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ANALYSIS OF THE MARKET OF ROASTED AND GROUND COFFEE FOR COFFEE MACHINES IN KAZAKHSTAN

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Түйін

Бұл мақала, Қазақстандағы кофе және Қазақстан нарығындағы кофе дистрибуциясы процесі бойынша қуырылған және ұнтақталған кофе нарығын талдайды. Соңғы жылдары нарықтық зерттеу нәтижелері Қазақстанда кофе тұтыну әдетінің тұрақты түрде өсуін көрсетеді. Халықтың негізгі талабы болып табылатын қолайлы тұтынушылық сұранысы мен кофені бөліктеп сату нарығы өсіп келеді. Бұл зерттеу, Компани Кулилари Эксчейндж (СХ), кәсіпорнының қазақ нарығына қалай кіру керектігі үшін әзірленген. Маркетингтік жоспарларын дайындау барысында, Қазақстанда кофе нарығының ағымдағы жағдайы талданды.

Кілт сөздер: Қазақстан нарығы, маркетинг, іскерлік, кофе, дистрибуция

Аннотация

Статья анализирует рынок жареного и молотого кофе для кофемашин в Казахстане и процесс дистрибуции кофе в казахстанских рынках. В последние годы, исследование рынка показывает устойчивый рост потребления кофе на рынке Казахстана. Рост розничных продаж кофе в связи с повышением потребительского спроса для удобства и комфорта, которые являются главным требованием населения. Данная исследование разработана для Компани Кулилари Эксчейндж (СХ), который хочет войти в казахстанский рынок. Перед подготовкой маркетинговых планов, нами было анализировано рынок сегодняшнего состояния кофе в Казахстане.

Ключевые слова: Казахстанский рынок, маркетинговые предпринимательства, кофе, дистрибуция

Abstract. This paper analyzes the market of roasted and ground coffee for coffee machines in Kazakhstan and the process of distribution of coffee in Kazakhstani market. In recent years, market research shows a steady growth in consumption in the coffee market in Kazakhstan. Growth in retail sales of coffee due to the increase in consumer demand for convenience and comfort, which are main requirement of the population. The study paper is developed for Company Culinary Exchange (CX) that wants to enter Kazakhstani coffee market. Before preparation of marketing plan there was done market analysis of coffee in Kazakhstan. The culture of country where the product will be sold plays an important role, since the strategies on product selling and adoption must address cultural differences and localized strategies. The selling and distributing the products in developing countries face specific difficulties over and above those found in industrialized countries because of difference in cultural and social context. For the coffee to meet the need of customers, it requires not only effective marketing tools and operating process, but it mainly requires to be evaluated in terms of its actuality and usefulness, relating to the potential consumers' mentality and neediness. Careful selection of the most suitable marketing tools is very important, since the introduction of such tools has a very beneficial effect on the overall level of efficiency. This paper's results include the Marketing Plan with recommendations and the

reasons, why it was recommended; financial statements, budgets; advantages and disadvantages of mode selection: role of retailers, marketing tools and other important elements.

Introduction

This marketing plan is developed for Philippine coffee that wants to enter Kazakhstani coffee market. The Company that is planning to enter Kazakhstani coffee market is Culinary Exchange (CX). CX offers 100% Philippine grown coffee beans from best local sources carefully selected, roasted and blended to cater to a wide array of tastes and preferences.

Over past thirty years or so, CX has slowly and steadily and silently grown to become a market leader in the supply of domestic roasted ground coffee and beans to major hotels and restaurants in Manila, Metro Cebu and Davao under the brand CULINARY EXCHANGE. This company is going to penetrate Kazakhstani market through distributing company in Kazakhstan «CAT – CENTRAL ASIA TRADING» LLP. Because it has an experience in the coffee market of Kazakhstan. CAT – CENTRAL ASIA TRADING, which works under TURKUAZ Group of Companies, distributes to Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan coffee of such brands as Nescafe and MacCoffee.

