

New ub group product launch: mist soft drink

Business



Company Overview

United Breweries Limited (UBL) - has assumed undisputed market leadership with a national market share in excess of 50%. Through a process of aggressive acquisition and market penetration, The UB Group today controls 60% of the total manufacturing capacity for Beer in India. The flagship brand, Kingfisher is now sold in over 52 countries worldwide having received many accolades for its quality.

Macro-Environmental Analysis

Political Factors

The political forces affect the beer industry to a large extent.

The rates of the beer in various parts of the country are affected by the taxes and duties applied by the Govt. The political forces also affect the pricing of the beer by lowering the duties or deregulating the distribution channel. This leads to lower margins for the distribution channel partners. But, as 75% of the Indian market is covered by two players, there hasn't been a reduction in the margins of the manufacturers. The taxation policies also affect the consumption patterns. Economic Factors India is home to nearly one-sixth of the global population and is one of the most attractive consumer markets in the world today.

The total worth of Indian Beer Market is Rs 750 crore. This market is expected to expand by 39% by 2010. The beer consumption has been growing at a CAGR of 7% over last nine years. India provides attractive profit margins due to the consolidated nature of the industry. Various research studies have shown that a rise in the income levels has a direct positive

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effect on beer consumption. The National Council for Applied Economic Research (NCAER) projects India's 'very rich', 'consuming' and 'climbers' classes to grow at a CAGR of 15 per cent, 10 per cent and 2 per cent respectively.

Thus, India gives ample opportunities for the UB Group to grow.

Social Factors

A deep-seated traditional social aversion to alcohol consumption has been a traditional feature of the Indian society. However, as urban consumers become more exposed to western lifestyles, through overseas travel and the media, their attitude towards alcohol is relaxing. Social habits are undergoing a transformation as mixed drinks are becoming more popular. The greatest evidence of this trend is the increase in beer consumption among women.

More and more women are consuming beer – the penetration in metropolitan areas is almost twice as high as the penetration in other large cities – implying that the greater tolerance towards alcohol consumption in metropolitan areas facilitates the consumption of beer. With increasing urbanisation, this acceptance is only going to rise. As a consequence of the high birth rates prevalent until the 1990s, a large proportion of the Indian population is in the age group of 20-34 years. This age group is the most appropriate target for beer marketers. This population trend will give a further boost to the growth of beer consumption in India.

Technological Beer industry is not technology specific. As the UB group is one of the oldest players in the market, they have achieved economies of scale. Thus, technological factor is not of great importance for the beer market.

Analysis Porter's Five Forces Model

Threat of new Entrants - Low

In India, beer industry is growing with 11% CAGR making it attractive for new players. Strong brands like Kingfisher and Hayward's which are already established and have strong brand recall will make it tough for new entrants and they are expected to struggle to expand their consumer base as they try to penetrate the beer market in India.

Foreign brewers have been eyeing the Indian market for some years now since India is widely acknowledged to be the last untapped big growth market. Several international brewers have built brand associations and are marketing their brands aggressively through various point-of-sale promotions throughout their distribution networks. But with strong players in the market any new entrant will face problems of:

- Economies of scale - For example benefit associated with bulk purchases and sales - create high barriers to the national and global markets
- Cost of entry - For example investment in technology, costs associated with sales
- Distribution channel For example ease of access for competitors
- Government Legislations -Introduction of new laws might weaken have adverse effects

- Differentiation - For example certain brands that cannot be copied
- Supplier power - Possibility of forward integration by supplier

Bargaining power of suppliers – Low

Due to increasing costs of raw material and decreasing cost of barley suppliers, bargaining power of suppliers was high but by doing backward integration, done by acquiring Maltex Malsters Ltd. and shifting their production of beer on malt the company has achieved a hold on its raw material and considerably reduced supplier strength and dependency. Company has also entered into collaboration with Government of Punjab and Haryana for supply of its raw material.

Bargaining power of buyers - Moderate

This factor measures the extent to which customers are successful in forcing prices down, or securing high quality or more service at the same price. Customers tend to be powerful when the quantities they purchase form a large portion of the seller's total sales.

