UNIVERSITY OF PETROLEUM AND ENERGY STUDIES DEHRADUN

DISSERTATION REPORT ON

"International cross-cultural marketing strategies- A study on some selected countries (Beverage sector)"

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE DEGREE OF

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BONAFIDE

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This to certify that the project titled **International cross-cultural marketing strategies- A study on some selected countries (Beverage sector)** submitted to University of Petroleum & Energy Studies, Dehradun, by **Vaibhav Pandey,** in partial execution of Masters of Business Administration (Energy Trading), is a bonafide work carried out by her under our guidance and supervision. This particular work hasn't been submitted anywhere else for any other degree. To the best of our awareness, she has made a sober and out-and-out effort to accomplish this project.

We wish her all the very best for her future endeavors.

Dr. Pravin Jhadav

Dr. Priya Grover

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Vaibhav pandey

EXECUTIVE SUMMARY

The increasing globalization and international trade, a wide number of international brands are entering into India which is one of the fastest growing and highly competitive markets in the world. Though, most of the global firms failed to understand the need of the Indian consumers as well as the market characteristics but there are a few of them who have been successful in positioning their brands into Indian market because they attempt to understand well the needs of target group before introducing a brand into the market. Even some of the most successful brands in today’s time had committed several mistakes while initially entering into Indian market. For instance, Kellogg’s, RedBull, Pepsi, Starbucks and Coca-Cola are among such global brands that initially introduced standard products by following standardized global strategies but later realized their mistakes and thus modified their product or services according to the needs of Indian consumers and became successful. This research is an attempt to investigate why some international brands, that are successful globally, attract significant market share in India, and if not what can be strategies to fulfill the demand of targeted crowd.

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CHAPTER-1

INTRODUCTION

The beverage industry refers to the industry that produces drinks. Beverage production can vary greatly depending on which beverage is being made. The website ManufacturingDrinks.com explains that, "bottling facilities differ in the types of bottling lines they operate and the types of products they can run". other bits of required information include the knowledge of if said beverage is canned or bottled, hot-fill or cold-fill, and natural or conventional. Innovations in the beverage industry, catalyzed by requests for non-alcoholic beverages, include: beverage plants, beverage processing, and beverage packing. The food and beverage industry encompasses the harvesting, processing, milling, packaging, transport and distribution of products to consumers. The packaged food and beverage industry, which includes even large multinationals (MNCs), medium and small-sized enterprises as well as the informal sector, need to be involved in improving the nutrition status of the populations they serve. When the Indian markets were opened to the world after the complete overhaul of the policies related to the entry of Multi-National Corporations (MNCs) in India, most of the global brands started entering into the Indian markets. India is among the largest markets of the world in terms of its sheer size along with China which together account for 37 percent of the overall world population. Having the huge potential, India is one of the most promising and progressively growing economies in the world followed by China. It has a large consumer base clubbed with the huge populations having a considerable amount of spending power. Though, a large number of Global brands have entered Indian markets, but not all were able to crack the success mantra for the mysterious, complex and a diversified market where the tastes and preferences of customers change after a few kilometers to the either side of the market. Indian market is so complex because of the large number of cultures, religions, diverse levels of income of the people. Moreover, a wide rural and urban divide creates another challenge in front of companies while establishing effective distribution network. Because of the huge diversity of people and challenges related to distribution, the Global firms need to adapt to the local market conditions in order to attract the customers towards their brands. In spite of having huge potential, a number of MNCs have not been able to reach the levels of success that they have either enjoyed in their home markets or the markets world over. These global brands upon their entry in the Indian markets used the most successful of their strategies all over the world, but these strategies failed in the Indian market because of which these MNC's sometimes incur huge losses. To cover up from those losses many MNC's adapted different strategies and methods to successfully incorporate their business in India and other Asian countries like China and all.

CHAPETR 2

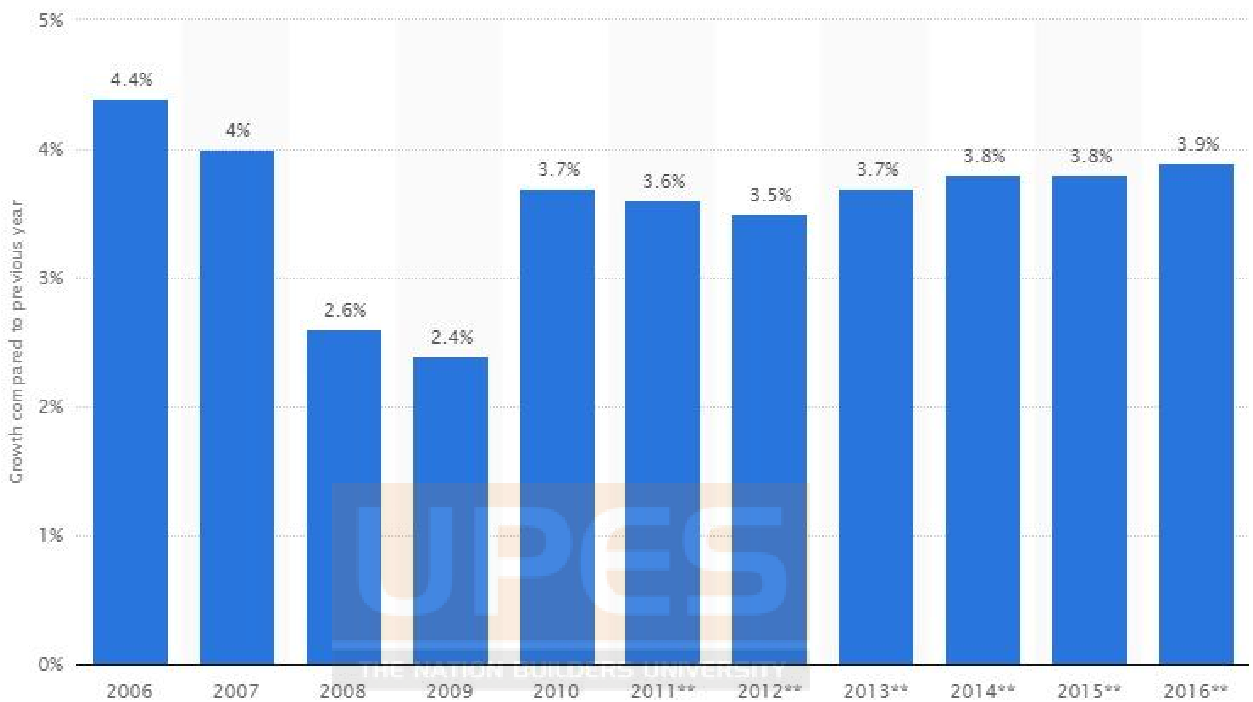
WORLD BEVERAGE MARKET

The beverage industry, including large multinationals, medium and small sized enterprises need to be involved in improving the nutrition status of the population which they serve. Major beverage companies like Kellogg's, Kraft Foods, Mars, Nestlé, PepsiCo, the Coca- Cola Company and Unilever have worked together over several years within the International Food and Beverage Alliance (IFBA) to increase their commitment to public health. The IFBA set five global commitments addressing food reformulation, consumer information, responsible marketing, promotion of healthy lifestyles and public private partnerships. Progress includes pledges to improve the nutrition quality of products and restrict advertising to children. The global beverage market has been forecast to increase at a compound annual growth rate of 4.6% over the next five years, to reach a market value of $1,347 billion by 2017. The global beverage industry's rising product demand, not much affected by the currents of global recession, bears testimony to its unyielding growth throughout. Until recently, the beverages market was divided simply between alcoholic and non-alcoholic beverages. As consumers' tastes grew more sophisticated and demand surged for a variety of beverage options catering to lifestyle changes and health concerns, the beverages industry has responded with a dizzying array of options to choose from. The industry consists of the total revenues generated through the sale of soft drinks, beers, ciders, flavored alcoholic beverages (FABs), spirits, and wines. Products manufactured by the beverage industry include: bottled water, juice, sparkling and still drinks, syrups, nectars, ready-to-drink and regular teas and coffees, dairy drinks, energy drinks, sports drinks, fruit powders, and alcoholic drinks such as beer, wine, cider and spirits.

The industry experienced a compound annual growth rate of 2.3% for the period spanning 2007-2016. Industry consumption volumes increased with a compound annual growth rate of 2.4% between 2006 and 2010, to reach a total of 717,040.5 million liters in 2011.

Percentage growth of global beverage sales from 2006 to 2016*

This timeline shows the percentage growth of global beverage sales from 2006 to 2016. It is forecasted that global beverage sales will grow by 3.8 percent in 2015 compared to 2014.



Source: http://www.statista.com/

The market is flooded with innovative products which lead to the global beverage industry's highly competitive nature. Customer loyalty is vital for the industry growth in order to achieve and retain it. Companies constantly strive towards manufacturing high quality products. Some of the expected industry growth accelerators are urbanization, expansion in middle class population, and increase in double income family. All companies are keen on getting a share of market profit which has compelled them to develop new strategies such as aggressive advertisement and maintaining efficient distribution channel to earn more profits.

The soft drinks industry will continue to straddle two different worlds: the mature developed markets where growth has stagnated and developing markets where previously high growth rates have slowed down but still offer the greatest upside. Bottled water will continue to lead the soft drinks sector in volume terms with a projected growth rate of 5.4% over the coming year. Ready-to drink tea and Asian specialty drinks will be the fastest growing soft drink segments with projected growth rates in 2013 of 9% and 14%, respectively. Global energy drinks consumption surged by 14% in 2011 to 4.8 billion liters, adding over 1.5 billion liters since 2007. Average growth over the past five years has been 10% a year. Value has risen even more sharply, by an average 13% a year, to €26,500 million or $37,000 million in 2011. Leading brands include Red Bull, Monster and Burn.

