



Branding Ethiopia's Coffee

by *Crispin Reed and Ron Layton*

It has been many centuries since, as the story goes, a humble goat-herder named Kaldi observed his charges chewing on the berries of a plant and becoming excitable. And so the global love affair with coffee began in what is now known as Ethiopia. Whether the fable is true or not is, to a large extent, now immaterial, as experts are in agreement that the DNA of coffee can be traced back to Ethiopia.

In many respects little has changed since that time. Coffee in Ethiopia is largely hand-farmed with little or no mechanization and no chemicals and the techniques for prime cultivation have been handed down from father to son. A combination of expertise and ideal soil climatic conditions account for the diversity (there are some 6000 recognized types of coffee) and quality of Ethiopian coffee. However, a revolution in export business strategies is happening and is being noticed all over Africa. A team has come

together in Ethiopia and in their market countries that is carrying out an unprecedented approach that has doubled farmer incomes.

In recent years, the demand for gourmet and fine coffee has grown substantially, and new markets have opened up in India and China. Speak to any qualified barista and they will testify as to the quality of Ethiopian coffee and three lead coffees in particular – Yirgacheffe, Sidamo and Harrar. These coffees have strong reputations worldwide, due to their distinctive flavor and quality. Harrar is known for its richness and “blueberry elements”, while Yirgacheffe is more earthy and mildly citric, similar in many ways to fine wines. Yet for years Ethiopian fine coffee was earning export prices that were a small margin above non-distinct commodity Arabica coffee, which is subject to substantial price fluctuations.

The Ethiopian farmers of fine coffee were not gain-

ing the benefits of their superior product. Ethiopia was receiving as low as 6% of the final retail price for its fine coffees. Farmers were receiving about \$1 per kilo, with the exporting sector receiving about \$2 per kilo out of a final retail price about \$20-28 per kilo. In one promotion in the United States in 2005, the retail price for Sidamo reached an astounding \$57.20 per kilogram. The retail prices reflect the value of the hard-earned reputation and willingness of consumers to pay premium prices for distinctive, high-quality coffee.

Fundamentally, the market dynamics were not working in favor of the Ethiopian fine coffee industry. The product was entirely sold out and demand consistently exceeded supply, but the price remained at 20-30 cents above commodity coffee. Something had to be changed.

Anyone wishing to understand the full extent of the issue is encouraged to watch the excellent film 'Black Gold'. There is a sobering moment in the film where Ethiopian farmers are asked to guess the price that a First World consumer would pay for their coffee. They are incredulous to learn of the typical amount, given the small and unreliable income they receive.

So, in 2004, Ron Layton of Light Years IP designed an initiative to address this issue with the ultimate aim to improve the lives of some 15 million Ethiopians who are dependent on coffee for their income. With courage and determination, the Ethiopian Intellectual Property Office (EIPO), led by Director General Getachew Mengistie, took up the design and partnered with Light Years IP to implement the initiative. The initiative became the responsibility of the Ethiopian Fine Coffee Stakeholder Committee, which is made up of unions of coffee farmer cooperatives, private coffee exporters, and other bodies responsible for the development of the coffee sector.

Led by senior partner Bob Winter, the top global law firm, Arnold and Porter, stepped up in 2005 with pro bono legal services that continue to help Ethiopia's low-income producers. The three lead brands were secured with trademark registrations in around 30 countries and distributors were required to obtain licenses to sell the coffees. In this way, Ethiopia took a degree of control in the foreign distribution

of its fine coffees through licensing its distributors. The first year of licensing saw improved negotiating positions, resulting in short-term increases in export prices. The Oromia Union of Coffee Cooperatives reported that in 2007, Yirgacheffe farmer incomes doubled over 2006.

The licensing created a groundbreaking partnership between Ethiopia and coffee distributors, roasters and retailers. It is unique in that Ethiopia intervened in the foreign markets to achieve its goals, but also offered benefits to the distributors of its distinctive product. The distributors gain by contributing their views and energy to joint promotions and by jointly securing access to an increased supply of the unique coffees. Ethiopia now has over 80 licensees in 8 countries with a target of 150-200, at which point higher prices can be permanently secured.

To give some further context to the initiative it is useful to understand how, in recent decades, the intangible value of products has overtaken the physical value as the main source of corporate income in developed country markets. In 1982, 62% of the market value of the S&P 500 [an index of leading U.S.-listed company stock values] could be attributed to tangible assets and 38% to intangibles. By 1998, only 15% of their assets were tangible, while 85% were intangible. This shift in the value of assets reflects the ability of these intangible assets to generate income.

