Background

Established in 1886, Coca-Cola is the world’s most ubiquitous brand. The company and its subsidiaries are present in over 200 countries employing over 49,000 individuals and generating revenues to the tune of US$ 21 billion. The Coca-Cola Company markets four of the world’s top-five soft drink brands; its beverage products encompass nearly 400 brands, including non-carbonated beverages such as waters, juices, sports drinks, teas and coffees. The company’s net income registered a CAGR of 7.2 per cent over a 10-year period.

Till date, Coca-Cola has invested over US$ 1 billion in India and employs over 5,000 people. The Coca-Cola system in India comprises 25 wholly owned bottling operations and another 35 franchisee-owned bottling operations. A network of 27 contract-packers also manufacture a range of products for the company.

A large and thriving business in India

Coca-Cola is a leading player in the Indian beverage market with a 60 per cent share in the carbonated soft drinks segment, 36 per cent share in fruit drinks segment and 33 per cent share in the packaged water segment.

In 2004, Coca-Cola sold 7 billion packs of its brands to more than 230 million consumers across 4,700 towns and 175,000 villages. The company has doubled its volumes and trebled its profits between 2001 and 2004.

Coca-Cola continues to re-affirm its commitment to India through active ‘Citizenship Efforts.’ All its plants in India partner with local NGOs to alleviate local community issues in numerous small ways. It boasts of impeccable credentials on quality.

Factors for success

Coca-Cola has succeeded in spite of an extremely price-sensitive consumer with entrenched beverage consumption habits – tea, nimbu-paani (lemonade) and a fragmented and geographically dispersed retail market, and a high tax environment.

Diverse product portfolio

In keeping with its goal of emerging as the single largest entity in the beverage market, Coca-Cola has a presence in multiple segments.

• In the carbonated soft drinks (Coke, Diet Coke, Fanta, Thums Up, Sprite and Limca), fruit juice based drinks (Maaza), powdered soft drinks (Sunfill) and coffee and tea (Georgia), bottled water (Kinley) and bottled soda (Kinley Soda)
• The company leverages this comprehensive
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portfolio, which includes a mix of its global brands as well as the locally acquired brands like Thums Up, Limca and Maaza.

- It sells these beverages in multiple volumes of 200 ml, 300ml, 500ml, 1.5 l bottles, tetra packs as well as through vendors (fountain machines).
- Explores new markets with the introduction of new drinks (Georgia, coffee and tea segment) and flavours (Vanilla Coke).

Intensive brand building
Coca-Cola follows an intensive brand-building programme. The company has used some of the following methods to build its brands in the country:

- The company focuses on understanding the Indian consumer, and in using these local insights to build powerful connect for its brands. On the back of an effective advertising strategy, Coca-Cola has created a brand that stands for affordability and is inalienable to the common man.
- Given the widespread popularity of cricket and movie stars, the company has roped in a host of cricketers and Indian movie stars to endorse its products.
- Activating local Indian festivals and occasions through below-the-line promotions.
- Creating a distinct identity for each of its flagship brands. For instance Sprite, a drink is promoted as a youth icon standing for a straightforward and honest attitude.

Affordable entry-price point and strong brand pull
The company undertook the Affordability Strategy in 2002 by introducing the 200ml RGB Bottle at US$ 0.1 to bring about the optimal affordable price value equation. The lead-pack in the market was the 300ml at US$ 0.16.

Coca-Cola experienced unprecedented growth rates (above 40 per cent) in 2002 by virtue of its Affordability Strategy. It continues to grow in strong double digits since then. It has also significantly grown...
its consumer base from 162 million in 2001 to 233 million in 2004.

Creating an ultra low cost model: lowering cost of goods sold and fixed cost

In light of the company’s Affordability Strategy, Coca-Cola went about bringing a cost-focus culture in the company. This included procurement efficiencies – through focus on key input materials, trade discipline and control and proactive tax management through tax incentives, excise duty reduction and creating marketing companies. These measures have reduced the costs of operations and increased profit margins.

Outsourcing distribution and manufacturing

Coca-Cola India minimised its capital needs by meeting new manufacturing capacity needs through external co-packers, outsourcing its distribution and meeting its in-market-refrigeration and cooling needs by giving incentives to retailers to self-fund the same through its “Own Your Fridge Scheme.”

Today, the company has an extensive rural and urban distribution network. Coca-Cola adopts a hub and spoke format distribution network ensuring that large loads travel longer distances and short loads travel short distances. The company has increased its village penetration from 9 per cent in 2000 to 28 per cent in 2004 and covers approximately 175,000 villages today. Rural India now accounts for 30 per cent of Coca-Cola’s sales volumes.

Leveraging the India Advantage

Sourcing from India

Exploiting economies of scale and its bargaining power (on account of bulk purchases) in the country, Coca-Cola India has facilitated exports of commodities and materials like tea, coffee, PET resin, performs, closures, crowns and labels.

Future plans

Increasing the per capita consumption of its beverages

Coca-Cola continues its efforts at increasing the per capita consumption of its beverages in the country. India PCC currently is at 11 Servings a Year (up from 7 in 2001). This requires a comprehensive activation of the Indian market by addressing acceptability, affordability and availability of its products.

Expanding its distribution networks

The company had also decided to expand its retail network by 18 per cent during the financial year 2004-05 taking the total number of retailers to 1.3 million across the country.
Leading the beverage revolution in India

The company continues to build on its foundations in India. While it continues to maximise its carbonated soft drink potential through various pack, pricing, occasion-based strategies across town-classes in India, it is exploring other categories like juice, water and tea and coffee. It is poised to lead the beverage revolution in India.