Kazakhstan Coffee Market Analysis

According to the market analysis of Marketing Agency “Direct-Mail Kazakhstan” emerging market trends indicate that the consumption of food products industry will remain stable during 2014-2024 years. It can be argued that the food and beverage production market in Kazakhstan remains very attractive for foreign investment. At the same time, the government of Kazakhstan is constantly taking measures that would strengthen Kazakh entrepreneurs. In 2014-15 Kazakhstan allocates 1 trln (one trillion) tenge for development of small and medium-sized businesses. These government programs should also promote the inflow of foreign capital in the form of joint ventures. Food prices in March 2014 compared to March 2013 increased by 5.5%. Prices for coffee, tea and cocoa rose 4.1 %.

In recent years, market research shows a steady growth in consumption in the coffee market in Kazakhstan. Growth in retail sales of coffee due to the increase in consumer demand for convenience and comfort, which are main requirement of the population.

Increasing number of Kazakh students have studied or lived in the West, which in turn has also become a contributing factor to increase of coffee consumption in Kazakhstan. Foreign nationals living and working in the Republic of Kazakhstan, also influenced the development of the country's culture. In addition, a growing number of offices equipped with coffee machines. As a result of all these factors, in recent years, coffee is pretty deeply penetrated not only into the life of Kazakhstan, but also in the structure of the consumer market [3].

As of March 2014 it can be stated with confidence that the coffee market in Kazakhstan will continue to grow, at least until 2018.

Coffee market research shows that over the forecast period coffee annual growth rate will be about 7%, and by 2018 will reach 5280 tons.

The basis of the expansion of the coffee market should go further penetration Western consumer culture to Kazakhstan. In the near future there are good reasons to expect a constant increase in the number of people drinking coffee in the morning in their offices. Increasing urbanization in Kazakhstan will have a positive effect on demand coffee.

Year	Jan., USD		Feb., USD	Total for two months
2012	66 200		53 100	119 300
2013	250 700		221 100	471 800
2014	159 100		418 700	577 800

Source: <http://directmail.kz/blog/200-marketingovve-issledovaniya-na-rynke-kofe-v-kazakhstane-v-marte-2014-goda>

Kazakhstan is not on the list of countries producing and exporting coffee, but it is one of the most active consumers of black coffee beans in the CIS. The first talks about the early days of the coffee business in Kazakhstan took place 10-12 years ago. At that time, natural coffee grains appeared only in high-priced restaurants, but immediately became a competition for instant coffee drinks. To date, experts say that all restaurants of A, B and C categories all serve 100% natural coffee grain.

Distribution companies that import grain coffee from Europe supply coffee products for the Kazakh market. Italy is now considered the leader in this area. Throughout the world there is a classification of coffee on the geography of growth. Brazil remains the world's undisputed leader in growing, processing and exporting coffee. They started to grow coffee in Brazil at the beginning of the 16th century, while state support for local producers up to the middle of the twentieth century brought impressive results. At present, Brazil supplies the world with coffee for every taste. In the outskirts of Yemen and Saudi Arabia, they grow Mocha coffee. In India, they cultivate Arabica and Robusta. The homeland of coffee in Ethiopia is best known for such kinds as Harrara and Jimah. Colombia also has a well-developed coffee industry. Arabica coffee grown in this country goes through a special wet process and is considered one of the best in the world. However, world coffee producers do not supply separate kinds of coffee but specially blended mixtures, which are manufactured by special companies called coffee roasters.

At present, the most rare and expensive varieties of coffee is Kopi Luwak, which has rather exotic origins and is valued in the world exclusively among

sophisticated gourmets. This is the case because prior to drying, milling, and roasting, these coffee beans are fermented in the stomach of Asian Palm Civets who live in Indonesia and feed exclusively on the ripe and best fruits of coffee trees. As gourmets say, after fermentation, this variety of coffee acquires a special aroma and aftertaste. However, not everyone can afford it, as the cost of one kilogram of Kopi Luwak can reach more than 1500 euros and a cup of such coffee varies from 30 to 50 euros. Kazakhstan's stores offer traditional varieties, the cost of which varies from 4,000 to 6,000 tenge per kilogram.

