare coffee at home because it is such a small product. They would, however, prefer to go out with colleagues for coffee at an outdoor location. As a result, consumers come and go throughout the day, whenever they have free time.

➢ STAFF THAT IS QUICK AND MOTIVATED

The job routine is so straightforward that the employees are familiar with the steps they must repeat again and over. All of these things keep the employees engaged since a variety of clients come and leave all of the time. They understand the importance of responding quickly to their consumers' needs.

➢ TEAMWORK

It takes more than one person to run a coffee shop. The size of a team is determined by the size of the company. If it's a tiny store, there will be two or three individuals working. There will be more people if the business is large. Productivity increases when these people work together toward a common objective.

➢ CLEAR WORK VALUES

Everyone in the coffee shop industry is familiar with the entire operation. They are aware that one of their core values is to provide superior service to customers while maintaining a pleasant demeanour.

➢ DIRECT RELATIONSHIP WITH CUSTOMERS

Customers physically visit the business in order to purchase coffee. As a result, the owner of the staff has a fantastic opportunity to engage with the consumers and turn them into regular customers.

➢ PRODUCT & SERVICE OF HIGH QUALITY

Customers will form a favourable impression of your store if they provide high-quality goods and services. If they continue to provide the same high-quality service every day, client base will grow exponentially.

➢ A CUSTOMER CENTRIC STRATEGY

The objective of the coffee shop business is to provide better service to customers than the competitor. This strategy could not be more targeted.

➢ PREMIUM PRICING

If they provide better service than the competitors, it attract more clients. However, it would provide with a competitive advantage in the market. After that, consumer's premium pricing can be done. They'd be prepared to pay for it.

- **POSITIVITY TOWARDS THE BRAND**

Customers will associate a positive attitude with the brand if customers are welcome them with a smile. If it is a growing firm, it will assist the brand to acquire new clients in a new geographic location.

WEAKNESS OF A COFFEE SHOP

- **MARKET DATA IS LIMITED**

When you're starting a coffee shop in a new market, you'll need data to check the numbers. Collecting market data is quite tough, especially in this area.

- **SYSTEM THAT IS OPERATED MANUALLY**

One must do things manually if you want a high-quality product and service. Manual methods are beneficial, but they are time-consuming and costly.

- **CAPITAL AND PROFIT ESTIMATES ARE DIFFICULT TO COME BY**

In the coffee shop industry, profit is earned in bits and pieces. As a result, you must exercise extreme caution when it comes to accounting and math. Only then will you be able to maintain track of your accounting records.

➢ MARKET SHARE IS LOWER

In this sector, there is a limit to how much market share you can get. It's because you have limited seats and materials to service a large number of people. You can't go much further than that. As a result, you won't be able to keep your market share at a set level.

➢ ITS DIFFICULT TO COME UP WITH A NAME

Almost every coffee business has its own distinct flavour, which establishes its reputation. You are, without a doubt, delivering a high-quality service. However, this does not imply that you are the only vendor in the market. As a result, coming up with a distinctive name for this category is tough.

➢ EXTREMELY COMPETITIVE

When you build a coffee shop in a certain market, it's not impossible for others to duplicate and produce a similar offering. Competitors might quickly enter the market, leaving you with little choice but to share profits with them.

➢ COST CONSTRAINTS

Profit and cost are separated by a razor-thin margin, and you must control everything in between. You rely largely on supplier supply as well. Your firm will continue to thrive if they continue to deliver the ingredient on time and at a low cost.

- **DEVELOPING A DIRECT RELATIONSHIP WITH CUSTOMERS**

Creating a Direct Connection with Customers
The positive thing about working at a coffee shop is that you get to meet your customers face to face.

OPPORTUNITES OF A COFFEE SHOP

- **NEW TECHNIQUES & INNOVATION**

Because you must conduct tasks manually, you should continue to experiment with new methods to improve your company's performance. It might take the shape of a new product's flavour, new seating arrangements, new work procedures, and so on.