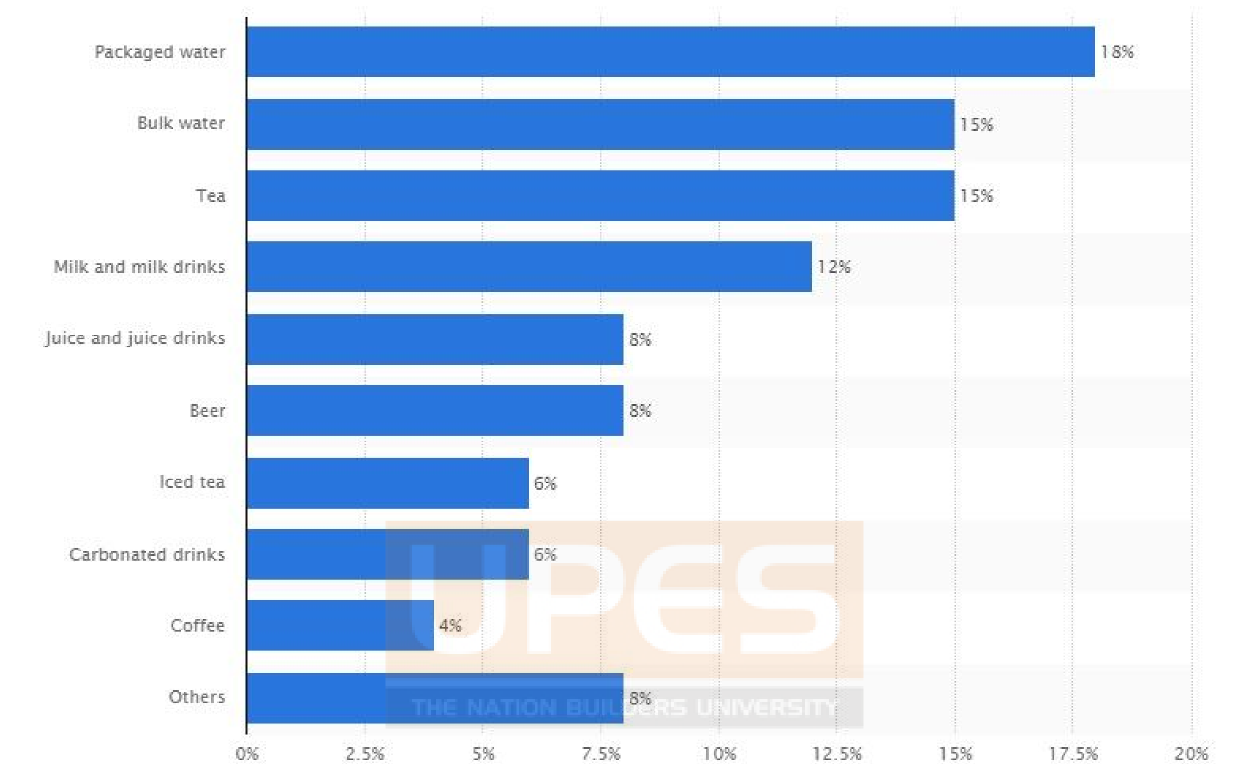
The world beer market, which includes flavored alcoholic drinks and cider, generated sales worth more than $585 billion in 2010. Market growth is expected to remain steady at a yearly rate of around 1.5% through 2015, bringing market value close to $630 billion by 2015. The global market for spirits expanded more than 3% in 2010 to reach almost $263 billion. It is predicted the market will exceed $306 billion in 2015, a near 17% increase over five years. In 2010, the spirits market expanded 2% to exceed 19 billion liters. It is expected to reach over 21 billion liters in 2015, an 11% increase in the five-year period. Whiskey leads the spirits market, representing almost 27% of the overall market. It has been the best of times and worst times for the beverage market. It has weathered many headwinds, including volatility in the supply chain with higher input costs for key commodities, with sugar prices rising 150% since 2008, corn prices climbing 85%, and coffee prices increasing 42% since June 2010.

Packaging and distribution costs have also skyrocketed, with oil prices up 150% since January 2009 and aluminum costs up 25% since January 2010. Juice pricing has also sent shockwaves through the beverage industry over the past year, and we will continue to see volatility in input costs for the near term.

Current economic environment remains gloomy in western markets and Eurozone countries are having a particularly turbulent ride. The signs so far indicate more difficult times ahead for the global economy and ongoing challenges for the beverages industry.

Global beverage sales share from 2011 to 2016, by beverage type*

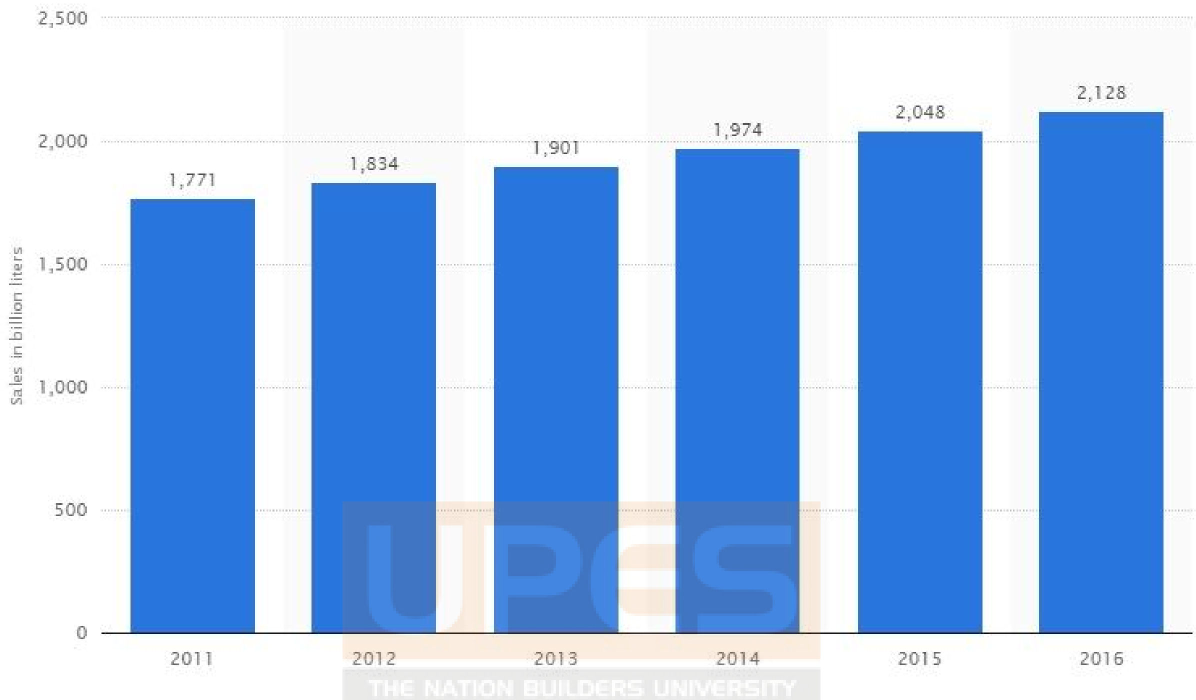
This statistic shows global beverage sales from 2011 to 2016, by beverage type. Beer sales are projected to account for 8 percent of global beverage sales in the period between 2011 and 2016.



Source: http://www.statista.com/

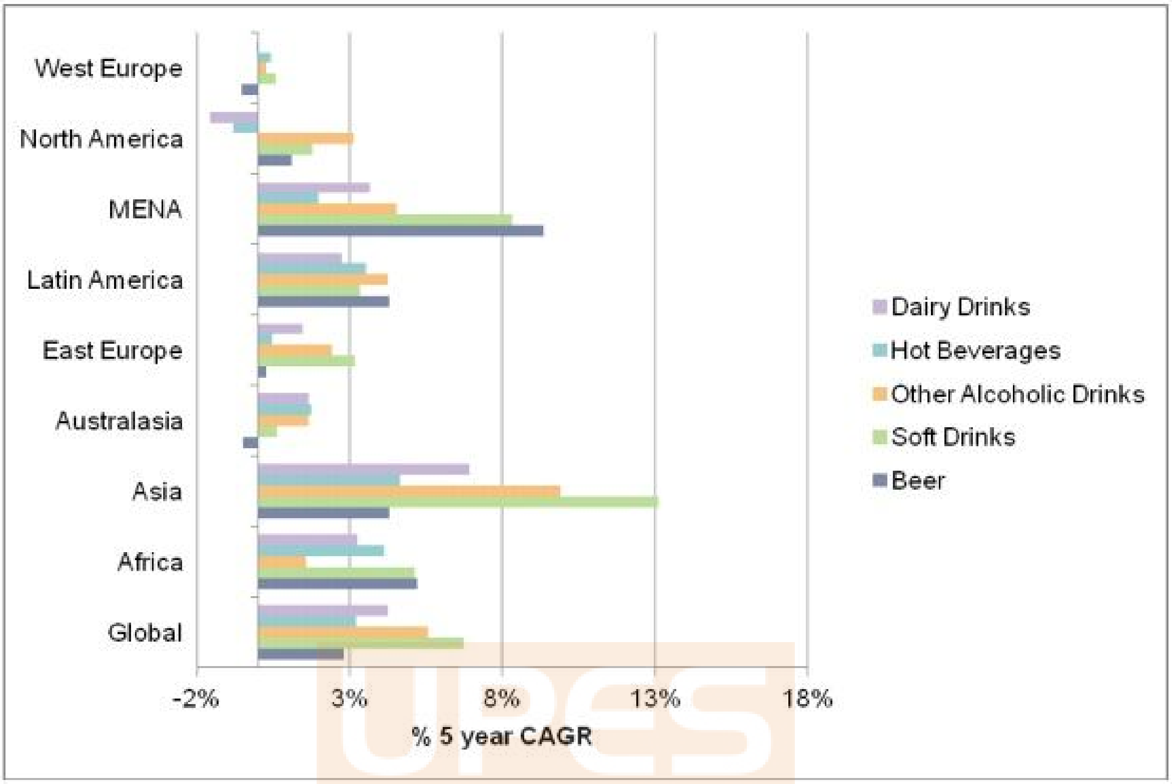
Global beverage volume sales from 2011 to 2016 (in billion liters)*

This timeline shows a forecast for global beverage sales from 2011 to 2016. It is projected that global beverage sales will amount to about 2.13 trillion liters in 2016.



Source: http://www.statista.com/

Global Commercial Beverage Growth by Region and Category, 2013-18F (CAGR)



Source : Canadean

CHAPTER 3

INDIAN BEVERAGE INDUSTRY

The food processing industry in India has a turnover of around $65 billion which includes value added products of around $20.6 billion. The beverage industry in India constitutes of around USD 230 million among the USD 65 billion food processing industry. The major sectors in beverage industry in India are tea and coffee which are not only sold heavily in the domestic market but are also exported to overseas markets. Half of the tea and coffee products are available in unpacked or loose form. Among the hot beverages manufactured in India, tea is the most dominant beverage that is ruling both the domestic and international market. The taste factor in tea varies according to the taste of individuals in different countries and the beverage companies in India manufacture the products in accordance with the taste of the individuals. For example, the inhabitants in the southern parts of India prefer dust tea whereas the inhabitants in the western part of India prefer loose tea. The Southern India also prefers coffee a lot.