An everyday product, such as a man's tie, offers an example of this shift. Just 25 years ago, about half the retail price of a tie represented its physical value – materials and manufacturing costs – while the rest went to the costs of distribution. Little or none of the price represented the design, brand, or other intangible value of the tie. In contrast, today, around 95% of the price goes to the rewards for the design or brand (the product's intangible value) and to distribution. As little as 5% is being returned to the producers for the materials and manufacturing costs.

When Philip Morris paid \$12.9 billion to buy Kraft, the second largest food company in the world, only \$1.3 billion of that price was the value of Kraft's tangible assets – hundreds of food production and packaging facilities, for products from cheese and coffee to sweets and soft drinks. Kraft also had an

Intellectual Property (IP) portfolio – its technological know-how, brands, trademarks, trade secrets, licenses, patents, and other forms of IP. The difference, \$11.6 billion, was the price paid for Kraft’s intangible assets, it’s truly great source of earnings.

With intangible assets being so important to their income, IP management stands at the core of business strategies for producers and businesses in the developed world. Whether they produce computer software, home appliances, confectionary, or music, producers in rich countries use various forms of IP tools to own and control the intangible aspect of their products.

For them, IP is not merely a “legal issue,” it is the base of their business strategy, the means by which they achieve their business objectives.

Intangible value has grown in importance worldwide. Intangible value is the value of the non-

physical characteristics of a product, such as its uniqueness, reputation, or tradition. It is this driving principle that is behind the EIPO initiative.

In the words of Getachew Mengistie:

“Few developing countries have realized that intellectual property plays a crucial role in income generation in the modern, global economy. Ethiopia is truly proud to be among the first to see IP management as a tool for development and poverty alleviation. It is a tribute to the coffee industry and our pioneer licensees that they agree with us and are prepared to cooperate with Ethiopia on its mission to capture a greater share of the retail price for Ethiopian coffee farmers and coffee workers.”

Through the initiative, Ethiopian growers and exporters are now in a position to engage more equally with their international buying partners. In addition, new brand management policies are being imple-



HARAR™
ETHIOPIAN
FINE COFFEE



YIRGACHEFFE™
ETHIOPIAN
FINE COFFEE



SIDAMO™
ETHIOPIAN
FINE COFFEE

Black background



HARAR™
ETHIOPIAN
FINE COFFEE



YIRGACHEFFE™
ETHIOPIAN
FINE COFFEE



SIDAMO™
ETHIOPIAN
FINE COFFEE

an excerpt from Brandhouse’s brand guidelines for Ethiopian Fine Coffees

mented which aim to increase overall retail values. These changes are helping the producers to secure export prices that reflect the retail values of their fine coffees.

The initiative has enhanced the value of efforts by the Ethiopian government to build capacity and infrastructure for sustainable, quality production and marketing with the establishment of coffee liquoring laboratories in all key coffee growing regions, intensive training of cuppers and quality inspectors from these regions, and providing extensive support to coffee farmers in production and quality control techniques.

Key benefits from the initiative are to ensure the fine coffee sector will permanently have a say in how their coffees are presented to the world's drinkers pursuing a superior experience. The most important change is that farmer welfare is much improved by the designer's goal of ensuring the export and producer prices have been delinked from the commodity market, moving now to a relationship with retail values, which will be promoted jointly by the network of licensed distributors and the producers.

Higher and more stable prices directly improves life for the families of farmers of these fine coffees and for small carters and traders who move this delicious product from the remote farms over unpaved roads to ultimately arrive in your cup.

The next purpose is to expand the program to other fine coffees, bringing in more farmers to this framework. The government has comprehensive plans for all aspects of the sector. Continuing the investment in this initiative will expand rewards to the 15 million Ethiopians engaged in and reliant on coffee for their livelihoods.

At the end of 2007, UK-based brand agency Brandhouse was invited to join the team helping Ethiopia with the initiative by creating a brand identity for Ethiopia Fine Coffees. Brandhouse was ultimately selected from three shortlisted companies to provide brand management advice. This was to include an 'umbrella' identity together with a system for promoting the individual fine coffees (Yirgacheffe, Sidamo and Harrar) currently supported by the initiative and any future introductions of further fine

coffees. Brandhouse drew on its extensive experience working with some of the world's leading companies, which included a number of leading coffee brands.