- **OFFER REWARDS TO INCREASE BRAND LOYALTY**

Regular consumers should be rewarded with discounts and prizes. Such promotions would assist you in not only increasing brand loyalty, but also in attracting new Consumers and retaining existing ones.

- **IMPROVED CUSTOMER SERVICE**

Customers will have a better experience if you give incentive programmes, fresh deals, and introduce new strategies.

- **PRODUCT LINE EXPANSION**

Along with coffee, you may expand your product range by giving cookies, snacks, cakes, and other such goods to your consumers. It'll not only be a lovely addition to your goods, but it'll also bring in some extra cash.

- **EXPAND THE GEOGRAPHIC AREA OF INTEREST**

By creating additional franchises in other locations under the same brand name, you may expand your target market. This is how you may expand your target market as well as your market share.

- **BRAND AWARENESS THROUGH ADVERTISING**

If you're starting a new franchise in a new region, you may also utilise a sponsored social media advertising technique to target a new market.

- **APP FOR MOBILE DEVICES AND A HOME DELIVERY SERVICE**

If your business is doing well, you might consider launching a mobile application to provide your clients another alternative. You should additionally give a home delivery service when people use your mobile application.

CHALLENGES OF COFFEE SHOP

- **MAINTAINING CASH FLOW IS DIFFICULT**

In the coffee shop industry, it's challenging to keep the same cash flow every day. Weekends, holidays, strikes, protests, pandemics, and other factors all contribute to this. It's excellent business if people keep coming back to your coffee shop. However, in our line of business, no two days are same.

- **PROFIT MARGINE IS LOW**

As previously stated, earnings arrive in the form of bits and pieces, which must be used to cover a list of costs. After that, you may get your cut of the profits.

- **MARKET WITH A HIGH PRICE SENSITIVITY**

Coffee is one of those products where you can't increase the price beyond a certain point. People would avoid going to your cafe for coffee if you did that because it was too expensive. You'll soon be out of business.

- **SUPPLIER WITH A HIGH PRICE**

Suppliers are well aware that your firm is fully reliant on their assistance. It offers businesses a competitive advantage, allowing them to hike the price of basic necessities anytime they choose.

- **LOW PRICE OF COMPETITORS**

In order to attract customers, rivals may cut product prices. Whether you decrease it or not, it's a loss for your company.

Conclusion:

I conclude that a coffee shop company is good and can function successfully in the competitive marketplace after doing a detailed SWOC analysis. If the coffee shop owner is smart and understands how to capitalise on strengths and grab chances. Then everything is fine. Threats, on the other hand, are real, and you should have a strategy in place to deal with them.