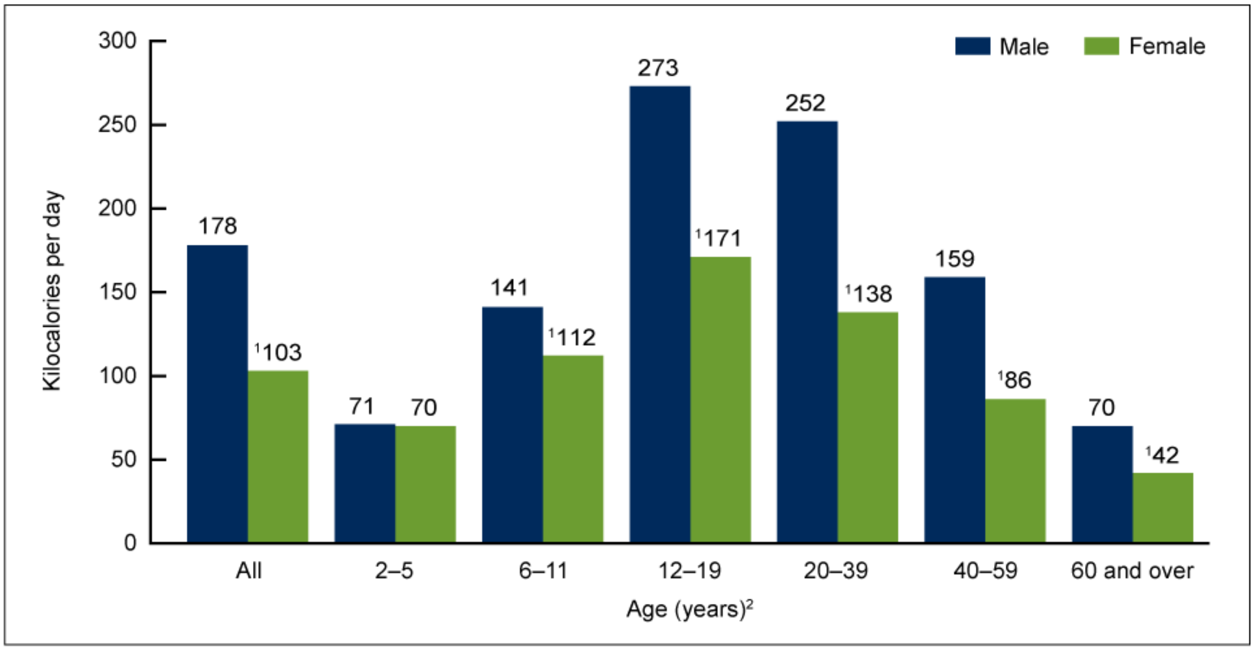
The production capacity of the total packaged coffee market is 19,600 tones which is approximately a USD 87 million market. The soft drink market such as carbonated beverages and juices constitutes around USD 1 billion producing 284 million crates per year. In the peak season, the consumption capacity reaches 25 million creates per month and during off season the same goes down to 15 million crates in a month. Pepsi and Coca cola are the two leading brands in the Indian market. The mineral water market in India is a USD 50 million industry and produces 65 million crates. Around 4.9 million crates are usually consumed each month but it rises to 5.2 million crates in the peak season. Fruit juices, pulp and concentrates, and sauces or ketchups are doing very well in the beverage market in India for the past few years. Various milk products, health beverages, beer, and country liquors have also been contributing largely in the rising demand of beverages in India.

The leading beverage companies in India are also exporting various products especially tea and coffee to the international markets every year. Tea and coffee have registered an excellent growth in the Indian beverage market as these are the most preferred drinks purchased excessively around the world. Among all the leading beverage companies in India, Coca cola has accounted for a thriving growth since its inception. It occupies around 60 percent of the carbonated drink sector in the Indian beverage industry. Another predominant brand in beverages is Nestle India Limited which occupies 61.85 percent of the total Nestle S.A. Switzerland. The Nestle products are hugely exported to Russia apart from selling in the domestic market.

3.1 ENERGY DRINK MARKET

Sports and energy drinks continued to welcome new manufacturers including JK Ansell Ltd (Raymond Group Company), Monster Energy Drink, and K.G. Functional Beverages Pvt Ltd in 2012 and 2013. Many manufacturers introduced new products to tap into the double-digit growth in energy drinks. Most of the companies including KG Functional Beverages Pvt Ltd targeted urban consumers who look for instant energy solutions. In addition, companies promoted their brands by associating with the sport events such as Cricket and Grand Prix to create awareness and appeal. Red Bull GmbH remained the leader with off-trade value share of 69% in 2013. The company's brand Red Bull continued to enjoy the first mover advantage and long established presence across the country. In addition, the company's significant presence in on-trade channels including pubs and clubs drove Red Bull's popularity amongst youngsters even further. Although the brand remained the leader in terms of value share, it has been losing share to other late entrants including Monster and KS. With changing lifestyles and increasing paucity of time, urban consumers would start relying on energy drinks to cope up with fast paced lifestyles. Most of them would continue to use sports and energy drinks to boost stamina and energy levels. Sports and energy drinks would continue to be consumed in gyms and sports clubs as well. However, the high price of energy drinks would restrict its growth in tier II and tier III cities over the forecast period. Energy drinks is predicted to grow by an off-trade value CAGR of 6% in constant 2013 prices over the forecast period.

Figure 1. Mean kilocalories from sugar drinks for ages 2 and over: United States, 2005–2008



[1]Significantly different from males.
[2]Significant quadratic trend for both males and females.
SOURCE: CDC/NCHS, National Health and Nutrition Examination Survey, 2005–2008.

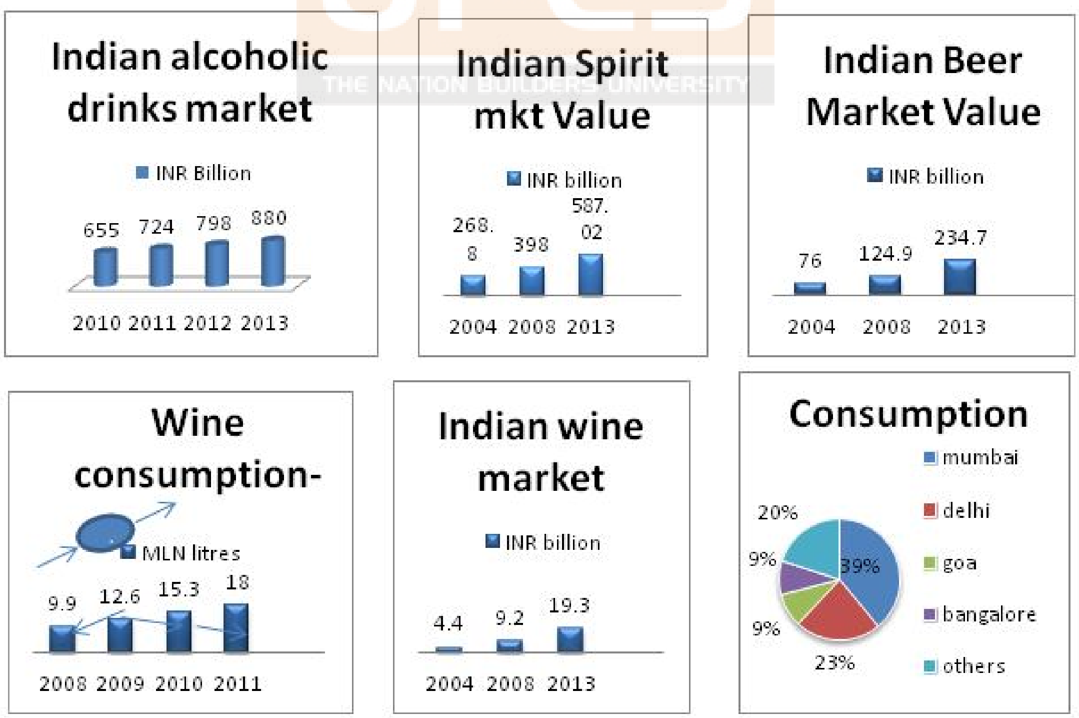
The frequency of energy drinks use among the surveyed football players was 30%. This is the number of football players who answered in the affirmative regarding consuming an energy drink in the week before the study and those who consumed a minimum of one serving of energy drink in a week. Among those consuming energy drinks, 60% used Red Bull, 20% used Tzinga and 20% used other energy drinks. The majority (80%) of the energy drink users reported that they consumed 1 to 2 servings of energy drink in a week, whereas 20% answered that they consumed 3 to 4 servings of energy drinks during a week.

Table 2
Energy Drinks Usage Practices of football players

Variable		Percentage of players
Consumption of energy drinks	Yes	30
	No	70
Brand commonly used	Red Bull	60
	Tzinga	20
	Others	20
Number of cans per week	1 to 2	80
	3 to 4	20

3.2 ALCOHOL MARKET IN INDIA

In 2013, alcoholic drinks in India witnessed lower volume growth in comparison to 2012. This was due to several factors like a drastic increase in excise duties and value added tax, which led to an increase in average unit prices and a decline in volumes. Whenever the state governments increase the duties and tax levies, consumers shift to country liquor, which is dominant in West and North India. other factors which led to an increase in the unit prices and a decline in growth rates include the upsurge in the cost of raw materials like molasses and ethanol. An increase in the price of packaging, mainly because of the rise in the price of glass bottles, also fuelled the unit price growth. Companies are expanding their product portfolio by adding premium brands so that they can charge a higher price. For example, Allied Blenders & Distillers Pvt Ltd launched officer's Choice Blue, a premium version of its flagship brand officer's Choice. Similarly, other companies like United Spirits Ltd have launched premium versions, such as Black Dog Triple Gold Reserve and Black Dog Black Reserve. In beer, Carlsberg India Pvt Ltd launched a French super premium beer, Kronenbourg.



(Source: www.ijoem.com)

Alcoholic drinks in India were led by United Breweries Ltd in 2013. The strong distribution channel of the company and the popularity of the brand Kingfisher, which is almost synonymous with beer in India, have helped the company to maintain its leadership position. The company has a wide portfolio of beers in the low, medium and premium price bands. The distribution of alcoholic drinks in the majority of the states is highly regulated and controlled by the state government. In states like Tamil Nadu, Uttar Pradesh and Kerala, the wine shops are all licensed shops owned by the government. The regulations are relaxed a little in states like Karnataka and Andhra Pradesh where liquor is now sold in supermarkets and hypermarkets. Despite the slowdown in volume growth in 2013, India remains an attractive market for global brands looking to offset sluggish growth in their traditional strongholds of North America and Europe. The young demographic profile of India continues to offer a large customer base to both domestic and international brands. With the changing social norms, increasing disposable income, consumers' greater affluence and increasing social acceptance of alcohol, India will remain an attractive market for alcoholic drinks.