Buyers do have a very clear understanding about the quality and as there are very few players in the market the customer cannot influence the price in any significant way. But while this is true a decline in consumable income shifts consumer preferences away from premium brands to lower-priced brands since the switching costs is low. Due to this the bargaining power of buyer tends to increase.

Threat of substitutes - Moderate

India is predominantly a spirits market and beer has traditionally been a minority preference for those who consume beverage alcohol.

Therefore substitutes are the biggest threat as preference for beer among alcohol beverage drinkers is less but also the low penetration in beer consumption in comparison to international levels offers the potential for substantial and sustainable growth in demand for beer in India for years to come.

Rivalry amongst Competitors – Low to Moderate

Rivalry is the means through which competitors fight for position by using tactics such as price, competition, advertisement battles, and new product introduction, to lower the profits of competitors in the industry.

As stated above CAGR of 11% is expected for beer in the next 5 years due to which many MNCs are eyeing the Indian market. Currently the major rivals for Kingfisher Premium are Budweiser, Carlsberg, Foster and Tiger and for Kingfisher Strong it's Hayward 2000, Hayward 5000, Palone. SABMiller who came to India by acquiring small breweries and has made its hold as best-selling strong beer brand but still Kingfisher has managed to remain the largest-selling strong beer brand with 29% market share. There are also some small local players that are in the market but are not much of a threat to Kingfisher.

Strategic Fit of Mist With United Breweries Group

The UB Group (United Breweries Group) is a multi-faceted conglomerate with business interests in Beverage Alcohol, Pharmaceuticals, Media, International Trading, Aviation, Fertilizer, Research & Development, and Infrastructure Development with a major focus on the brewery (beer) and alcoholic beverages industry most of which is marketed under the Kingfisher brand. UB Group is already planning to venture into the mineral water segment via the Kingfisher Himalayan Water Brand.

Thus strategically thinking Mist will be a perfect fit in the UB Group's expansion plans. In fact introduction of a soft drink will make UB Group present in all versions of drinks and will be a wonderful way to reach out to customers who admire the Kingfisher brand but do not consume alcoholic beverages. Launching Mist will be a form of line extension and will help it respond to customer's needs favorably. If we see the attributes of Mist, i. e. adventure, energy, fun and the " Hat Ke" attitude; it is very much in sync with the existing brand image of UB Group.

Mist being a soft drink, it is very necessary to ensure proper distribution of the product. This is where UB Group can use its core competency of having a strong distribution network and bank upon its reputation regarding the stringent quality control measures it follows. Also if we look at the soft drink market, the only direct competitor of Mist is Mountain Dew and the market for soft drinks providing the set of benefits as Mist is in a growth stage. That makes it a perfect moment to introduce a drink like Mist under the Kingfisher brand name.

Considering the sync between Mist attributes and Kingfisher's brand image, we can also use the events held by the UB Group like the Derby, Kingfisher Calendar, IPL matches , functions like the Incredible India Party held last year at Cannes and the TV channel NDTV Good Times to increase awareness about Mist. It can make use of the cricket and Bollywood stars already associated with Kingfisher brand to endorse the product and help build a strong connect with its loyal customers. Added to that serving Mist in the Kingfisher Airlines will be a great way of making future customers try out the drink.

Product Introduction

Mist is a soft drink that is being launched by UB group under Kingfisher brand. It is a citrus flavoured drink and unlike other soft drinks, it is more carbonated and has high levels of caffeine.

Marketing Strategy Segmentation

Demographic Segmentation

1. Age

A consumer needs and wants change with age. Hence this segmentation is important for this product. On the basis of age, we can divide the population into the following categories

- 6-25 years
- Teenagers
- 25 years and above

2. Gender

This is an important segmentation since both genders behave and respond differently to same situations.

3. Geographic Segmentation

This segment primarily refers to the location of the segments. For our product there will be three segments.

- Urban
- Semi-Urban
- Rural

4 Psychographic Segmentation

Here different groups are identified on the basis of personality traits, lifestyle or values. The following segments can be formed:

- Excitement, Adventure seeking, Risk lovers
- Health Conscious
- Rebellious
- Fashionable and stylish

For our product, we can begin with demographic segmentation. These segments would be further divided using psychographic segmentation. The product is soft drink, but we will not go in for mass marketing and rather target based on psychographic segmentation. The target would also be different from those of already existing soft drinks.

