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COBRA BEER: MARKETING IN INDIA*

ORIGIN AND GROWTH

Karan Bilimoria, born in a wealthy professional Indian family, was studying accountancy and law in the UK. Simultaneously, he was looking for entrepreneurial opportunities. After a short flirtation with selling of polo sticks, he found a niche business opportunity in the UK beer market.

Indian cuisine had started becoming quite popular in the UK around the late 1980s. Indian curry houses were expanding rapidly and becoming a common sight in every nook and corner. Though going under the generic nomenclature of 'Indian', most of those were, in fact owned and run by Bangladeshis and Pakistanis. However, the genre of food of the subcontinent was broadly the same and the restaurants developed a pan-subcontinental cuisine that satisfied the British taste.

Karan, when visiting such establishments, found that these restaurants offered the locally available beer to accompany Indian dishes. Karan found that "the beers I tasted left you gassy and bloated and with not enough room for food.

I saw that the market was dominated by harsh, gassy Eurofizz beers, all poor partners to food and so, I wanted to produce a premium, high quality lager which would complement rather than fight against the food."

The result was Cobra, a premium beer, using best quality natural ingredients, a unique blend of barley malt and yeast with maize, hops and rice. Cobra Beer is extra smooth and less gassy, retaining a premium strength of 5%. Karan set up the Cobra Beer with the vision:

To brew the finest ever Indian beer and to make it a global beer brand'

Cobra was first brewed in an Indian brewery at Bangalore and was imported in container load to the U.K. Bilimoria had hardly any funds and had managed to get a bank loan of just £30,000. The UK beer market is a highly competitive market with the presence of all the global brands, apart from the locally brewed beer. The market was also stagnant in terms of physical growth

* B. Bhattacharyya

in sales. Moreover, 1990, the year Cobra launched its operations in the UK, saw the beginning of a recession.

The only way to succeed in such a market was to create a strong USP for a niche market segment. Cobra's strategy was to target the growing number of restaurants serving Indian cuisine. The growing popularity of Indian foods with the mainstream population provided the growth element. The USP was that Cobra Beer was the ideal accompaniment to spicy Indian food. Bilimoria began by delivering himself the imported Cobra Beer to the Indian restaurants. In addition to the unknown brand and quality identity, Cobra had another problem. Restaurant customers in the UK were accustomed to the small bottle size, suited for individual consumption. Cobra Beer was, on the other hand, had a large bottle format, suitable for two persons. Bilimoria had to argue and convince customers of the conviviality benefits of sharing of one bottle and two glasses. It worked and in five years, Cobra Beer hit a one million mark in sales.

Beer is essentially a low price, high volume product and logistics is a major key to profitability. Despite the gradual acceptance of his beer, Bilimoria found that shipping the beer from Bangalore was swallowing upto 50% of management time in organization and management. The solution worked out was to brew the beer in Britain. That was in 1997.

Charles Wells is a 125-year old family-run brewery, also the largest independent brewery in the UK. It had been brewing leading international beer brands including Kirin from Japan and Red Stripe from Jamaica. Bilimoria asked Charles Wells to brew Cobra Beer under licence. It took six attempts for the brewery to get it right. Since then, it is also producing a draft form of the beer which is currently available in about 1,000 outlets.

Creative advertising and premium quality helped achieve Cobra a very successful penetration of the Indian restaurants' sale of beer. (For the awards Cobra received for product quality and promotional campaigns, see the Annexure). Cobra Beer is now available in more than 6,000 Indian restaurants as well as nearly 6,000 bars, pubs and clubs nationally. It is also available in super markets such as Safeway, Tesco, Sainsbury's etc. It is also delivered over the Internet.

Success in the UK market made Bilimoria look at other markets as well. Recently, Cobra commenced brewing with Browar Belgia in Poland to serve the European as well as other markets. Cobra Beer is currently exported to 35 countries. Part of Palm Breweries, Brower Belgia is one of Europe's leading brewerries. Association with Belgia will help Cobra in its stride towards being a global brand, diversifying into new markets by offering a full range of packaging formats, including cans and multipacks.