With the exception of Gujarat, Nagaland, Mizoram and Manipur, where liquor is officially prohibited, alcohol revenue takes the second, third or fourth place in terms of contributions to a State's coffers. Take, Tamil Nadu, for instance; in the last financial year, the Tamil Nadu State Marketing Corporation (Tasmac), the government-owned IMFL monopoly, alone paid a whopping Rs. 21,800 crore into the government kitty. In Kerala, where 22 per cent of the total government revenue came from the bottle, the total excise and commercial tax revenue from alcohol (IMFL and toddy) was close to Rs. 8,000 crore. However, alcohol taxation statistics are woefully inadequate and complex as revenue from liquor goes to many accounts in many departments, such as Excise and Commercial Taxes. Sales tax, Excise duty, import fee and education cess are some of the various forms of alcohol revenue. Governments often project excise revenue alone, but sales tax is much more than Excise. In States such as Tamil Nadu, Kerala and Delhi, where the wholesale and retail liquor business is under government control, alcohol revenue is relatively easy to reckon. In Andhra Pradesh, orissa, Bihar, Chhattisgarh, Rajasthan, Uttarakhand, Uttar Pradesh, Karnataka and Bihar, governments run the wholesale business, leaving retail to private players. Maharashtra's liquor business is in private hands.

"Liquor provides 20 per cent of the share of the government's own revenue in most States," says Jose Sebastian, associate professor at Gulati Institute of Finance and Taxation, Thiruvananthapuram. "In Kerala, it is now 22-23 per cent, rising gradually from 15 per cent over the past quarter century." In Karnataka, where the government is in the wholesale business, Excise revenue is currently 20 per cent of State revenue. West Bengal's Excise revenue in the last financial year was Rs. 2,600 crore, up from the previous year's Rs. 2,100 crore. Viewed against the State's total revenue collection of Rs. 32,000 crore in 2012-13, the Excise collection was only around 7 per cent. However, the Excise figures alone do not show the whole picture as industry estimates that the sales tax on potable alcohol last year was Rs. 1,400 crore.

"State governments' dependence on alcohol revenue is very unhealthy and disproportionate," says K.K. George, chairman of the Kochi-based Centre for Socio-Economic and Environmental Studies. "This imbalance needs to be corrected." The way governments make money out of the alcohol business is baffling. of Tasmac's Rs. 24,500-crore sales in the last financial year, over Rs. 21,800 crore went to the exchequer. In the case of the Kerala State Beverages Corporation or Bevco, Rs. 7,241 crore out of its Rs. 8,818 crore turnover was claimed by the government. Bevco gave the government more than Rs. 600 for every Rs. 100 it spent on alcohol. Here's how it works: the landed cost of a 24-bottle case of Hercules SP XXX rum (pint) for Bevco is Rs. 775 or 32.30 a bottle. The retail price for a pint is Rs. 230. The huge differential goes to the government by way of taxes and charges.

More than a fifth of alcohol produced in the world is consumed by Indians. Tribal, backward and working-class communities in most parts of the country consume arrack and palm toddy. However, since India's economic liberalization, the market for IMFL and imported liquors is growing fast. A study by the Associated Chambers of Commerce and Industry in India two years ago found that the liquor industry was expanding 30 per cent year-on-year. In 2015, liquor consumption is pegged to touch about 20 billion liters. The total value of spirits, wine and beer consumed in India is projected to be in the neighborhood of Rs. 1.5 lakh crore in 2015.

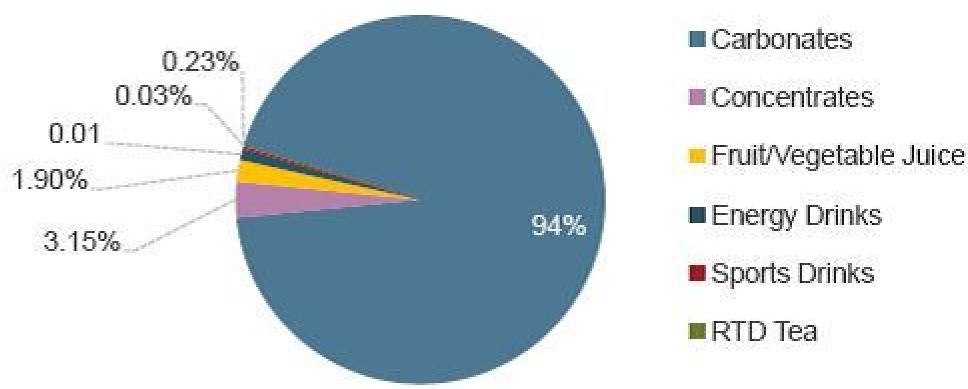
India is the largest whisky market in the world. And there is increasing demand for imported whisky and wine. Economic affluence, urbanization, changing lifestyles and social mores are all persuading young people to take to drinking. “But, Indians’ drinking habits and patterns are problematic,” says Johnson J. Edayaranmula, director of Alcohol and Drug Information Centre India. At least a third of the drinker fall in the hazardous drinkers category. But, prohibition will not work; only a strong and sustained campaign will help check the spread of alcoholism, he contends. For State governments, the fast-growing liquor market means an increase in the inflow of funds. Never mind that a National Institute of Mental Health and Neurological Sciences study in Karnataka a few years ago found that for every rupee the government got off the bottle, it lost more than Rs. 2 in terms of healthcare expenses and lost productivity.

Table 2

In Crores of Rupees	2008-09	2009-2010	2010-2011	2011-2012	2012-2013
Total State Revenue	39396.7	41573.72	52433.63	65200.88	80248.52
Total Revenue(State revenue + central funds)	55042.51	55844.13	70187.62	85202.14	101777.39
Alcohol revenue	10601.5	12491	14965.42	18081.16	21680.67

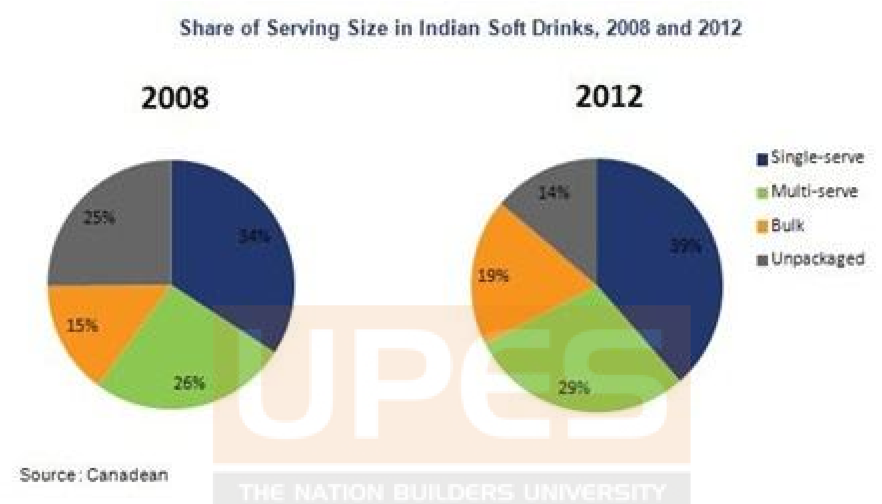
3.3 SOFT DRINK MARKET

Soft drinks off-trade value sales continued to record further growth in 2013 in India mainly due to growth in juices, and bottled water. Categories such as carbonates, and sports and energy drinks faced significant pressure due to growing health concerns but the strong grip of brands especially for carbonated drinks helped soft drinks to continue growth momentum during the review period. 2013 recorded many new launches in flavors across categories including juices, powder concentrates, and carbonates. Leading companies such as Coca-Cola India Pvt Ltd and PepsiCo India Holdings Pvt Ltd introduced various new flavors across the year. Smaller domestic companies including Hector Beverages Pvt Ltd and Pioma Industries Ltd also followed the suit by introducing new flavors such as Guava. The new flavors attracted consumers to buy these new variants at least once and helped to sustain growth amidst slowdown. Independent small grocers remained the leading distribution channel for soft drinks in terms of off-trade volume sales in 2013. Convenient location and easy to buy products were the two factors which helped traditional channels to continue their dominance of soft drinks in 2013. However, independent small grocers' volume share declined steadily throughout the review period due to increasing competition from modern formats such as hypermarkets. Modern trade continued to gain grounds on the account of their ability to offer wider soft drinks assortments and more competitive prices than other retailers.



The per capita consumption of soft drinks in India is around 5 to 6 bottles (same as Nepal's) compared to Pakistan's 17 bottles, Sri Lanka's 21, Thailand's 73, the Philippines 173 and Mexico 605. The industry contributes over Rs 12 bn to the exchequer and exports goods worth Rs 2 bn. It also supports growth of industries like glass, refrigeration, transportation, paper and sugar.

The Department of Food Processing Industries had stipulated that 'contains-no-fruit-juice' labels be pasted on returnable glass bottles. About 85% of the soft drinks are currently sold in returnable bottles. There was a floating stock of about 1000 mn bottles valued at Rs 6 bn. If the industry were to abide by the new guidelines, it would have to invest in new bottles, resulting in a cost outgo of Rs 5 bn. Neither Coke nor Pepsi is in a position to invest such a large amount.



The industry estimates that the beverage market should grow at twice the rate of GDP growth. The Indian market should have, therefore, grown by at least 12%. However, it has been growing at a rate of about 6%. In contrast, the Chinese market grew by 16% a year, while the Russian market expanded at almost four times the rate of growth of the Indian market. It may be recalled that Coca-Cola, the world's number one player, was present in India for a long time in collaboration with an Indian producer but was thrown out in the late 1970s. It reappeared in India following the economic liberalization era - but after its rival, world's number two, had already entered in a big way following a long and tough fight against the opposition from the domestic producers. When Coca-Cola re-entered, it installed a new milestone. It acquired the well flourishing India's top player, Parle. Since then it is basically a fight between the two American giants. others are playing a peripheral role, as adjuncts to the two MNCs. World's third biggest player, Cadbury Schweppes, had also made an entry but was gobbled up by Coca-

Cola. When Coca-Cola acquired Parle brands, it was, in fact, buying the bottling facilities, the marketing network, and the established consumer preference during the market build-up. The brands were a drag on the global brand. Since Coca-Cola was not interested in brands (like Thumps Up), it did not promote them. The result, at least, in the short run was a loss of the market to the competitor. Coca-Cola decided to market more effectively the Parle brands. It had in its armory Coke, Thumps Up, Limca and Fanta. The latest to enter market was Parle's erstwhile Rimzim, alongside Portello, a black currant flavored drink, very popular in Srilanka.

