

Building the Brand “*Cafés do Brasil*”: The Institutional Challenges and Their Effects on the Brand’s Positioning on the International Market

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Abstract: New consumption patterns based on quality and sustainability have encouraged the coffee production chain to innovate and adapt to the new competitive scenario. While Brazil is the world’s largest coffee producer, it is known mainly as a producer of commodity coffee. To overcome these weaknesses, the Brazilian government has implemented policies designed to align the coffee sector with the new global consumption patterns. The centerpiece of those policies is the creation and institutionalization of the “*Cafés do Brasil*” program with the purpose of promoting the brand “*Cafés do Brasil*” in the international market as a symbol of quality, flavor, diversity of origins and sustainability. This paper deals with how the institutional framework that guides the agents was designed, how the structure and mechanisms for coordinating and adapting the agents involved in the *Cafés do Brasil* program were established and to what extent the program has achieved its goals. The research findings reveal that elements linked directly to the institutional framework have compromised the program’s effectiveness. By decentralizing the coordination and control activities to regional agents, the Federal Government is failing to coordinate the program. The lack of alignment between the different organizational levels has led to the proliferation of regional brands aimed at the domestic market indicating a shift away from the original objective of the program to establish the brand “*Cafés do Brasil*” as a symbol of fine Brazilian coffees on the international market.

Keywords: Specialty Coffees, *Cafés do Brasil* Brand, Innovation, Governance, Institutional Failure

1. Introduction

Coffee is one of the most consumed beverages in the world. New consumption patterns based on the quality and sustainability have determined the need for a new dynamic in the coffee production chain. Consumers are increasingly choosing sustainable, ethical, healthier and higher quality products. This pattern in consumer markets has obliged the coffee production chain to innovate and adapt to the new competitive standards.

Consumer behavior based on quality and sustainability has led to the segmentation of the coffee market into products with higher added value and differentiated by specialty, thus breaking the price competition rationale typical of commodity coffee markets (Daviron & Ponte, 2005; Mayer & Gereffi, 2010; van Rijsbergen, Elbers, Ruben, & Njuguna, 2016). The result of this new behavior in the coffee market

can be measured by the rate of consumption over the last decade, which has grown by 30% (OIC, 2015; USDA, 2014).

Brazil is the world’s largest coffee producer and is identified as a large producer of commodity coffee. Intervention by the International Coffee Agreement (ICA) in foreign markets until 1989, which stipulated prices, quality and market shares, and by the Brazilian Coffee Institute (IBC) in the domestic market, which was concerned with expanding production, thus relegating quality to second place, led Brazilian agriculture to position itself as a producer of commodity coffee, internationally known as “Santos Type” coffee (Farina & Zylbersztajn, 1998; Saes & Nakazone, 2002; Saes, 2008). This identity as a large producer “Santos Type” coffee is no longer compatible with the new situation in coffee marketing, which requires differentiation in terms of the various aspects of coffee production and consumption. This has led to the distancing of

Brazil from the specialty coffee market (Almeida & Zylbersztajn, 2017; Dube & Vargas, 2013; Viera & Carvalho, 2000).

Although Brazil has a comparative advantage in the production of “Santos Type” coffee, when it comes to “specialty coffees” there are features of Brazilian coffee production chain that limit its competitiveness in that market. To overcome these weaknesses, the Brazilian government has implemented policies designed to align the coffee sector with the new global consumption patterns. The centerpiece of those policies is the creation and institutionalization of a program and the dissemination of the brand “*Cafês do Brasil*” as a symbol of quality, flavor, diversity of origins and sustainability (Brasil, 2012).

The program *Cafês do Brasil* seeks to integrate all the links and agents in the coffee production chain around a common goal: to build the brand *Cafês do Brasil* and add value to Brazilian coffee. As Brazil is a country of continental dimensions and produces coffees in different regions, the brand *Cafês do Brasil* is a symbol of the diversity of flavors, qualities and farming methods in the various coffee growing regions. The brand *Cafês do Brasil* concentrates the marketing activities of the coffee clusters from different Brazilian regions, as illustrated in Figure 1.