Together with the natural grain of coffee, distribution companies also supply the Kazakh market with coffee equipment manufactured in Europe. In terms of pricing, the cost of coffee machines ranges from 400 euros for a home machine to 7000 euros for an automated one, which effectively replaces the work of baristas. As of today, all the food-serving establishments are equipped with professional machines selling coffee. New coffee establishments open in Kazakhstan every six months indicating the development of the coffee business in the country. According to experts' estimates, before the end of this year, the growth in this segment will be more than 30%. In order to begin the development of the coffee business, it requires a sound investment amounting to no less than 150 thousand US dollars. This includes the rent of the premises, the purchase of furniture and equipment and the development of the interior design concept and arranging a network with supplying companies.

As experts say, if all the rules are followed and the establishment begins to be popular with visitors, business starts to recoup in the first months of operation. Distributors themselves are ready to offer a flexible payment system for the equipment they provide. In addition to delivering the equipment, distribution companies conduct master classes in which they teach staff the art of the barista or the ability to work with coffee drinks, servicing, latte and other specific features [11].

Kazakhstan is in the list of World coffee consumers as 114th place. It means 0.3 kg of green coffee beans per person, 1.19 kg of green coffee beans = 1 kg of roasted coffee beans).

In Kazakhstan mostly soluble instant coffee consumption is widespread. Other favorite coffee types are 3 in 1, spray and freeze dried and coffee mixes. Unfortunately in Kazakhstan only 20% of coffee consumers drink roasted and grain coffee [4].

In Kazakhstan «Nestlé SA» with its brand «Nescafé» for many years is the absolute leader in sales of coffee in volume and value terms. In 2012, the share of this brand was just 27% of retail sales in volume and 37% - in terms of value. Analyzing retail sales in 2013, one could argue that the leading player in the coffee market in Kazakhstan has been and remains the company «Nestlé SA». In 2013, its share in cash equivalent was about 38 percent of Kazakhstan's coffee market. The

company remains the leader in sales for many years. The main reasons for this leadership position, according to respondents, are a wide range of constantly updated products and a variety of flavors on offer, which helps to maintain demand among consumers of this product.

The international character of Nescafé in due time became the reason for the high awareness among consumers of Kazakhstan and was the starting point in the relationship of trust between producers and consumers of coffee. In addition, «Nestlé» offers pleasant enough incentives to retailers, using proven marketing approaches to promote their new products. The company often offers price discounts to stimulate a further increase in coffee sales in the region.

Distribution of coffee brands by CENTRAL ASIA TRADING» LLP in Urban Kazakhstan (in percentage).

	F M	A M	JJ 2	A S	O N	D J	F M
SDESC	2 0 1 3	2 0 1 3	2 0 1 3	2 0 1 3	2 0 1 3	2 0 1 4	2 0 1 4
TOTAL COFFEE	9 9	9 9	9 9	9 9	9 9	9 9	9 9
MACC OFFE	8 0	7 9	7 9	7 7	8 0	8 0	7 6
NESCA FE	9 1	8 9	9 0	8 8	9 1	9 0	8 9
JACOB' S	7 9	7 7	7 9	7 8	8 2	7 9	8 0
TCHIB O	5 9	5 7	5 9	5 9	6 3	6 2	6 0
CARTE NOIRE	5 5	5 2	5 2	5 4	5 8	6 0	5 8
JOKEY	3 6	3 2	3 6	3 5	3 8	3 6	3 6

	3	3	3	3	3	3	3
ELITE	5	1	6	6	8	5	3

Value shares of coffee brands by CENTRAL ASIA TRADING» LLP in Urban Kazakhstan (in percentage)