Coca-Cola operates through 35 plants and 16 franchisees throughout the country, while PepsiCo has 20 plants, but it has 7 more franchisees at 23 to 16 of its rival. Coca-Cola claims a market share of 51%, while Pepsi has a share of 46%. The claims, however, remain disputed. The other smaller players like Pure Drinks Ltd claim the rest of the market. The shares of the two lead players are consolidated figures, which include the respective bottlers. Coca-Cola had approached the government for a five year extension for divesting 49% equity in its bottling subsidiary, Hindustan Coca-Cola Holdings. It had set up the marketing subsidiary as part of its strategy to integrate all its bottling operations, both company-owned and franchisee bottlers, apparently keeping in line with its global policy. Altogether, it had bought initially over 38 franchisee bottlers.

CHAPTER 4

LITERATURE REVIEW

4.1 STARBUCKS

Starbucks was founded in Seattle, Washington in 1971 by Jerry Baldwin, Gordon Bowker and Zev Siegl. To begin with, the three partners only sold roasted whole coffee beans, and it was not until they sold the company to employee Howard Schultz in 1987 that the Starbucks we know today really began to take shape. Schultz, still the Chairman and CEo of Starbucks in 2014, began the rapid expansion of the coffee chain. In 2013, Schultz's total compensation amounted to almost 140 million U.S. dollars – nearly six times the average fast food CEo compensation in the United States.

The international empire of more than 16,500 stores in 49 countries that is Starbucks Coffee Company was based on the idea that enjoying a cup of coffee should be a social experience. Many stores have overstuffed chairs or patio seating, as well as Wi-Fi access and multiple electrical outlets for customers working on computers. over time, in addition to its brewed coffee and espresso drinks, the company added premade breakfast sandwiches, lunch items, coffee-related merchandise and accessories, branded beverages (e.g., Tazo, Ethos Water) and books, music, and films. But the company has shifted away from its European café ethos, increasingly catering to coffee drinkers on the run. Fewer Starbucks customers linger over coffee in the store; many take advantage of the store's drive-up windows. When the economy plunged, Starbucks customers found it harder to justify expensive coffee, which helped create the opening for Dunkin' Donuts and McDonald's.

When these competitors rolled out their iced beverages, Starbucks was in the midst of a massive restructuring, designed to return it to its earlier, more successful business model. 3 To retain cold coffee customers, Starbucks improved its blended frappucino drinks by offering them with soy milk, decaffeinated, and with low-calorie syrups. Starbucks elected not to slash its prices to compete with McDonald's and Dunkin' Donuts though; instead, it plans to create value for customers by reinventing its founding success formula that emulated a European café great cup at a time made coffee and a comfortable atmosphere. The company has also mounted a social responsibility advertising campaign that reminds consumers of its humanitarian and outreach programs, asking them to consider not just the price of their coffee but also its global impact and cost. In addition, the company constantly stresses that all coffee is not the same and that it uses the best beans.

Starbucks' strategy for India is not without risks. But the world's largest coffee shop chain is building its position carefully, in a series of well-chosen steps. Many global brands have entered India since the 1990s, attracted by its growing and aspirational consumer base. But not all have succeeded. Whether a failure of capital outlay strategy, target segment size, pricing, ability to create customer pull, etc, there has been an exodus of some brands as well. Starbucks is a recent entrant. Interesting observations come out of its strategy on doing business in India. Starbucks is not the first entrant into India's organized coffee market, so does not have any first-entrant advantage. Cafe Coffee Day (CCD) is the market leader, while Barista Lavazza was the first coffee-chain to set up shop. They are priced for the middle-class. Costa Coffee, Coffee Bean and Tea Leaf (CBTL), Gloria Jean are priced for the affluent crowd. India is traditionally a tea-drinking country, so coffee chains have focused on providing an ambience where people can relax and spend time with each other. This outlet format means higher capital outlay. This is in slight contrast to the US, where most people have coffee on the move. The Indian consumer base has also evolved over the last decade. While the novelty of consuming global brands ruled earlier, the average consumer has now become more discerning, demanding, with minimal loyalty if expectations are not met. So what can global brands like Starbucks do to maximize their chances of success in India? Here are some ideas:

CHOOSE A LOCAL PARTNER

Global brands face the dilemma of whether to go solo or tie up with a local partner. Starbucks' decision to partner up with India's TATA Global Beverages shows a focus on leveraging multiple benefits. The TATA Group is one of India's ethically-driven brands, a perception passed on about Starbucks India as well. The TATA companies also offer scope for backward-linkages. Its Indian partner produces the raw material (coffee beans) in Karnataka. Given that India produces coffee beans in only a few places, the other sourcing option was importing the beans. But this would have hiked input costs significantly. TATA's coffee plant in Karnataka has also been contracted to supply beans to Starbucks' globally, creating mutual synergies.

Backward linkages also hold its Starbucks' in-store menu. It has contracted catering to TATA's TAJ SATS, which also supplies to TATA's premium hotel chain – The TAJ. The TATAs are also invested into the retail sector – with store brands like Westside, Tanishq, Croma, Star Bazaar, etc. Starbucks can leverage them for knowledge-sharing on Indian real estate, area-specifics, and on tackling real estate bureaucracies. This would help its own expansion blueprint. It also gives scope for store-in-store sales.

CONSISTENCY IN STORE FORMATS

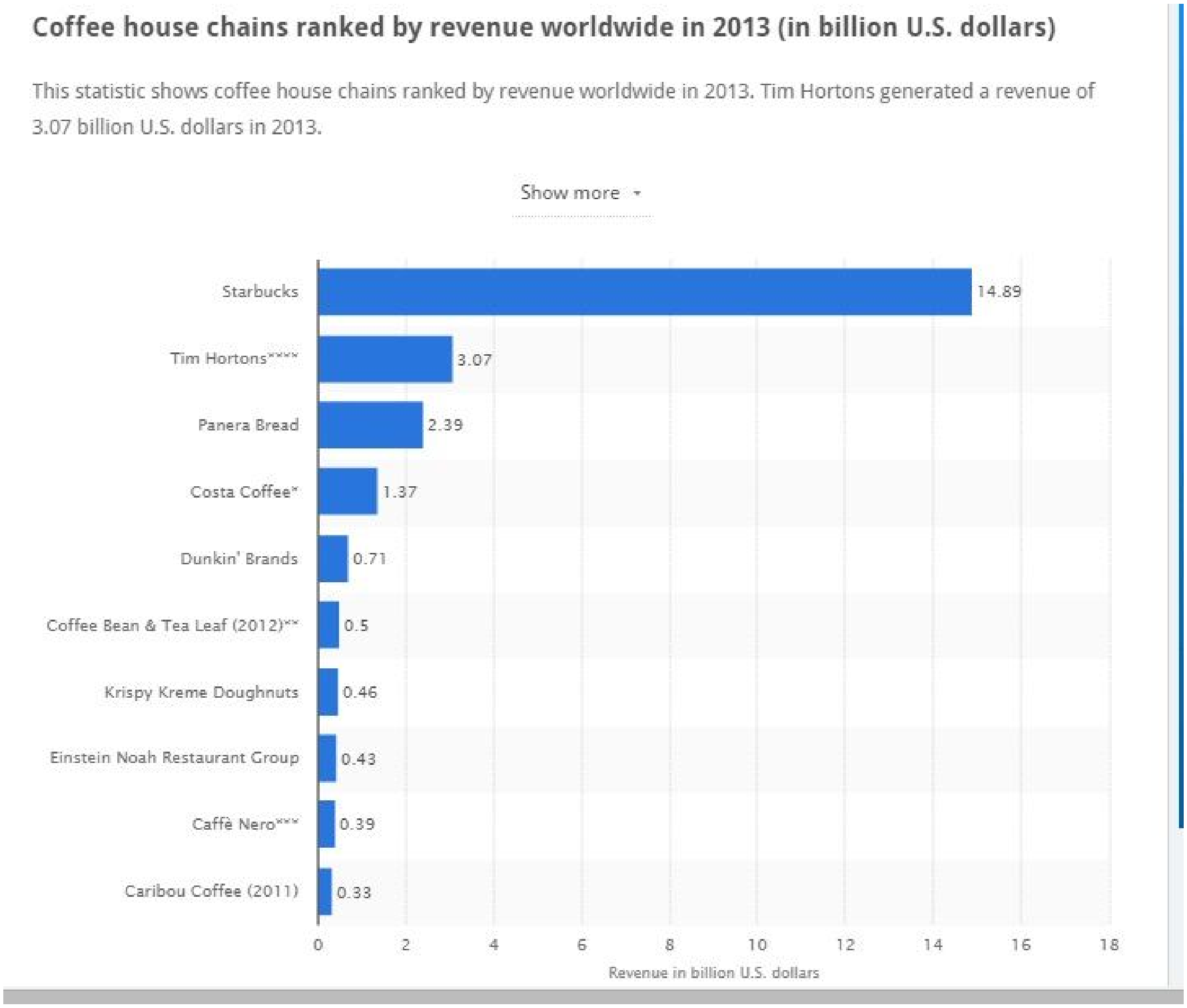
This helps to maintain the unique selling point of consumer 'experience', and also to gain economies of scale on capex. Starbucks plans to have the same store format across India, though the size can change based on economics. This is how it operates globally. Starbucks has projected itself as a place to have a likable 'coffee-house' experience. Having the same format gives customers the comfort of receiving the same 'Starbucks' ambience wherever they go throughout the world creating customer pull, not to mention economies of scale to the company with its suppliers. But keeping the store formats consistent means it has to choose and open new locations very stringently, such that the location can yield a throughput in line with the investment. Its approach in store format is in contrast to CCD, which has opted for different formats in order to tap the potential demand in any area. CCD has opened few premium outlets based on the location's client profile. It has also gone for non-store formats like takeaway kiosks and vending machines. But Starbucks might fear that such non-store formats might dilute its brand value, given its positioning.

