Chapter 12

Consumer Attitudes Towards Imported Canned Coffee Beverages in Riau Province, Indonesia: Alternative Marketing Strategies of Structural Model Approach

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ABSTRACT

As the second largest traded product in the world, coffee has high potential and competitive market. Product excellence and competitiveness in the minds of consumers will determine product leadership. For coffee products, it is necessary to know the criteria that are in accordance with the characteristics and culture of Indonesian consumers. In this chapter, input stimulus variables that determine consumer behavior are viewed from the marketing mix aspects. These attributes were then analyzed using a Participatory Prospective Analysis to identify the position of the driving factors in influencing consumer attitudes. The results showed that the driving variables for consumer attitude towards consuming imported canned coffee drinks were affordable price, packaging, flavor, reference source, and availability. These attributes were located in the upper-left quadrant which shows strong influence and low-dependence between the attributes. Recommended alternative marketing strategies are institutional strengthening of marketing/distribution and development of marketing mix.

DOI: 10.4018/978-1-5225-6980-0.ch012
INTRODUCTION

Global trade has created a more competitive market system. This new market condition makes the market very dependent on existing demand and supply so that exporting countries must adjust the marketing strategy based on new market environment. As the second largest traded product in the world, coffee has high potential and very competitive market (ITPC Osaka, 2015). Coffee is also the most frequently consumed beverage worldwide (Baker et al., 2004 cited in Lee et al., 2015).

According to Kristiningrum et al. (2016), coffee consumption in Indonesia continues to increase and processed coffee products today are not limited to roast and ground coffee, but variety of coffee products are available such as instant coffee, coffee mix, and flavored coffee (vanilla, cocoa, and others).

Canned coffee drinks were first produced around 1969 when Ueshima Tadao, president of UCC (Ueshima Coffee Co., Ltd.) managed to develop and manufacture coffee drinks which can be put in a can without loss of flavor (UCC, n.d). Fadillah (2014) observed that canned coffee is more affordable compared to hot coffee drink. Ready-to-drink coffee (RTD coffee) in Indonesia was developed long after the development of the carbonated beverage industry. The pioneers of ready-to-drink coffee products are unknown because at that time, RTD coffee was a product of the soft drinks industry efforts to expand its market. Initially, this ready-to-drink coffee format was ground coffee which had been brewed first, then put into a glass bottle. In Indonesia, coffee products in glass bottles were first launched in 1930s by an industry who produced soft drinks and fruit-flavored drinks (Siregar 2014 cited in Kristiningrum et al., 2016).

Indonesian coffee consumption data from 2010 to 2016 shows a tendency to increase every year. Data from the International Coffee Organization (ICODATA, 2017) in Figure 1 shows that Indonesia’s coffee consumption in 2000 was 1.68 million @ 60 kg bags. However, in 2016, it has reached 4.6 million bags @ 60 kg, or increased more than 174 percent. In 2016, Indonesia imported 57.84 thousand tons coffee with an average import growth of 40.59 percent per year (USDA, 2017).

The market volume of ready-to-drink coffee in Indonesia experienced an average growth of 27.1% per year during the period of 2010-2014. In 2010, the market volume of RTD coffee was recorded at 51.91 million liters. Four years later, in 2014, the market volume of RTD coffee in Indonesia had reached 134.17 million liters. The market increase was also in line with the growth of RTD coffee turnover. During the period of 2010-2014, the growth of market value or consumption of RTD coffee drinks in Indonesia increased by an average of 38% per year. In 2010, the market value of RTD coffee was recorded at IDR 441.88 billion. In 2014, the market value of RTD coffee drinks in Indonesia reached IDR 1.58 trillion. As of August 2015, there were 124 RTD coffee companies in Indonesia (both producers and companies holding local and imported brands) (Hybrida, 2016 cited in Kristiningrum et al., 2016).

Since the early 1990s, two-thirds of the total trade in agricultural products is international. So, in order to be able to compete at the international level, marketing managers must consider consumer attitudes towards products made in different countries (Juric & Worsley, 1998).

Recent studies (Rahmi & Nurhayati, 2016; Widiyanto, et al., 2016) show that there is a tendency for consumers in Indonesia, especially those of middle to upper income groups to choose and consume imported products. Consumer attitude scores towards foreign products are higher compared to that of local products which are influenced by income, improvement and progress in education, improvements
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