SDESC	F M	A M	JJ	A S	O N	DJ	F M
	20 13	20 13	20 13	20 13	20 13	20 14	20 14
COFFE E SOLUB LE	10 0. 0	10 0. 0	10 0. 0	10 0. 0	10 0. 0	10 0. 0	10 0. 0
NESCA FE	37 .1	37 .6	37 .8	37 .6	38 .2	36 .3	36 .3
JACOB' S	20 .8	21 .3	20 .7	21 .1	20 .6	21 .7	22 .2
MACC OFFE	13 .8	14 .0	14 .7	15 .0	14 .9	14 .4	14 .8
CARTE NOIRE	7. 5	7. 4	7. 2	6. 7	6. 9	8. 0	7. 6
TCHIB O	7. 1	6. 6	6. 4	6. 4	6. 7	7. 0	6. 6
JOKEY	2. 5	2. 5	2. 3	2. 3	2. 4	2. 4	2. 4
ELITE	2. 1	2. 0	2. 1	2. 0	2. 1	1. 6	1. 8

Source: Internal documentation of CENTRAL ASIA TRADING» LLP

Here we should take into account that distributor of Nescafe in Kazakhstan is «CAT – CENTRAL ASIA TRADING» LLP. According to the analysis of this company as of 2014 year we can conclude that:

- Total coffee category seems to be recovered (it's stable in value, but still slightly decreased in volume (- 2%) over last period). Decrease mainly came from FD & Mixes (-3% & - 2%). Spray Dried is the only segment demonstrated positive trend (+ 1% in vol. & + 2% in val.)
- NESCAFE® Classic grew in market share in the period FM'14 mostly behind NESCAFE® Classic 250 tin. NESCAFE® Classic rate of sales also insignificantly, but grew over last period.

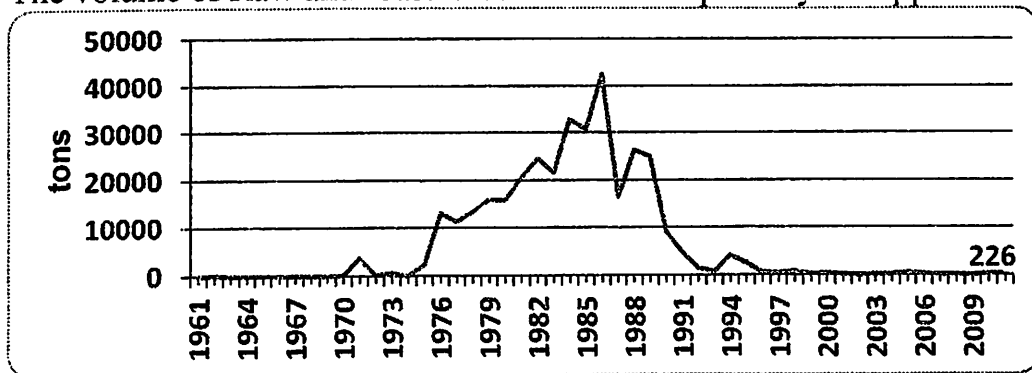
- Looking at NESCAFE® development by channel – Large Stores became more important for Nescafe sales, however Traditional Trade is still the potential channel for SD sales, where Nescafe lost 1pp of volume and value of market share over FM 14. Open Markets brought the main increase in mentioned period (+ 4pp over last period).

- Mixes segment grew in value (+ 3%), but lost in volume (-2%) over LP, mainly because of MacCoffee decline. Nescafe 3 in 1 & Jacobs 3 in 1 shows positive dynamic (+ 0,7%) in FM 14. All players lost in net wet distribution.