In a bid to branch out and tap into the market of those who would like to drink wine with their Indian food, Bilimoria launched General Bilimoria Wine, named after his father. Matching wine with Indian spicy food is extremely difficult. Bilimoria was successful in introducing two wines in 1999 – a Merlot and Terret Savignon from the South of France. The portfolio was expanded in 2001 with the launch of three more wines from the same region. In 2002, three premium quality South African varieties had been added. A Spanish range was introduced in 2004. Currently, Cobra acquires about 5% of its sales from wines. Its total turnover at retail value level is estimated at £ 80 million in 2005.

One major initiative to make Cobra a global brand was taken in 2004 by launching the Krait, the export brand of Cobra in the US. Krait has been positioned as a super premium lager, suitable for drinking on any occasion - restaurant pub, nightclub or as an accompaniment to any cuisine. This way, Bilimoria has attempted to overcome its India-orientation as in the UK and position the beer in the mainstream segment right from the beginning.

Cobra has been innovative in its promotional campaigns. Satchi & Satchi, its advertising partner, has won four awards for its Cobra campaigns. But it has achieved a still bigger success in terms of its product (bottle) design in 2005. Its new bottle has received several industry awards. Bilimoria said, "Our aim was to develop a contemporary, distinctive bottle and like the beer, would be unlike anything ever created before. This is the first time in the world, to our knowledge, that a product has integrated its story visually, directly into the packaging." According to the company, the new bottle design has helped Cobra to maintain its restaurant loyalty base and more importantly, "to our objective of breaking into the mainstream market."

Cobra has been so far doing well. It has recorded a 42% compound annual growth rate during the last 10 years. The UK beer market is rather stagnant but according to Bilimoria, "we are in the growing part of the beer market where are the new breed of repertoire drinkers". Bilimoria sees also plenty of opportunities in the UK itself, apart from the obvious expansion abroad. "We have not even touched the mainstream market", he says. Cobra is now the second largest Indian beer, after the Kingfisher brand.

Giving back to the community is something that Cobra believes in, as it makes good business sense. Bilimoria says "Whatever your business is, you must reach out and be outward-looking and give back to the community. Every business can do that. From our very early days, we have been able to support events by giving away our products for free as a donation in kind." Over the years, Cobra Beer has given away around £100,000 worth of beer at a variety of charitable events. But the generosity also serves as a good marketing opportunity. "It's a win-win situation," Bilimoria explains. For the first seven years of its existence, Cobra was brewed in Bangalore and shipped to the UK. At that time, Mysore Breweries were making the Cobra Beer under a licensing arrangement. Another seven years after, Cobra was being exported to India from the UK. But that was only the beginning of Cobra's emerging India strategy.

THE INDIAN BEER MARKET

Potentially, India is one of the largest beer markets. Consumption of beer in India is currently one of the lowest in the world, averaging only half a litre per year per person. As future benchmarks, this consumption level can be compared with 20 litres in China, 50 litres in South Africa, 100 litres in the UK and 165 litres in the Czech Republic.

The Indian beer industry is valued at Rs 4,500-5,000 crores at the retail level with a business of 80-85 million cases. During the last few years, the market is estimated to have grown at 7-8%. What is important is the changing consumer perception of beer, due to the shifts in moral attitude to social drinking. Basically, attitudes towards mild intoxicants, including beer, have become more liberal.

Simultaneously, the front-end part of distribution is also changing. There are a number of large department stores like the Food World which retail beer. The trend is going to be accelerated.

Many classy up-market and stylish bars and lounges are opening up in metros. The whole experience of purchasing and consumption of beer is going to change drastically. This will facilitate to market beer as a life-style product.

INDIA STRATEGY

Cobra soon realized that India's potential could be realized only by adopting a more active strategy, rather than exporting from the UK.