Figure 1. Integrating the brand *Cafês do Brasil*.

This initiative brings with it the challenge of integrating all those involved in Brazilian coffee farming around a common goal: making the brand *Cafês do Brasil* the identity of a sustainable product whose quality is distinguished from that of the large-scale production of commodity coffee (Santos Type). Therefore, this production chain should be managed through efficient institutional coordination mechanisms capable of leading the entire coffee production system to overcome historical barriers that have limited the competitiveness of Brazilian coffees in specialty coffee markets.

Implementing strategies requires institutional structures and mechanisms capable of coordinating the integrated actions designed to facilitate cooperation between the various organizations and agents involved in the coffee production chain. The formal institutions and the brand positioning are the mechanisms that guide the achievement of objectives. However, their implementation depends on the support and cooperation of individuals and organizations managed by individuals with different perceptions of their role and even of the goals to be achieved (Chang, 2010; Dequech, 2014; Galtier, Belletti, & Marescotti, 2013; Nadvi, 2008; North,

2003). The engagement and cooperation of the agents with this initiative vary according to their perception of what is most advantageous for them. Thus, the effectiveness of this institutional effort depends on the perception and willingness of stakeholders affected by the changes that the program certainly demands. These elements may prove to be factors that facilitate or impede the implementation of the *Cafês do Brasil* program.

Thus, it seems relevant to investigate how the institutional framework that guides the agents was designed and how the structure and mechanisms for coordinating and adapting the agents involved in the *Cafês do Brasil* program were established. Therefore the question this study asks is: What is the role of the agents in the institutionalization and implementation of the *Cafês do Brasil* program for strategically positioning the Brazilian coffee agro-industrial system in the international specialty coffee market?

2. Method

This research has an exploratory character. Semi-structured interviews were used to achieve the proposed objectives. The interviews were conducted with 17 professionals from different organizations of the chain value of the *Cafês do Brasil*. Among the interviewees are representatives of farmers associations from the coffee growing regions (ACENPP, CERRADO MINIERO), the Coffee Research Consortium (EPAMIG), the Micro and Small Business Support Service (Sebrae-MG). Were heard the Ministry of Agriculture, Livestock and Supply (MAPA), the Brazilian Export and Investment Promotion Agency (APEX), the Ministry of Agrarian Development (MDA). Beyond in the Brazilian Coffee Industry Association (ABIC), the certification agencies RAINFOREST, UTZ and IMAFLORA and the media that disseminate information to the consumers (*Editora Café*). In this way, it was possible to identify the role, perception, level of participation and influence of the different actors in the implementation of the *Cafês do Brasil* program.

3. Result and Discussion

Coordination of the *Cafês do Brasil* Program

Considering the territorial dimensions and diversity of the coffee producing regions in Brazil, the focus of the *Cafês do Brasil* program is, according to the guidelines of its constitution, to develop and value the particularities of the producing regions and the formation of regional production clusters. but the decentralizing the coordination to the regional and collective levels has led agents to defend local interests and to the replacement of the central government agent by local agents as drivers of the program's actions. The regional organizations that have emerged over time have contributed to the management of production processes in an objective and organized manner, helping to increase the profitability of investments made by agents in the coffee chain.

Local collective organizations end up offering service infrastructure and institutional support for the protection of local interests and convey to the market the benefits and the qualities that differentiate the local coffees, thus strengthening communication with the domestic market. Each region, in designing and implementing its strategies, takes into account the set of internal factors that distinguish it on the market supported by the Indication of Origin (IO) certifications that strengthen its position, especially on the domestic market.

Institutional and structural failures and the deviation from the purpose of the *Cafês do Brasil* program

As shown in the above section, in the design and implementation of the *Cafês do Brasil* program, the government encouraged the formation of regional clusters to explore the characteristics that differentiate the coffee producing regions. By decentralizing and delegating the coordination of the program to regional organizations and actors, the federal government paved the way for the individual regional goals to override the objective of integrating the different specialty coffees. Consequently, this situation has reduced the capacity to enforce the program’s institutional framework, which is intended to project the *Cafês do Brasil* brand as a mechanism for integrating the different specialty coffees and thus boost its position on the international market.