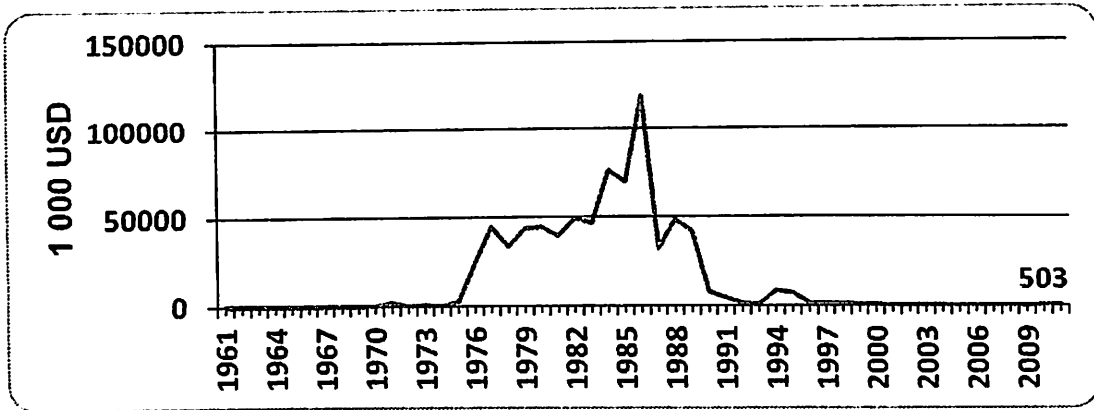
Leadership among networks of coffee houses belongs to "Chocolate" (Шоколадница), "Coffee House" , «Cafeteria», «Costa Coffee», "Cofedelia", "Gloria Jeans" and others. As we can see all our analysis above were not related to roasted and ground coffee. This is just because of the fact that this type of coffee is considered as luxury goods in Kazakhstan. It is sold only in large stores and offered in big coffee houses. Some entrepreneurs also offer roasted and ground coffee to gourmets as an unique products like Fanco LLP, Espresso Master LLP, Exotic LLP, Julius Meinl Kazahstan LLP, Evr'oliva and others. But their share is very small in general coffee market of Kazakhstan. Price of coffees in these firms starts from 2 500 KZT per package (750 grams or 1 kg in one package). But average price is 6 000 KZT per package (750 grams or 1 kg in one package).

The reason why there is a desire to import to Kazakhstan Philippine coffee is that its costs of roasted and grain coffee is relatively lower than Italy or Brazil.

The volume of Raw and roasted coffee beans exports by Philippine



The value of Raw and roasted coffee beans exports by Philippine



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Preliminary Marketing Plan		
Criteria	What do is recommended?	Why it is recommended?
Marketing plan		
A. Marketing objectives		
<p>1. Target Market(s) (specific description of the market)</p>	<p>a) Geographic: Almaty city b) Owners of vending businesses, because we will offer our coffee through coffee machines c) University students, office workers</p>	<p>According to the Agency of Statistics of the Republic of Kazakhstan in Almaty we have 1 514 333 people [1] Kazakhstani people are familiar with Coffee machines for about 12 years.[2] Unfortunately Kazakhstani market for roasted and ground coffee beans are not developed. Our people are just have started to develop. On the other hand increasing number of Kazakhstani students have studied or lived in the West, which in turn has also become a contributing factor to increase of the roasted and ground coffee consumption in Kazakhstan. Foreign nationals living and working in the Republic of Kazakhstan, also influenced</p>

	<p>to the development of the country's culture. In addition, a growing number of offices equipped with coffee machines. As a result of all these factors, in recent years, coffee is pretty deeply penetrated not only into the life of Kazakhstan, but also in the structure of the consumer market. In the near future there are good reasons to expect a constant increase in the number of people drinking coffee in the morning in their office. Increasing urbanization in Kazakhstan will have a positive effect on demand coffee [3]</p>
<p>2. Sales forecast for the first year</p> <p style="text-align: right;">30 287 * 1 656 KZT= 50 155 272 KZT</p>	<p>In order to identify sales we calculated 1 514 333 people of Almaty to 0.3 kg (In Kazakhstan 0.3 kg of coffee beans per person are drunk annually [4]. Then we will take 20 % of this sum, as only 20% of city people drink ground coffee. $1\ 514\ 333 * 0.3 * 5\ % = 22\ 715\ \text{kg} = 23\ \text{tons}$ (or 30 287 packages)</p>
<p>3. Market penetration and coverage</p>	<p>This Philippine coffee is going to penetrate and cover Kazakhstani market through «CAT – CENTRAL ASIA</p> <p style="text-align: right;">It has an experience of working in coffee market</p>