MEASURED PACE OF EXPANSION

India is a market where a failure to monitor bottom-line has thrown many companies out of gear. In short, a top-line only approach does not work here. Since Starbucks has to choose new locations stringently in line with its same-format approach, it has opted for a measured pace of expansion. It is focusing on the financial viability of each outlet, rather than going for an ambitious expansion plan which might have resulted in repeated calls for capital. This is in contrast to its own strategy in USA and China where it has built scale by opening stores in almost every neighbourhood – being the first port-of-call for coffee by simply being everywhere. CCD's strategy behind flexible store formats was to ensure there is a CCD café at easy reach at any place. However, it would be interesting to check its average store profitability given its scale.

This is based on market affordability and its own positioning**.** Globally, Starbucks is priced at a level at which it can be termed an 'affordable luxury'.

The company's revenue growth also reflects its success: Starbucks' annual revenue more than tripled in the last ten years, reaching 16.5 billion U.S. dollars in 2014. Still continuing its global expansion, Starbucks increased its number of establishments by around 1,600 during 2014, totaling 21,366 stores by the end of the fiscal year. Well over half of the company's coffee shops are found in its home country, the United States. A Nielsen Scarborough survey in spring 2014 found that nearly 32 million Americans had visited a Starbucks within the last 30 days. As well as having the largest number of stores worldwide within the coffee chain industry, Starbucks also generates by far the most revenue. The company's closest competitor in 2013 was its Canadian neighbor Tim Hortons. Within the broader quick-service industry, Starbucks was the second most valuable fast food brand worldwide in 2014, second only to global giant McDonald's.



Source: http://www.statista.com/

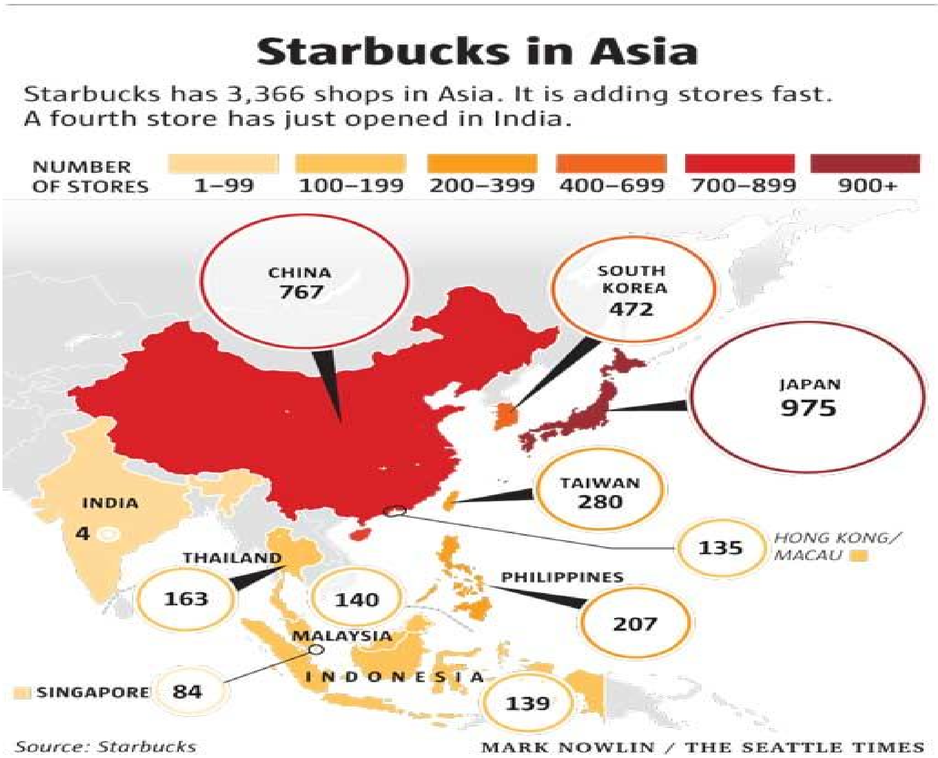
4.1.1 STRATEGIES USED BY STARBUCKS TO ENTER INTO INDIAN MARKET

Starbucks, famous for making coffee drinking fashionable in the US, had tried to enter India by striking an alliance with Kishore Biyani's Future Group three years ago, but these plans were rejected by the Foreign Investment Promotion Board, or FIPB, the government body that regulates inflow of foreign money into India's factories, shops and mines. organized coffee retailing is a niche but growing segment in India. Industry officials said the size of the segment, which is dominated by unlisted companies, is around Rs 500-600 crore. The major players in India include two franchisees of overseas coffee retailers. These are Barista owned by Italian chain Lavazza that bought a controlling stake in the coffee retailer from C Sivasankaran, the Chennai-based entrepreneur and UK-based Costa Coffee for which RJ Corp owned by Pepsi bottler Ravi Jaipuria — is the exclusive licensee.

India allows foreign investors to own 51% in single-brand retail which would encompass coffee chains such as Barista. Lavazza's exact equity holding in Barista is not in the public domain. Cafe Coffee Day, owned by entrepreneur VG Siddhartha and which has PE firms among its shareholders, is another major player in this segment. These chains have been thriving on rising demand from India's increasing upwardly mobile middle class and youth, for whom hanging around in a coffee shop is still aspirational. Starbucks attempts to enter India have been stymied because of what many say is a lack of transparency in rules governing FDI in retail. About four years ago, the coffee retailer's application to FIPB was rejected due to lack of clarity on the foreign shareholding structure of the proposed Indian venture. New Horizons, a 51:49 JV between Starbucks' Indonesian franchisee VP Sharma and Future Group CEo Kishore Biyani, was to be the licensee for Starbucks' operations in India. New Horizons was to set up, operate and manage Starbucks stores in India. But the alliance never saw light of the day after the Indian government asked Starbucks to amend its application twice.

Starbucks has opted to enter into a strategic alliance with Tata Group as it attempts to establish a position in the Indian market. on 31 January 2012, Starbucks announced its objective to open 50 outlets in India by the end of 2012, through a 50-50 joint venture with Tata Global Beverages. The two partners will invest a total of $80million initially. Perhaps somewhat unusually, the stores will be cobranded “Starbucks Coffee: A Tata Alliance.” Long known as a nation of tea drinkers – despite a rich tradition of coffee in the south – India has embraced coffee house culture with a vengeance. Last year, India had 1,600 cafes, up from just 700 in 2007, according to Technopak Advisors, which expects India’s $170 million cafe market to grow 30 percent a year, adding up to 2,700 more outlets over the next five years.

Starbucks India can afford to charge lower rates than other international chains. Despite the local sourcing of ingredients, Starbucks is still priced higher than Barista or Café Coffee Day. It is now clear that Starbucks is not trying to compete on price, but instead, is charging a premium for the 'Starbucks experience'. Attempting to bridge the cultural gap, decidedly Indian food offerings are a part of the menu, in an ambiance that is unlike a typical American Starbucks. Starbucks has decided to count on the Indian urban café culture and its superior brand value to account for the premium it expects the customer to pay. All things considered, fears over Starbucks in India are easily put to rest given the facts. Starbucks currently trades at approximately 25 P/E, which although higher than average for the restaurant industry, is reasonable given the growth prospects in store for the chain. Additionally, the stock pays a $0.17 quarterly dividend, which has been raised twice since 2010 and equals approximately 1.4% at the current $45 PPS. Given the two annual increases so far, it is likely that it may be increased again after the upcoming earnings release. While it will take at least another six months to see the financial progress Starbucks is making in India, it is reasonable to conclude it will be a success given the facts. Having the dividend along the way makes it worth the wait for the patient, long-term investor.



4.1.2 STRATEGIES ADOPTED

Horizontal integration:

It has used this strategy to control its competition and reach new customers. Starbucks has opted to enter into a strategic alliance with Tata Group as it attempts to establish a position in the Indian market. The need to address and respect potential cultural issues seems to have been a key factor in deciding to use the joint venture route rather than set up a separate Starbucks subsidiary in India

Market Penetration:

This strategy has been used to increase the market share of the products that are currently offered. It focused heavily on developing the quality everyday experience and differentiation of experience as a third place to enjoy its products. Starbucks has also sought to expand the method of delivering its products outside of the traditional coffee shop.

Market Development:

INDIA is a nation best known for its tea drinkers, sipping coffee and socializing at coffee shops is becoming increasingly popular. Domestic consumption of coffee rose to an estimated 10800 metric tons in 2010, up 80% in past decade.

Concentric Diversification:

In order to expand its sales, Starbucks has begun releasing new, but related products. Starbucks has developed products such as Tandoori Paneer Roll, Elaichi Mawa Croissant and Murg Tikka Panini.

Conglomerate diversification:

Starbucks has also sought out opportunities that are unrelated to its traditional product offerings

Value chain development:

Starbucks has put a tremendous amount of money and effort into developing the partners in its value chain. While it is not vertically integrating, Starbucks is committed to developing the human connection with its suppliers and supporting ecosystem. The fair trade initiative is one example of this type of commitment.

4.2 COCA-COLA INDIA

Coca-Cola Co., the global soft drink industry leader controlled Indian soft drink industry till 1977. Then Janta Party beats the Congress Party and the Central Government was changed. This change brought problems for Coca-Cola principle bottler, who was a big supporter of Gandhi Family. Now Janta Party government demanded that Coca-Cola should transfer its syrup formula to an India subsidiary (Chakravarty, 43). Because of this Coca-Cola backed and withdrew from the country. In the meantime, India's two target soft drink producers have gotten rich. Who were controlling 80% of the Indian soft drink industry?

In 1993, the coco-Cola company came back to India. But the scenario of Indian soft drink industry had been changed from 1977 to 1993. The competition in the soft drink industry had become very tough. The major competitors at that time were Pepsi and Parle. Parle's best known brands include ThumsUp, Limca, Citra and others were Gold Spot and Maaza. At that time Parle had a market share of 53% and Pepsi had a market share of 20%.

Now Coca-Cola had to make some strategies to survive in this tough competition. For this Coca-Cola decided to take over Parle, so that the company can take the advantage of Parle's network. This decision was proved very beneficial for Coke as it had ready access to over 2,00,000 retailer outlets and 60 bottlers of Parle's network.

The marketing strategies which were made by Coca-Cola Company to win the Cola war in 1990s had been very successful as Coca-Cola Company had a total market share of 48.3% in 1998. So, the Indian soft drink industry saw a dramatic change in the decade of 1990s. All the companies were trying to win the battle by making good marketing strategies.