The regional differences and geographical dimensions of Brazil hinder integrated action between the different coffee producing regions. As private regional organizations and actors plan and coordinate the actions, those actions focus on the region, resulting in barriers to nationally integrated operations. Regional organizations have become interest groups, with each acting to achieve its own regional goals. The efforts and initiatives are now directed to the promotion of the regional coffees, mainly in the domestic market.

Consequently, by transferring power to the regions, the government abdicated the role of coordinator of the *Cafês do Brasil* marketing program. The result is a gap, not only geographically, but in the whole system, revealing a situation that is inconsistent with the program’s original planned goals. In the view of the interviewed government official, the lack of a central coordinator leads the actors of the coordinating structure to act individually and not in accordance with the integrative objectives of the *Cafês do Brasil* program.

The regional organizations strive to sell much more than coffees, according to the representatives from the organizations participating in the study. They seek to tell the farmers’ stories and cultures, and communicate to the consumer the regional features incorporated into the coffee and create a continuity in the coffee supply from that region. This defense of the region coupled with the lack of a central coordinator limit the strategic integration between the major regional production clusters that is necessary to consolidate and position the national brand *Cafês do Brasil* on the international market.

Thus, the individual and regional strategies behind the brands of the production clusters have strengthened regional

positioning in relation to national and international positioning and led to the widespread introduction of new coffee brands in the domestic market. The brand *Cafês do Brasil*, which should act as an ‘umbrella’ brand for the whole system and present a unified value positioning, has been overlooked due to the defense of the regional brands. Thus, it is clear that the failure to make the brand *Cafês do Brasil* the effective symbol of Brazilian coffee is largely due to the institutional ineffectiveness of the government in coordinating the program. The absence of the government as coordinator demonstrates the inability to enforce the proposed brand *Cafês do Brasil*, causing the agents to create their own rules based on self-interest. Effectively, the regional efficiency and the absence of a joint strategic coordination have led to the dislocation of the proposal to integrate all the regional brands around a collective brand. The emphasis and drive given to the defense and promotion of local brands highlights the deviation from the objective of positioning the brand *Cafês do Brasil* as a symbol of fine Brazilian coffees

4. Conclusions

The changes brought about by coffee drinkers who increasingly value aspects linked to quality and sustainability, have led national authorities to design and implement programs that provide harmonious development along the supply chain and add value to the final product. Brazil, as the largest producer and exporter of coffee, is seeking to position the brand *Cafês do Brasil* on the international market as a symbol of the quality and sustainability of Brazilian coffee.

The results show that the agents see the proposal behind the *Cafês do Brasil* program as being important in promoting Brazilian coffee. The program has led to adaptation within the production chain, expanded productivity and improved quality of coffee production in Brazil. Nevertheless, elements linked directly to the institutional framework are perceived as compromising the program’s effectiveness.

By decentralizing the coordination and control activities to regional agents, the Federal Government is failing to coordinate the program. The agents perceive the Federal Government as not being committed to the proposal. On the other hand, the regional organizations participating in the program, by bringing together the scattered agents, contribute towards collective learning and the sharing of a culture that facilitates the interpretation and shared problem solving. The lack of alignment between the different agents, that is the farmers, the processors, the regional organizations, and the Federal Government has led farmers and regional organizations to focus on the regional market. Thus, the brand *Cafês do Brasil* has become more relevant in terms of the competition for the domestic market than in the insertion of Brazilian coffee in the international market for specialty coffees. The proliferation of regional brands on the domestic market highlights the deviation from the program’s objective to position the brand *Cafês do Brasil* as a symbol of fine coffees from Brazil on the international market. Institutional

inefficiency and local coordination are leading to under-exploitation of the brand *Cafés do Brasil*.

The findings highlight the difficulties of designing and implementing a single marketing strategy for the Brazilian coffee sector due to the different interests among the agents. This scenario seems to open the way for setting up a multi-brand strategy, forming an identity built around the 'Made in Brazil' theme, but based on the regional initiatives of Brazilian coffee growers.

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