TRADING»
LLP

B. SWOT Analysis

Strengths

1. Expertise of «CAT – CENTRAL ASIA TRADING» LLP in coffee distribution (distributor of brands such as Nestle and Maccoffe) [5]
The use of the highest quality beans. Sophisticated technology that drives production costs down while ensuring quality, which in turn leads to lower prices
2. Relatively few number of competetors compared to instant coffes, freeze, spray dried coffees, mixes
3. Coffee is marginal product, wrapping is 500-1000%, allowing you to quickly pay back the investment.

Weaknesses

- 1) Kazakhstani people now still prefer instant coffee to roasted and ground coffee
- 2) Costs of doing business with Culinary Exchange while it is located in Philippines.

Opportunities

1. In recent years, market research shows a steady growth in consumption in coffee market of Kazakhstan. Growth in retail sales of coffee due to the increase of consumer demand for convenience and comfort, which are an integral requirement of the population.
2. Another important thing is the steady increase of consumption of roasted and ground coffee. For 2014 in Kazakhstan GDP growth rate of 5.5% is forecasted. Increased consumption in the private sector is a major factor in the development of the coffee market. For 2013 growth in food consumption in Kazakhstan amounted to 8.8 percent (in local currency). Until 2017 it can be assumed that the total average annual rate of 10.1 percent.
3. Coffee market research shows that over the forecast period growth rate of coffee sales will be about 7 %, and by 2018 will reach 5280 tons [3].

	<p>The basis of the expansion of the coffee market should go further penetration in Kazakhstan Western consumer culture . In the near future there are good reasons to expect a constant increase in the number of people drinking coffee in the morning in his office . Leaking urbanization in Kazakhstan will have a positive effect on demand coffee.</p> <p>4. Increase of coffee machines in restaurants and offices, also development of vending businesses in Kazakhstan. Because we expect Arabica coffee to become complement product for coffee machines.</p>
Threats	<ol style="list-style-type: none"> 1. Enter of the new competitors to the market 2. Decrease in the economic level of Kazakhstan 3. Changes in Political and Economic situations in Philippines
Product adaptation or modification—Using the product component model as your guide, indicate how your product can be adapted for the market.	
1. Core component	Core component will be Arabica coffee
2. Packaging component	Package of the coffee will be slightly changed according to the standards of Kazakhstan
3. Support services component	-
D. Promotion mix	
1. Advertising a. Objectives	Maintain positive, steady growth each quarter. Experience an increase in new customers who are turned into long-term customers.
b. Media mix	<ul style="list-style-type: none"> • No TV and radio advertising for the first year • Street billboards • Tengrinews.kz • Brochures • Social network <p>For the first 2 years we will not use any TV and radio channels for advertising (High costs). Instead we will use street billboards [6] in Al-farabi street-Shashkina, where Esentai Park is located, Mega Centre. Another important thing will be brochures in the</p>

	streets. Also we should take into account the role of social media in promotion of our coffee (facebook, vkontakte, twitter, Instagram). Next we use Tengrinews.kz, whose number of visitors per week is 2572500 people [8].
d. Costs	<p>Banner: 410 000 KZT * 2 = 820 000 KZT in a month * 3 months = 2 460 000 KZT Tengrinews.kz: 300 000 KZT (3 days) + after 3 months Brochures throughout year: 370 000 KZT / 12 months = 31 000 KZT per month</p>
2. Sales promotions	
a. Objectives	<p>Obviously, the Company must promote the benefits of the coffee to customers such as free drinks etc. This will be accomplished by crafting messages for:</p> <ul style="list-style-type: none"> • Outdoor advertising • Mass direct mail • On-site staff promotion.
b. Coupons	<p>First year in order to increase customer awareness of the coffee the Company will use such services as Chocolife.me and Besmart.kz.</p> <p>Because popularity of such services is growing every day. Despite the fact that they appeared in Kazakhstani market just a couple of years ago, and now their services are ready to use (if you believe the data on the number of registered accounts), about 2 million people. By the number of subscribers Chocolife.me is in first place with 550,000 subscribers, followed BeSmart.kz.</p>