4.2.1 INITIAL BLUNDERS AND SUFFERINGS

Coca-Cola Initially entered the Indian market during the late 1970s and the Government's order had forced the company to leave the Indian market. The company again made an entry into the India in the year 1993 after the government decided to liberalize the market again. This time the entry into the market was more dramatic for the company as it bought out all the leading Indian soft drink brands like Thums-up, Limca, and Gold Spot leading to a situation where it was accused of killing its competition by using its financial strength. But, even after years had passed in the Indian market, the company was not able to realize profits because of its very aggressive strategies of huge amounts of promotions and very aggressive pricing strategy to try and beat the competition. It also suffered in the Indian market because of the pesticides controversy took place in 2003 that resulted in 11 percent decline in the sales during that time. It had a very negative impact on Coca-Cola's brand image in the minds of the Indian consumers.

4.2.2 STRATEGIES TO OVERCOME CHALLENGES

To be successful, the company decided invested more than US$ 1bn to build overall infrastructure required for succeeding in India. The company invested in setting-up 25 wholly owned bottling plants in India. All these steps taken by the company ensured that the company was able to ensure a deeper level of penetration in the Indian market – even in the rural areas. While re-launched the Coca-Cola brand in India, it went ahead with global communications only, but sooner it realized its mistake and the company quickly adapted its communication to ensure proper appeal to Indian consumers. The company rode on two of the strongest pillars, a brand can use in Indian advertisement and communication industry to succeed i.e. Bollywood and Cricket. It roped in multiple film stars and cricketers so as to promote its brand in the Indian market. Its campaign with the tag line "Thanda matlab Coca-Cola" was able to create the mass appeal for the brand in the market. This campaign was very well thought out, as Indians used to refer to anything that was chilled as "Thanda". For positioning the brand Coca-Cola for rural consumers, the company roped in Aamir Khan (a famous Bollywood film star) who helped in popularizing the use of cold drinks in rural areas. To increase penetration in rural market, the brand also reduced the entry level price point to Rs. 5.only. The company was also able to successfully overcome the biggest challenge it faced in the year 2003 of the pesticide controversy. They hired Aamir Khan and Smriti Irani - a very popular TV actor at that time to ensure that customers retain the faith they had in the market and they showed commercial where Aamir is given a tour of the Coca-Cola factory and is briefed about the 400 quality control tests that are a part of the production process to convince the customers that the brand they are consuming is totally safe for them. After overcoming all these challenges, Coca-Cola was again set to expand India as a market further and took it from number 7 in the global pecking order to a market that is number 5 for Coca-Cola globally and for achieving this objective the company has earmarked US$ 5 billion for ensuring that the company is not letting go its focus on developing the Indian market further successfully

4.3 REDBULL

The Red Bull company has always portray a simple but strong brand image with its well-known slogan; "Red Bull gives you Wing & Ideas". The product is appreciated worldwide by top athletes, students and highly demanding professionals. Red Bull relies on both traditional and non-traditional ways like sponsoring well-known athletes outside the extreme sports industry and host exclusive parties for rock stars to build their brand image and equity. In order to save many miles of transport and resources, Red Bull has instituted what they termed as „wall-to-wall production‟. This strategy helps them to manufacture and fill cans wherever their branch is. According to their own figures, more than 7,000,000km of truck travel is saved every year. These cans are built with aluminum and now the cans are weighed 60% less than a decade ago and it is 100% recyclable.

Red Bull has sold +5.3 billion cans as of 2013 worldwide, representing an increase of (+3.1%) against that of 2012 and has exceeded 5 billion euro mark turnover for the first time. Red Bull‟s turnover has increased from EUR 4.930 billion to EUR 5.040 billion (energydrink.redbull.com, 2014). The company has won both the constructors‟ and drivers‟ formula 1 championship for four successive years. It has 9,694 employees in 166 countries as of 2013 as compared to the end of 2012 when they had 8,966 employees in 165 countries. It has seen a 60% rise in volume sales over 2007-2012 in parallel with a 64% rise in volume sales during the same period (Price, 2012). The combined value of sports and red bull sales in 2012 was around £1.2 billion and red bull accounted for over 80% of this figure at around £1.0 billion (Price, 2012). Red bull has outstanding performance as of 2013 in terms of sales, revenues, productivity and operating profits. These positive results can be attributed to the outstanding sales in the red bull market shown on the table below. These outstanding sales happened as a result of efficient cost management and the on-going brand investment

Table 3

Red Bull Market (Countries)	Sales in percentage (%)
India	+55%
Japan	+32%
Turkey	+18%
Scandinavia	+16%
Russia	+13%
Brazil	+12%

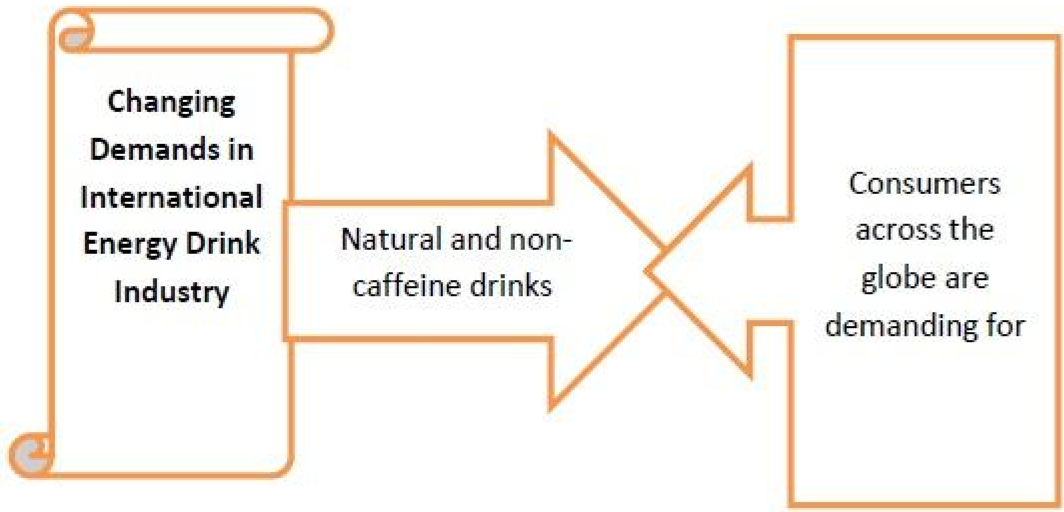
4.3.1 KEY ISSUES & FINDINGS FACING RED BULL

Growing Competition and competition from emerging products

Competition from existing and emerging energy drinks is a challenge. The emerging products like Monster, Full-Throne, Burn, etc are the products that are growing at a faster rate in the energy drink industry.

4.3.2 NEW TRENDS IN PRODUCT DEMANDS

The International energy drink industry is moving to a level where consumers are demanding in new, natural and varying products which would engage them always. There has been increase in the need of natural ingredients. That is, many people want to take natural food instead of adulterated ones. This factor can affect the red bull market by threatening the image of the products.



4.3.3 STRATEGIES FOR MARKET GROWTH

Pursuing local and business markets through process innovation

Red Bull should change the ways they create and deliver their product to focus on the local market in Austria. Although, Red Bull has been creating and delivering more energy drink through young people and teenagers worldwide. The company can however, be more innovative by creating non-caffeine drinks for kids between 8-17 years and other people who do not drink for energy purpose. These new products can be sold for the first time in its home market as it did in its establishment. This wouldn't only be the launch of a completely new product but also to transform an ordinary product into a powerful brand.

Strategic Product alliance through position innovation

For Red Bull to remain market leaders, it needs to change the context in which the products are produced and it premium pricing strategy to defend its value, volume and market share of the areas they have lost share as a result of health issues. The company can establish a strategic partnership with one of the emerging competitors and reposition the perception of their established product in a specific context. originally, Red Bull's products are believed to have more caffeine, but they can rebrand it as "safe to drink" with low caffeine for everyone. They can use promotion activities like "buy-one, get-one-free" to build up price expectation to engage new and old customers. The product context will show its products values in details to explain what people will get and how much it is worth. This will help Red Bull to build up the image of their product as "safe" to drink in customer's minds.

Market Penetration, Expansion and Diversification of products through product innovation

Market penetration involves with entering a new market with existing products Red Bull can make changes in the products they offer by introducing different flavors and non-caffeine drinks to penetrate the new market. This diversification of products will show their innovative skills to their customers. The company should improve their existing product and use market research, product adaptation analysis, and legal review to seek expansion for the existing products. Although it could be risky to enter a new market with an existing stuff but, the industry can use market researchers to collect information from customers by studying customer buying patterns and using tools like customer survey and focus groups. They can also use reverse engineering by disassembling their major competitor's product to analyze its design features by using their R & D department to develop their product.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 OBJECTIVE OF STUDY

The objective of this research is to identify and suggest a new strategy for a beverage company to market products into Asian market, specifically in India.

5.2 RESEARCH GAP

one of the first and most important issues for a multinational considering doing business in India is ownership structure. Multinationals that enter the country on a stand-alone basis, our experience shows, generally fare better than those that use Indian partners to create joint ventures.

The gap in this research is the strategy assessment by various companies for entering into Asian market.

5.3 RESEARCH TYPE

The study contains the quality features of companies for entering into a different market situation. This research is a **Qualitative Research**.

5.4 DATA SET

The data set used in the study that comprises the review of various multi-national companies which are trying to enter into Indian market and successfully did that. By illustrating the examples of these companies, their strategies can be accessed to ascertain the ways for entering into a foreign market.