The task was very clear – to help elevate Ethiopian Fine Coffees to their rightful place amongst the world's best gourmet food and drink. Brandhouse imagined a shopping trolley packed with the top brands from different food and drink categories and set out to develop an identity that would be worthy of this peer group.

Due to awareness of Ethiopian Fine Coffee being low among consumers, while highly respected among coffee professionals, it was essential to create a simple, memorable, instantly-recognizable global brand that said 'Ethiopia' loud and clear, and that reflected the premium values and diversity of the various individual varieties. The heart of the brand identity is a stylized coffee-bean shaped like the letter 'E' (or, if you prefer, a stylized letter 'E' shaped like a coffee-bean) to powerfully and inextricably link the nation with the product that is its gift to the world.

Having visited Ethiopia, Brandhouse was keen to reflect the vibrancy and energy of the country, capturing the rich and lively colors for the sub-brands of Yirgacheffe, Harrar and Sidamo. In addition, with such diverse history and peoples, it was important to be culturally sensitive in creating an identity that those employed in the industry could be proud of.

The brand identity will be seen by many different people globally. With many different audiences and 'usages', whether appearing on Ethiopia-licensed distributors retail packs down to the most simple stencil on a Sidamo coffee sack, it was imperative that it was culturally sensitive, all-encompassing and very easy to replicate.

On the face of it, the project could have been fraught with issues, not least of which was the fact that there were many interested parties who had a say in the outcome. However, it turned out to be one of the smoothest running projects Brandhouse has undertaken. This can be attributed to the single-minded objective, which everyone was behind together with an overriding sense of determination that is charac-

teristic of the mood now prevailing in Ethiopia as a whole.

The unveiling of the identity took place at the 2008 Specialty Coffee Association of America's annual conference in Minneapolis, Minnesota. It was an appropriate occasion, with Ethiopia taking centre stage as the 'portrait country', with direction and management by Mohammed Garad of Light Years IP in close collaboration with the vigorously participatory Ethiopian Fine Coffee stakeholders. A 40+ strong delegation from Ethiopia comprising government officials, exporters and co-op representatives attended. Not only were many of the licensees there, but a number of companies also signed up to the agreement at the event.

Commenting on Ethiopia's role as portrait country, H.E. Yakob Yalla, Minister for Agriculture and Rural Development in Ethiopia said:

"Ethiopia is immensely proud to be at the forefront of this year's SCAA Conference. Ethiopians have cultural and social traditions of coffee drinking going back many, many centuries, and, as such, we have much that is unique to share. The invitation to Ethiopia to be the first-ever African portrait country featured is an honor. We take this as a symbol of both the Specialty Coffee industry's high regard for our place in the expanding and dynamic specialty coffee market, as well as a tribute to our unique heritage and historic role in the coffee business."

Of the launch of the new identity, Getachew Mengistie said:

"This is a landmark moment for Ethiopia. We are proud to be proactively projecting the identity of

Ethiopian Fine Coffee in this way. We salute our pioneer licensees who have committed to work with us to build consumer awareness. Their commitment represents an unprecedented level of investment in our brands and we are looking forward to seeing our coffee farmers reap the rewards in the short, medium and long term."

With this strategy in place and the constant development going into the initiative, it is projected that, in the long term, all of Ethiopia's export coffees will

be branded as fine coffees. It is estimated that producers could raise and secure their income at around the \$6-8 per kilogram level. Total coffee export income of \$400 million before the initiative would then be raised to around \$1.2 to 1.6 billion per year. This is just the beginning.

This initiative will also serve as a best-practice case for other African nations to think about. A seminal report by Light Years IP was launched on June 5 by the UK Secretary of State for International Development, the Rt. Hon. Douglas Alexander, whose department supported the work. The report, titled "Distinctive Value in African Ex-

port Products" lays out the concepts behind using Intellectual Property-based business strategies for low-income producers to earn much more export income. Illustrative of the wide range of opportunities for producers exporting from Sub-Saharan Africa include Sudanese Barakat Cotton, Kenyan Tea, Namibian Marula Oil, Togolese Black Soap, Senegalese Artisanal Tuna, Tanzanian Blackwood, Mozambican Cashews, Uganda Vanilla and Madagascan Cocoa, not to mention Ethiopian leather. ✿