		which in Kazakhstan has 430,000 subscribers [9].
c. Premiums	The Company will use premiums such as 1000 free paper cups for vending businesses in case of 50 packages (each package 750 grams, so it means 37.5 kg) purchase	These methods will increase loyalty to our coffee.
d. Costs	70 000 (KZT) (first year)	7 KZT (per cup) * 10 000 units=70 000 (KZT)
Distribution: From origin to destination		
1. Port selection		
a. Origin port	Manila	Philippine
b. Destination port	Almaty	Kazakhstan
2. Mode selection: Air carriers		
Advantages	<ul style="list-style-type: none"> • High Speed • Quick Service • Easy Access • No Physical Barrier 	<p>Air transport is the fastest mode of transport and therefore suitable carriage of goods over a long distance requiring less time. There is no substitute for air transport when the transport of goods is required urgently.</p> <p>Air transport provides comfortable, efficient and quick transport service. It is regarded as best mode of transport for transporting perishable goods.</p> <p>Air transport is regarded as the only means of</p>

	<p>transport in those areas which are not easily accessible to other modes of transport. It is therefore accessible to all areas regardless the obstruction of land.</p> <p>Air transport is free from physical barriers because it follows the shortest and direct routes where seas, mountains and forests do not obstruct.</p>
<p>Disadvantages</p> <ul style="list-style-type: none"> • Risky • Very Costly • Small Carrying Capacity • Unreliable • Huge Investment 	<p>Air transport is the most risky form of transport because a minor accident may put a substantial loss to the goods, passengers and the crew. The chances of accidents are greater in comparison to other modes of transport.</p> <p>Air transport is regarded as the costliest mode of transport. The operating cost of aero-planes are higher and it involves a great deal of expenditure on the construction of aerodromes and aircraft. Because of this reason the fare of air transport are so high that it becomes beyond the reach the common people.</p> <p>The aircrafts have small carrying capacity and therefore these are not suitable for carrying</p>

	<p>bulky and cheaper goods. the load capacity cannot be increased as it is found in case of rails. Most of the air transport are uncertain and the unreliable because these are controlled by weather condition. It is seriously affected by adverse weather conditions. Fog, snow and heavy rain weather may cause cancellation of some flights</p>
<p>Packing a. Marking and labeling regulations</p>	<p>In accordance with the Law of the Republic of Kazakhstan «On technical regulation» state control for safety and quality of goods imported from other countries on stage of realization is exercised in 3 directions: - selection and purchase of samples of goods for laboratory testing for compliance with technical regulations and normative documents for finances of Republican budget; - availability of declaration and certificates of conformity on stage of realization of goods; - compliance with requirements of marking of goods in Kazakh and Russian languages (labelling) [10].</p>
<p>Channels of distribution (micro analysis). This section presents details about the specific types of distribution in your marketing plan.</p>	
<p>2. Retailers</p>	
<p>a. Type and number of retail stores</p>	<ul style="list-style-type: none"> • Magnum Cash & Carry • Ramstore • Kazakh Vending Company • CoffeeOneKz <p>We will start to work with these companies. The role of retailers will be played by MAGNUM CASH & CARRY, Ramstore, Kazakh Vending Company and CoffeeOne.kz, so that we will use capacity of large</p>