Chapter 04

ANALYSIS

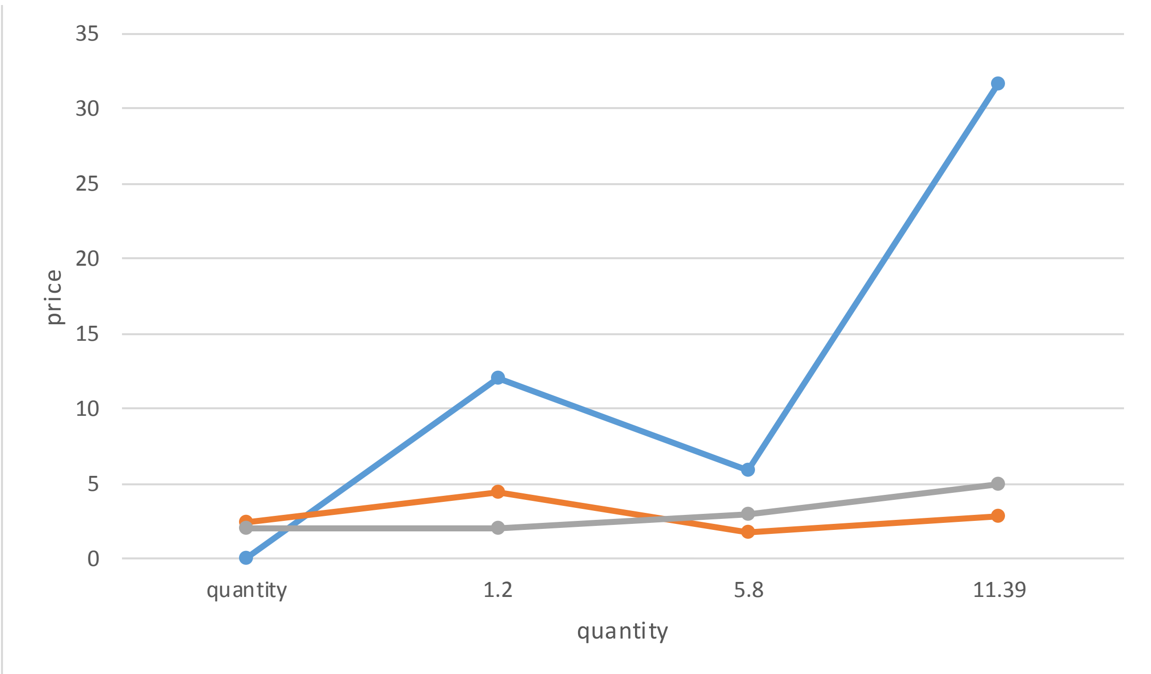
The influence of price points on customer purchasing behaviour is measured by price sensitivity. In other words, price sensitivity determines the proportion of sales you will lose or gain at a certain pricing point in comparison to another price point that is lower or higher. This implies that knowing product's price sensitivity can assist industry to identify revenue-maximizing price brand as well as the influence of pricing adjustments of sales figures.

The degree to which a product's or service's price influences a customer's behaviour is known as price sensitivity. Price sensitivity testing aids manufacturers, suppliers, and distributors in understanding customer behaviour and making informed product selections.

1.1 TABLE SHOWING % CHANGE IN QUANTITY AND %CHANGE IN PRICE

Year	Price	Quantity	%change quantity	%change Price
2018	216	316000	1.2	12
2019	229	298000	5.8	5.85
2020	315	334000	11.39	31.61