Targeting

Evaluating the above segments on the parameters like Measurable, Substantial, Accessible, Differentiable and Actionable, the target segment for

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MIST would be: Individuals (both genders) in age range 15-29 in urban areas (this is because the promotional activities would be focused on urban areas only).

Based on market research data, we decided to target people who embrace excitement, adventure and fun. Reasons for choosing this target segment are:

- Our market research showed us that there were primarily five different target groups in the market. There was considerable presence of other soft drinks in the other target groups.
- Also in urban areas there are very few individuals in the age group 15-29 years who have not heard of Kingfisher; hence this would be our target age group.

This segment in India is substantial and would be profitable.

Kingfisher already has large distribution networks for selling its other products in urban areas. Hence there would be little cost of adding distribution channels.

It is also easier to involve people from the aforementioned age group in various promotional activities and also they are easily accessible through internet. So it would be easier reaching across to them.

Positioning

- Salient Attributes
- Offer from the Kingfisher brand
- Higher price for perception of premium quality and difference

- Available only in stylised cans
- Invigorating effect due to higher caffeine
- Tingling taste and flavor
- Selective availability in retail outlets, pubs, clubs, discos and other socializing places
- Values
- Adventure Seeking
- Thrill
- Different from competition
- Aspiration for youngsters to be associated with Kingfisher brand.

Competition

Mountain Dew

As compared to Mountain Dew, we will position MIST as an exclusive brand and it will only be available through selective outlets.

We are going for value-based offering that is premium in nature due to higher quality and reflects the values of aspiration for Kingfisher.

Coke and Pepsi

Both Coke and Pepsi are brands that differentiate themselves on the basis on the endorsements eg. Pepsi targets the youth market through endorsements from young celebrities. Price is not a discriminating factor between these two. We shall charge a higher price as compared to Coke and Pepsi and put forth quality as a prime concern while manufacturing MIST.

This should help us differentiating from Coke and Pepsi since they have had troubles in the past regarding their quality.

Marketing Mix

Product

- Functional
- Great taste
- Invigorating effect due to higher caffeine
- Available in Stylised cans

Pricing

Competitor based pricing

The price of a can of Mountain Dew and other soft drinks is Rs. 20. We may choose to price it higher than this since we are not going in for mass marketing but rather selecting a specific target segment.

Cost Based pricing

Cost Based pricing is integral to establish the lowest point of a new product's price range.

By accurately analyzing cost per unit and taking into account a margin that corresponds to the lowest satisfactory return on investment, companies can define a new product's floor price. If the market cannot support this price, then the company must reconsider if the product is feasible. If we take the major cost components as manufacturing, advertising and distribution we can come to a rough estimate of the variable cost of Mist. This will not include the costs associated with machinery installation, R & D of the

product and other associated capital expenses. This shall be collected through contribution per can.

- Using estimates for the major variable cost components we take:
- Advertising Cost per can – Rs. 8 – 10
- Manufacturing Cost per can – Rs. 4-5
- Administrative Costs and other overheads per can – Rs. 2-3
- Distribution Costs – estimated to be Rs. 1 per level

Therefore the total cost of producing one can comes out approximately to be Rs. 17-19.

Value Based Pricing

While some benefits have values that can be readily quantified, others such as brand reputation and premium are more difficult to measure and must be probed using market research. Since we are positioning Mist as a premium brand it should be priced higher than its direct competitor (in this case Mountain Dew) in order for the target group to it as a premium brand. Since a can of a cola costs Rs. 0 then we will price it at Rs. 24 (we are trying simultaneously to take advantage of bundles of five pricing and have the customers perceive it as a premium brand). As shown by the market research, customers are willing to pay more for a product like Mist. Moreover, considering the aspiration value of the product and the parent company, we have decided to follow value based pricing.

Promotion

According to the positioning of the Mist, a promotional campaign will be designed to create awareness and pull in the market. AIDA model will be

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followed for the promotional campaign. The steps taken in each stage will make consumers to “ Think, feel and do”.