		stores, special vending and internet business. We think this action will result in increase of our product awareness.
b. Retail markups for products in each type of retail store	<ul style="list-style-type: none"> • Magnum Cash & Carry - +20% • Ramstore +30% • Kazakh Vending Company +500% • CoffeeOne.kz +40% 	
c. Methods of operation for each type (cash/credit)	For all of them methods of operation will identified after negotiations with these companies	Because certainly we want cash we will try to defend our opinion. But it can affect our sales as these retailers want goods not only for cash but also for credit.
d. Scale of operation (small/large)	large	All of these retail stores are large enough with large scale of operation
Warehousing		
a. Type	Distribution warehouse	
b. Location	Almaty, Raiymbek str., 160-A	
Price determination		
1. Cost of the shipment of goods	6 840 USD for 2 tons / 470 KZT per package of coffee (750 g)	We have found this sum after as a result of telephone negotiations with UPS
7. Wholesale and retail markups and discounts	<ul style="list-style-type: none"> • Magnum Cash & Carry - +20% • Ramstore +30% • Kazakh Vending Company +600% (per cup) • CoffeeOne.kz +40% 	
8. Company's gross margins	+ 60% per package	Price of a package (750 grams) = 1 035 KZT (cost of a package) + 60% = 1 656 KZT
9. Retail price	<ul style="list-style-type: none"> • Magnum Cash & Carry : 1 656 KZT +20% =1 990 KZT per package • Ramstore 	

		1 656 KZT +30% =2 155 KZT per package
	• Kazakh Vending Company	1 656 KZT / 125 cups =13.248 KZT +600% =92.736 KZT pure coffee price per cup
	• CoffeeOne.kz	1 656 KZT +50% =2 484 KZT per package
Pro forma financial statements and budgets for the first year		
1. Advertising/promotion expense	3 200 000 KZT	2 460 000 KZT (Banner) + 300 000 KZT (advertising in Tengrinews.kz) + 370 000 KZT (brochures) + 70 000 KZT (premium paper cups)
2. Distribution expense	13 919 400KZT	6840 USD = 1 265 400 KZT per 2 tons * 11
3. Product cost	13 023 410 KZT	430 KZT per one package * 30 287 packages
4. Other costs	1 200 000 KZT	Like insurance, custom expenses
Resource requirements		
A. Finances	31 342 810 KZT	3 200 000 KZT 13 919 400KZT 13 023 410 KZT 1 200 000 KZT
B. Personnel	All personnel of «CAT – CENTRAL ASIA TRADING» LLP that works in Nescafe and MacCoffee group.	

Conclusion

«CAT – CENTRAL ASIA TRADING» LLP prepares to distribute Arabica roasted and ground coffee beans grown in Philippine in Kazakhstani market. It will expand distribution capacity from 30 287 packages per year to 60 000 packages per year in five years. Even so the risks and costs of coffee transportation from Philippine is high we will rely on expertise of CAT – CENTRAL ASIA TRADING in coffee

distribution like Nescafe and MacCoffee holding leader positions in Kazakhstani market.

Before preparation of marketing plan market analysis of coffee in Kazakhstan was done. In Kazakhstan roasted and ground coffee consumption is lower compared to soluble coffee types. Because of this and complex technology this type of coffee is much more expensive in Kazakhstan (average price is 6 000 KZT per package of 750 grams). However we are going to make it our strength and use low cost strategy compared to other players in the market.

The next important point is that the coffee will be complement product for coffee machines which in turn leads to increase in the sales. Because nowadays in Kazakhstan the market for coffee machines is developing. This is reflected not from only enhancement of vending businesses but also offices, restaurants, and even some households are buying coffee machines. For the first time company plans to distribute only one brand of roasted and ground coffee in packages containing 750 grams of coffee. Because this is ideal and economic variant for coffee machines.

The role of retailers will be played by MAGNUM CASH & CARRY, Ramstore, Kazakh Vending Company and CoffeeOne.kz, so that will be used capacity of large stores, special vending and internet business. This action will result in increase of product awareness. There will be used marketing tools as advertising through banners, Tengrinews.kz, social networks and brochures while using coupons (ChocoLife, BeSmart) and premiums like paper coffee cups.

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