1.1CHART SHOWING %CHANGE IN QUANTITY & %CHANGE IN PRICE

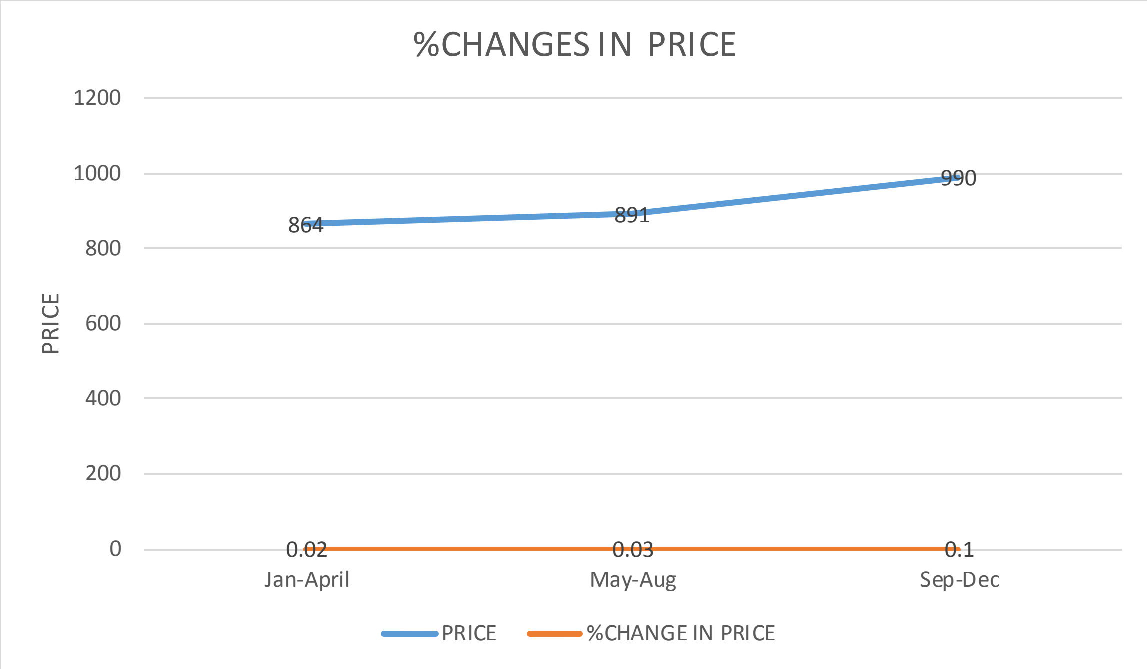


The above table shows the % change in price and the % change in demand of coffee for 3 years i.e. 2018, 2019, 2020.

- In the year 2018 the price of coffee was 216 / kg and the quantity consumed was 316000 kgs. So when the price was low the demand for coffee increased this shows the **"Price elasticity of demand".**
- In the year 2019 the price of coffee was 229 / kg and the quantity consumed was 298000 compared to 2018 the demand for coffee is decreased due to increase in price.
- In the year 2020 the price of coffee increased from 229 to 315/ kg and the quantity consumed was also increased to 334000 this is due the **"pandemic effect".** Due to lockdown consumption of coffee was increased because people used to stay at home.

1.2 TABLE SHOWING %CHANGE IN PRICE:

QUATERLY	PRICE	%CHANGE IN PRICE
Jan-April	864	0.02
May-Aug	891	0.03
Sep-Dec	990	0.10



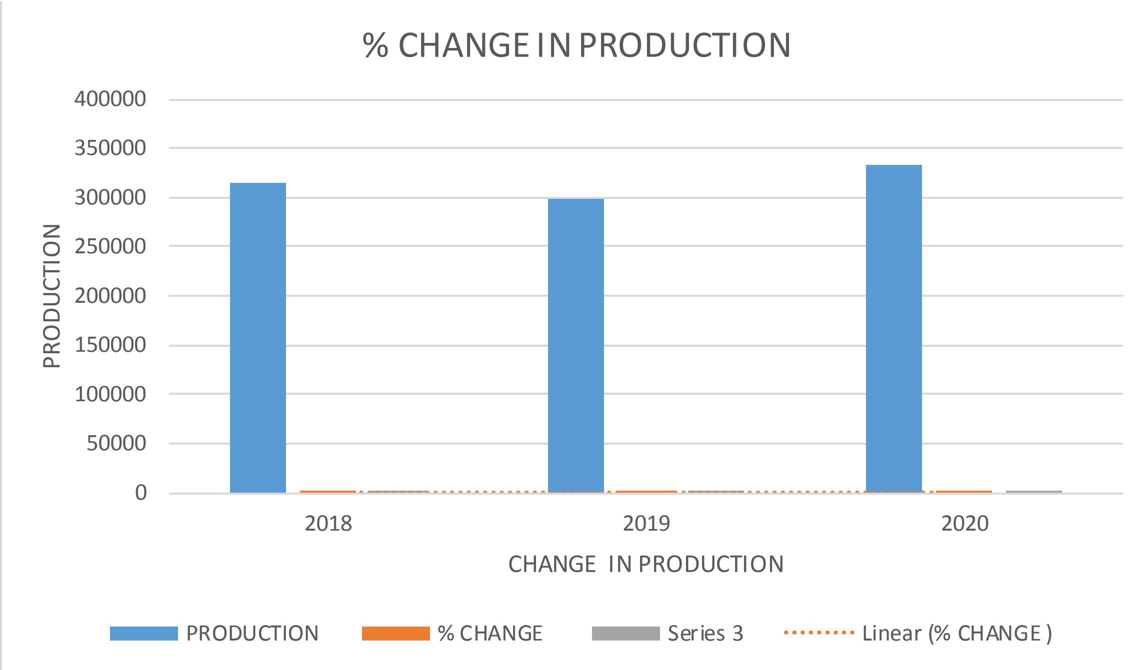
The above table shows the price fluctuation of coffee:

The price is considered in quarterly basis i.e. from January to April, May to August & September to December. After analysing we can tell that there is change in price of coffee per kg. The price in first quarter is bit less compared to other quarters. We can see there is an increase in price from September to December. The percentage of increase is from 0.03 to 0.1. It is due to more consumption of coffee in the winter season. Hence we can conclude that when demand for a product increase the price for that product increases as well.

1.3 GRAPH SHOWING % CHANGE IN PRODUCTION

YEAR	PRODUCTION	% CHANGE
2018	316000	1.2
2019	298000	5.8
2020	334000	11.39

1.3 CHART SHOWING % CHANGE IN PRODUCTION



The above chart shows the production of coffee for 3 years in the above table i.e.1.3 the production and the percentage change in coffee production is shown . By analysising the graph we can tell that the production is based upon the demand of the product hence as the demand raises the price also raises, when the price falls the deamand rises it is due to price sensitivity where some consumers are price sensitive .

Conclusion:

Coffee consumption remains high when compared to other discretionary purchases. Coffee is a relatively inexpensive indulgence, which has kept the business alive nevertheless, shops that contributed to the SCAA Coffeehouse Sales Trends Report say pricing is a big issue in their consumers' coffee-buying decisions. Simultaneously, merchants claim that quality is more essential than ever to their customers. Coffee has an extremely inelastic demand among many customers. This is due to the fact that there are few close substitutes for coffee and it accounts for a modest percentage of total income.

OUTCOMES:

- The price elasticity of demand, or the measure of demand change as a function of price change, is a standard way to assess price sensitivity.
- The price sensitivity of a product may also help to figure out how much value can be added to it by exposing the customers' willingness to pay.
- Price sensitivity refers to how much a product's or service's price impacts a customer's choice to buy it. A typical technique to evaluate price sensitivity is price elasticity of demand, or how % change in price impacts the amount demanded by clients.
- Price Sensitivity 9 Important Factors to Consider in Your Pricing Strategy
  1. **Price-Quality Effect**
  2. **Expenditure Effect**
  3. **End benefit Effect**
  4. **Shared cost Effect**
  5. **The farming Effect**
  6. **Fairness Effect**
  7. **Reference Effect**
  8. **Difficult comparison Effect**
  9. **Switching cost Effect**

➢ **Factors that effects price**

- Costs and expenses.
- The law of supply and demand.
- Perceptions of Customers.
- Competition.

CHAPTER 05

LEARNING EXPERENICE:

The study on the topic, price sensitivity analysis of coffee consumption in Bangalore which helped me a lot to attain knowledge and gaining experience. This study gives the clear picture about the customer's behaviour towards the price of coffee.

The learning experience of this study is as follows:

- It enhanced my knowledge & improved my skills about price sensitivity.
- It provided a lot of practical exposure.
- It thought me how to utilize the time and also value the time.

CONCLUSION:

The demand for a product is said to be price sensitive when it actively reacts to price changes. Inelastic price products, on the other hand, are those whose demand is unchanged by price changes.

Only market research and analysis may be used to determine a product's or service's price sensitivity. It may, however, differ from actual market circumstances or outcomes.

CHAPTER 06

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WORK DAIRY

DATE OF SPOKE WITH GUIDE	TOPICS DISCUSSED	SIGNATURE OF GUIDE
20-11-2021	Discussion of title of the study, objectives of the study, statement of the problem, and need of the study.	
29-11-2021	Discussion of research methodology, tools for data collection and limitations of the study.	
10-12-2021	Discussions on a study of price sensitivity analysis of coffee consumption and SWOC analysis.	
22-12-2021	Discussion on outcomes of the study, learning experience and conclusion.	