Cobra started testing the waters by launching its beer in one city at a time. After this exercise, spread over almost two years, it decided to brew Cobra in India. It entered into a tie-up with the Mount Shivalik Group, India's largest independent brewery in 2004. It now brews Cobra under license at its facility in Rajasthan for the Indian market. Keeping the potential of Indian beer market in mind, Cobra has plans to extend its relationship with Mount Shivalik to include brewing facilities in Punjab and Maharashtra. The total investment by both the partners is estimated to be around \$1 million. Cobra Beer brewed by Mount Shivalik was launched in India in March 2005. Cobra Beer will be marketed in New Delhi, Mumbai, Goa, Pune, Kolkata, Hyderabad and Bangalore at competitive prices. Due to local taxes, prices will vary. In Delhi, Cobra is priced at Rs. 50 for a 650 ml bottle and Rs. 30 for a 330 ml bottle at Delhi. Competitors' prices are somewhat lower.

Cobra has tried to position itself as a super premium beer. Bilmoria's strategy is to turn beer into a 'Life Style drink' for India's burgeoning middle class. "Cobra will not only set standards in taste, flavour and quality but also carry forward its reputation of being increasingly credible, extra smooth and less gassy. We hope to demonstrate... that the Indian beer-lover is a consumer with deserving tastes who relates to beer as a social drink."

The key to Cobra's success in India will depend upon how Cobra will be able to 'demonstrate' its unique quality that it claims for itself. This will involve bringing Cobra name onto the radar screen of potential customers.

Cobra's strategy in the UK was to develop personal relationships (first by making cold calls by Bilmoria himself) with the South Asian curry houses. Basically, the product was launched on the strength of personal persuasion regarding the uniqueness of the product which is the companionability of Cobra Beer to spicy Indian foods. Cobra Beer prospered because the popularity of Indian cuisine increased phenomenally during this period. Once the initial phase was over, Cobra tried to go mainstream, while not losing its traditional customer base. This was attempted by some outstanding campaigns by Satchi & Satchi.

None of these strategies may work out in India. Beer drinking in India is quite often an independent entertainment activity. Most Indians, even when drinking beer, turn to water while taking lunch or dinner. Taking wine or any other alcoholic beverage with food is fairly rare in India currently, though there is a trend towards this. Further, the association of Cobra Beer with Indian foods may not have that charm in India which it could generate in the UK. To complicate matters more, while all restaurants in the UK serve beer/alcoholic beverages, in India, they require special licenses which are quite expensive and therefore, serving of beer is restricted to a smaller number of restaurants. All these will mean that Cobra will not find a large homogenous market in India as it did in the UK.

Turning to how to make people aware of the Cobra brand, is a problem that is quite unique in India because of strict laws regarding advertising of alcoholic beverage. Cobra will not be allowed to do direct advertising of beer. All Indian companies, including the UB Group, which is the market leader in India with its Kingfisher brand, normally go for surrogate advertising. However, UB Group spends more money on sponsoring high visibility sporting events. Kingfisher as a national brand was promoted by sponsoring the West Indies cricket team in the 1996 World Cup hosted in India. Kingfisher is also associated with Formula 1 Racing. Supporting big sporting events is hugely expensive and Cobra with its low initial sales in India, and also because of its overall limited resources base, may find it difficult to go for this strategy.

Facing the Market Leader

Cobra will also face the market dominance of the Kingfisher brand. Kingfisher lager beer is the single largest brand in India. UB launched a new beer in the strong beer category about four years back, called Kingfisher Strong which is the fastest growing beer brand in its category is the second biggest brand. Apart from these two national brands, it has a number of brands with regional strengths. One of them is UB Export, a popular brand in Karnataka. Kalyani Black Label is popular in the Eastern region, Delhi and Tamil Nadu. It has a brand, London Pilsner, which is popular in Mumbai. UB is estimated to have 44 % of the market in 2004.