The data set used is **secondary.**

CHAPTER6

ANALYSIS AND FINDINGS

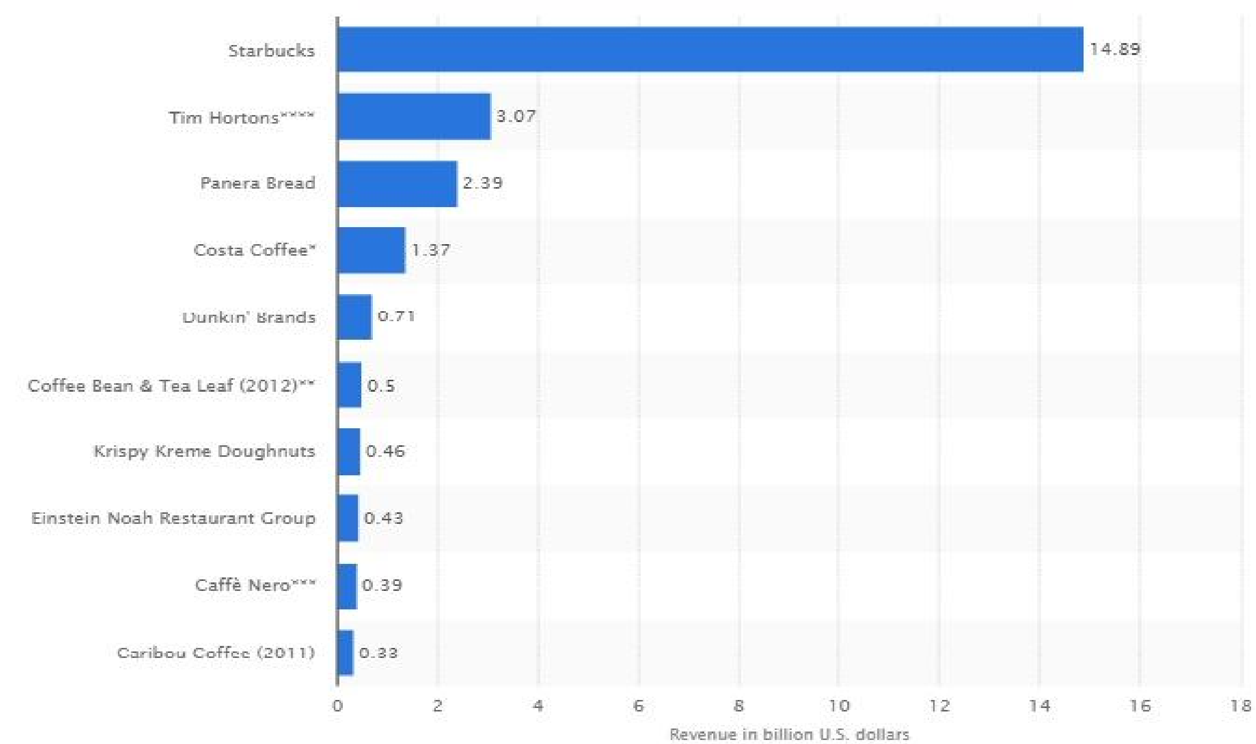
6.1 GLOBAL STATUS OF STARBUCKS

Starbucks is in an enviable position – it has about 18,000 stores world-wide of which roughly 13,000 are in the North America and 255 are in New York City. This dominant position enables the Company to try new ideas all the time. one of these initiatives is the opening of the first Tazo tea store in Seattle's University Village and the company recently has acquired Teavana Holdings, which will support a future expansion of the tea store concept. Management believes it is a $40 billion market.

Coffee house chains ranked by revenue worldwide in 2013 (in billion U.S. dollars)

This statistic shows coffee house chains ranked by revenue worldwide in 2013. Tim Hortons generated a revenue of 3.07 billion U.S. dollars in 2013.

Show more



6.2 INDIAN STARBUCKS STATUS

With 43 stores until March, a back-of-the-envelope calculation shows that each Starbucks shop sold coffee, snacks and merchandise worth over Rs 2.2 crore last fiscal, significantly higher than the per-store sales of other coffee chains. Amalgamated Coffee Bean, which runs the country's top coffeehouse chain Cafe Coffee Day, hasn't disclosed its latest financials yet. For 2012-13 it had revenues of 1,126 crore including income from its plantations business and sales through 1,400-odd cafes. That translates into not more than 80 lakh annual sales per store.

Starbucks' per-store sales is, however, a tad lower than Jubilant Food works that runs over 752 Domino's Pizza outlets and Dunkin Donuts and clocked sales of Rs 1,732 crore last fiscal, which means Rs 2.3 crore per outlet on an average. Starbucks currently operates 59 stores in the country and plans to close the financial year with 90 doors. over last year, the coffee chain has more than trebled its authorized capital to 220 crore. Profitability also remains a challenge. In FY14, Tata Starbucks' loss at Rs 51.87 crore was more than half its total sales. They are in growth mode and will have to incur initial losses.

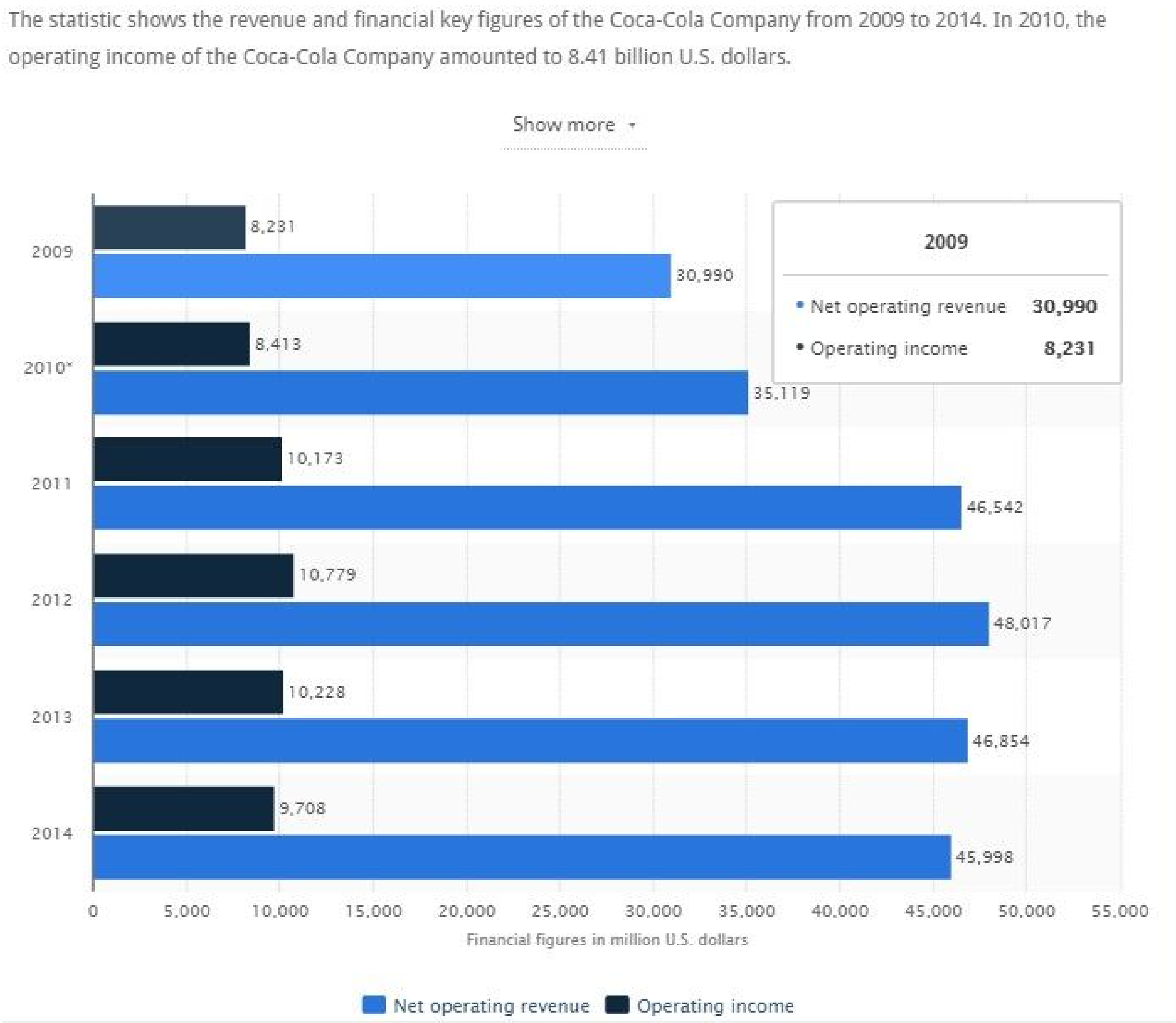
Starbucks, which opened its first India store in october 2012, had posted Rs 14.61 crore in sales for five months ended March 2013. While its pace of expansion in India has been a record for Starbucks in its 43-year-old history, Cafe Coffee Day has been opening new outlets several times faster - the home-grown chain opened around 150 stores in the past 12 months, taking its tally to nearly 1,500 cafes.

FINDING

Company is having many number of stores worldwide specially to enhance visibility among customers. In India beverage companies need to enhance customer visibility, not only on malls and high expensive areas, but they need to maintain the visibility among middle areas.

6.3 GLOBAL STATUS OF COCA COLA

Global revenue and financial results of the Coca-Cola Company from 2009 to 2014 (in million U.S. dollars)



6.4 INDIAN STATUS OF COCA COLA

India has become the sixth largest market for Coca-Cola by volume sales, overtaking Germany as low price points and wider distribution helped the world's largest beverages maker increase sales in the second-most populous country. Coca-Cola India now trails the US, Mexico, China, Brazil and Japan after overtaking 13 global markets since 2006 when it was ranked 19th, Coca-Cola has posted on its website. Coca-Cola India now contributes 12% of the company's Asia-Pacific region volume sales.

Dipping Growth

Hindustan Coca-Cola Beverages

	FY2013	FY2012	FY2011	FY2010
Net sales (₹ crore)	6,597.13	5,610.21	4,540.60	3,845.60
PAT (₹ crore)	277.93	376.70	198.10	213.30
Sales growth (%)	17.59	23.56	18	

Source: Registrar of Companies

Experts Blame Heavy Discounts

Bottling industry veterans say profitability hit due to the discounts given to retailers

The firm sells Coke at an unprofitable ₹8 for 200 ml glass bottles

Source: http://articles.economictimes.indiatimes.com/

FINDING

Companies to gain revenue need to make deep market penetration to the end customers. Marketing strategies for an MNC need to be focused on market penetration techniques.

CHAPTER 7

CONCLUSION

Nowadays we live in a world where processes of globalization flow deeply in our life. In the beginning it was mostly about business and financial fields, but now the world is one huge global network. People can easily travel from one part of the world to another. We have international market place. Internet is connecting continents and countries, growing cross-cultural contacts. of course there is an influence of globalization on people's behavior and attitudes. There is a tendency to unification and accommodation. There is some kind of transformations and interrelation of cultures. At the same time, we become more and more aware of differences between cultures.

If a company wants to operate on the global market, it should be aware of possible differences in perception of potential clients and business partners that can influence on success of itself in general and purchasing of the product in particular. Accommodating to customers is important with using marketing tools (especially PR and Advertisement instruments).

Cultural patterns of communication, even if they quite common within a society, cannot describe everyone behavior and communication. Too many factors influence on human personality and behavior, people are very different. However I can say that there are some major, significant characteristics which should be observed and it's necessary to make adaptations to them. others are on the wish of the company.

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