Kingfisher has already positioned itself as a life-style beer, as explained by S. Ramamurthy, Executive Vice President (Sales & Marketing) UB Breweries.

"The defining moment (for positioning) for Kingfisher came about when we decided to sponsor the West Indian cricket team in 1996, the year the World Cup was hosted in India, Pakistan and Sri Lanka. West Indies was then a force to reckon with and Kingfisher was the worldwide sponsor of the team. They played good cricket but we believed that it was not necessary to link the success of the brand with the success of the team. It was important to link the brand with the spirit of the team. People from the Caribbean were always known to have a free spirit which reflects in their approach to life and game. This is exactly the kind of spirit we wanted to be associated with.

We have also built the brand on various other platforms. For instance, we have been associated with Formula 1 Racing. We are one of the sponsors of the Benetton F1 team. We have also been supporting Indian racers, first Narayan Kartikeyan and now Arun Chandok who is racing in the F3 category. This gives the brand a sense of excitement, a sense of thrill as beer is a youth brand and we need to be associated with people and activities that appeal to the youth.

Football too has been high on our agenda. We are associated with East Bengal which is undoubtedly the top team in the country. We have received a fantastic rub-on to the brand because of the game they play, the fantastic fan following they have brought to football in the country.

Fashion has an intangible edge that appeals to the youth. Not everybody can wear fashionable clothes and not everybody can be a fashion model but everyone aspires to have that kind of image. Kingfisher is firmly entrenched in that kind of environment. We have instituted the fashion awards, the first of its kind in the country.

in terms of brand building, we have associated ourselves with a property that appeals to the youth. Apart from this, we have from time to time advertised in a way that we communicate the youthful, fun and free spirited image that Kingfisher is about. While we cannot advertise alcohol, we have successfully built our brand through our association."

Cobra's Prospects in India

Market analysts believe that Cobra may not have an easy ride in India and replicate its success in the UK. There are several obstacles present. Chief among them are the state level regulations on sale of alcoholic beverages, transport and infrastructure issues. But the most difficult of all is that alcohol advertising is illegal in India.

A Market-watcher observes

"There are two big issues with the Indian market. First, it is very highly regulated and secondly, there is an effective duopoly in the form of SAB Miller and the United Breweries. Whether there is any room for further brands is open to question, primarily because of the customer base which is very small."

Further, Kingfisher, the market leader, will not take the competitive threat lying down. Even in the UK, Cobra's success place, Kingfisher is the largest selling Indian lager. Despite Cobra's efforts in the recent years to make it a mainstream product, more than half of its revenue still comes from Indian Curry Houses. Bilimoria is, however, very upbeat on India. To counter the constraint of the ban on advertising, he has launched a zero-alcohol beer, essentially to promote his brand recognition. He also negotiated an arrangement to serve Cobra Beer on board Air India and Virgin Airways flights to Delhi. Their impact on the efforts to make Cobra a national brand is anybody's guess.

There are different perceptions on the growth of the Indian beer market as well - more or less in the line of whether the glass is half empty or half full. According to some experts, the market growth at a double digit level is highly exaggerated. Real growth during the last two-three years had only been between 2 and 3 %.

Bilimoria is, however, unfazed. "We would like to be the No. 1 premium beer company in India. This market consumes 85 million cases per year and is growing at 7.5% year-on-year. We see the Indian beer market growing 30-35 times in the next 25 years".

Bilimoria believes that the current share of beer at 5% of total alcoholic consumption is too low - it is around 50 % in many developed countries - and can increase substantially. According to him, India's per capita consumption of beer can increase to 20 litres from the current level of 0.5 litre, in the next 15-20 years, "if the Indian market continues to be opened up and consumers are offered greater choices, the economy continues to grow and tax rates are rationalized". He also envisages India to be the production hub for entire South Asia. "We will start exporting to countries like Bangladesh, Nepal and Sri Lanka from the day we start selling in India", said Bilimoria. Convinced of India's market potential, Cobra Beer has now decided to go for a Greenfield brewery in Andhra Pradesh at an estimated investment of Rs. 10 million. The facility

is expected to come into stream in 2007. Andhra Pradesh is the biggest consuming state with 16 million cases out of the national total of over 80 million cases. The state has currently five operating breweries and their cumulative capacity equals just 70% of state level consumption. SAB Miller is the market leader in the state with 64% share, with UB holding the second position.

Questions

1. Analyze Cobra Beer's decision to enter the Indian market and evaluate the possibility of its success.
2. What should be Cobra Beer's marketing strategy in the face of Kingfisher's well-established product positioning and marketing strategy?

ANNEXURE**Corporate Fact Sheet**

The Brew	<ul style="list-style-type: none"> • A super premium lager, Cobra Beer uses only the finest natural ingredients – a unique blend of barley malt and yeast, with maize, hops and rice • Specially brewed to be extra smooth, Cobra bottled beer is double filtered and less gassy with a premium strength of 5%
The Profile	<ul style="list-style-type: none"> • Current turnover £65 million at retail value • Compound Annual Growth rate of more than 42% in the last ten years • Exports to over 35 countries worldwide • Based in the UK, with offices in the US, South Africa and India
The Availability	<ul style="list-style-type: none"> • Over 6,000 restaurants and nearly 6,000 bars, pubs and clubs nationwide • Supermarkets including Safeway, Tesco, Sainsbury's, Waitrose, Morrisons, Asda, Somerfield and Budgens • Off-licenses nationwide including Thresher's, Bargain Booze, Wine Rack, Bottom's Up, Costco, Victoria Wine and Unwins • Selfridges • Virgin Atlantic, all flights between London and Delhi and London and Johannesburg • Air India • The Internet, for direct delivery
The Cobra Range	<ul style="list-style-type: none"> • Cobra Premium Lager • Cobra 0.0% Alcohol-Free Beer • Cobra Lower Calorie Lower Carb
The Accolades	<ul style="list-style-type: none"> • Ranked in the 1999 <i>Sunday Times</i> Virgin Atlantic Fast Track 100, the list of the UK's fastest growing unquoted companies • Awarded two Grand Gold Medals and four Gold Medals at the 2004 Monde Selection, Brussels – World Selection of Quality and Gold for three successive years at the 2003, 2002 and 2001 Monde Selection awards. Monde Selection also presented Cobra with the International High Quality Trophy in 2003 for its achievements. • Founder, Karan Bilimoria CBE, DL, honoured as Entrepreneur of the Year 2004 by the National Business Awards, London and South East of England; Entrepreneur of the Year 2003 by the London Business Awards, London Chamber of Commerce; London Entrepreneur of the Year (Consumer Products) 2003 by Ernst & Young, Entrepreneur of the Year 2003 by the Asian Achievers Awards; and Asian of the Year Award 2002. • Cobra Beer ranked by <i>Sunday Times</i> as one of the top companies to work for in the UK in 2005 and 2004, and won Business of the Year 2003 at the Asian Business Awards • Advertising campaigns recognized with Grocery Advertising and Marketing Industry Award (GRAMIA) 2002 and International Food And Beverage Creative Excellence Awards (FAB) 1999 – 2001

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	<ul style="list-style-type: none">• New bottle recognized with Innovation Award by Packaging News for innovation in packaging design, and with Gold Medal at Wine & Spirit International Design Awards
The Wines	<ul style="list-style-type: none">• Launched in 1999 and now stocked in Michelin-starred restaurants, General Bilmoria wines are excellent wines in their own right and also perfectly complement spicy food• French wines include Merlot, Terret Sauvignon and Grenache Syrah• South African Varietals – Pinotage, Colombard-Chardonnay, Chenin Blanc and Shiraz-Pinotage• Spanish wines include Tempranillo and Dry Muscat