

Positioning Tzinga in Indian Energy Drinks Market: A Case Study

Sajjan Raj Singhvi*

Abstract

Hector Beverages was established by professionals having experience in the soft drink industry and financed by venture capitalists. The firm developed a scientific approach to look at the market and consumers. The case describes the situation and examines the steps followed by the firm.

Keywords: Hector beverages, soft drink, venture capitalist

* Senior Professor, Institute of Management and Technology, Ghaziabad; singhvi@imt.edu

1. INTRODUCTION

Neeraj Kakkar was busy in formulating new initiatives to manage increased capacity of production for its newly launched energy drink 'Tzinga'. The first plant had already started working and the second plant was expected to come on stream soon. The company had always aimed to continuously engage its main customer- Indian youth. As the company was a newcomer in non-alcoholic beverages market, its principal concern was to succeed by right positioning of the brand and wise spends on consumer engagement. Neeraj had realized that the unique positioning has to be quickly established since summer months in India, the main season for beverages, were close. This would also provide him reassurance as to company's understanding of target market in India was right or wrong.

2. HECTOR BEVERAGES PVT. LTD

Hector Beverages Pvt. Ltd. was an Indian startup in \$ 402 million functional drink market of India. The company was founded by Mr. Neeraj Kakkar, Mr. James Nuttall, Mr. Suhas Misra and Mr. Neeraj Biyani in October 2009. The company started its operations with an initial investment of INR 25 million from founders, INR 300 million from N. R. Narayana Murthy's venture capital fund Catamaran Investment Private Ltd and 'Footprint ventures' and INR 35 million from Four Angel Investors. In 2010, Hector Beverages raised INR 60 million as part of its first round of funding to set-up its manufacturing plant in Manesar close to New Delhi in North India. In 2011, the company raised INR 80 million in second round of funding from its investors. The third round of funding of INR 70 million was raised for company's new manufacturing facility at Hosur in Tamil Nadu located 40 kms from Bengaluru in Karnataka. The manufacturing capacity planned at Manesar was 170,000 cases of 12 packs a month by automated machines imported from Singapore and China. Hosur plant was expected to be 3 times bigger than the capacity at Manesar. It was expected to be operational by March 2013.

Hector beverages had plans for its international expansion in Sri Lanka, Bangladesh and countries

of Africa in coming years. Company intended to sell around 1 million bottle/month of 'Tzinga' through its distribution network covering 150,000 outlets at 50 cities in the beginning. The company had plans to strengthen its distribution network by making 'Tzinga' available from 150,000 outlets to 300,000 outlets and build a strong sales team of 200 salespersons.

Mr. Neeraj Kakkar, 38 years old, CEO of Hector beverages Pvt. Ltd, was MBA from Wharton and MDI. He had earlier worked in Wipro and Union Carbide. His last engagement with industry was as General Manager - Area Operations at Hindustan Coca-Cola Beverages Pvt. Ltd., India-100% subsidiary of The Coca-Cola Company.

Mr. James Nuttall - a chemical engineer, was an alumnus of Wharton and had worked with Dow Chemicals for 6 years. He had created a number of food and beverage packaging concepts across the United States and Europe. He was CFO of the company and was also responsible for product development.

Mr. Suhas Misra, an alumnus of IIM Calcutta had worked with Coca - Cola and Nokia. Later he started India's first integrated sales process outsourcing company Channel Play. He was COO of Hector Beverages Pvt. Ltd.

Mr. Neeraj Biyani was an MBA from MDI. Prior to joining Hector Beverages he was working as Regional Manager (Key Accounts) at Hindustan Coca-Cola Beverages Pvt. Ltd., India. In Hector beverages, he was in-charge of sales department.

3. FUNCTIONAL BEVERAGES MARKET

The global functional drink market was 12,705 million liters having a value of \$40,241 million in 2009. It was expected to grow to volume consumption of 16,813 million liters in 2014 having a value of \$53,478 million. While USA accounted for 46.3 % of the global functional drink market in 2009, it was an emerging product category in India with a market value of \$163 million in 2008. It was expected to grow by CAGR of 19.8 % during 2008-13 making this beverage category worth \$402.4 million by 2013. PepsiCo was the largest market player grabbing 26.5% share of the market's volume globally in 2009.^{1,3}

4. FUNCTIONAL BEVERAGES

Functional beverage is a non-alcoholic drink that contains ingredients such as herbs, vitamins, minerals, amino acids or additional raw fruit or vegetables. Each functional beverage often claims to provide specific health benefits. The product category primarily includes sports and performance drinks, energy drinks, ready to drink (RTD) teas, fruit & vegetable drinks, and enhanced water. They are categorized as under –

1. Fruit/Vegetable drinks comprise of Juices-100% fruit juice, Juice Drinks up to 24% juice and Nectars containing 25-99% juice.
2. Ready-to-drink Tea, also served as iced-tea and/or green tea.
3. Sports drinks, the non-caffeinated beverages, are meant to replenish fluids and electrolytes lost during exercise. They work primarily on the muscles.
4. Energy drinks are beverages which stimulate the mind and body with ingredients like Caffeine, Guarana, Taurine and Glucuronolactone. These drinks provide a short-term energy boost to the drinker. (See Exhibit 1)
5. Enhanced Water is a type of functional drink which contain with additional ingredients with water like natural or artificial flavors, sugar, sweeteners, vitamins, minerals and other enhancements.

5. ENERGY BEVERAGES (EBS) AND CONSUMER

Energy drinks (beverages) and “sport drinks” at times are perceived similar by consumers. Companies actively promoted EBs on the themes of effects such as psychoactive, performance enhancing and stimulatory. Some believed it, but others went for advice from physicians as EBs included multiple ingredients. It was also believed that the ingredients carried risks of heart disease and hypertension.

It was observed that additional vitamins, minerals and antioxidants increased the benefit from the product. It was considered important to have an interesting packaging, label and design of the product. It was also

found that younger age group had positive attitude towards product than older age group.^{1,4}

6. CONSUMER BEHAVIOR IN INDIA

Young and working Indians within age range of 15-39 were the prime consumers of energy drinks in India. They preferred energy drinks over carbonates as they were more image conscious than their older counterparts and were willing to pay more for these beverages. Boys compared to girls preferred energy drinks. It was found that almost 55% of 12th standard boys consumed these drinks to boost their game. Young adults who visited Nightclubs and Pubs frequently consumed energy beverages not for its functional value but for the aspiration value and the mystique attached with it. These drinks had become a style statement for them⁵.

Energy drinks recorded significant growth in urban areas especially in metropolitans like 45% in Mumbai, 42% in Bangalore and 40% in New Delhi in 2012. It was found that 71% of youth living in urban centers consumed these drinks. This had also been influenced by increasing health awareness, rise in standard of living and acceptance of new products.

A survey was conducted to understand users of Tzinga. The respondents were those who consumed energy drink 4 times a month or more. Most of them were in the age group of 19-25 years. Those who consumed Tzinga, 60 % of them mentioned that they drank it for gaining energy. It was perceived by them that it kept them energized for an hour. Lemon mint was the most preferred taste for 72 % of the respondents against other tastes like Mango Strawberry or Tropical Trip. Brand name (56%) supported by recall ads (17%) and followed by Word of Mouth (11%) were considered to be major buying influencing factors in case of Tzinga.

7. ENERGY DRINK MARKET IN INDIA

According to a Datamonitor report⁶, energy drinks accounted for 57.6% of functional drinks in terms of market value globally. There was growing consumer acceptability for energy drinks globally. In India,

¹http://www.fastmr.com/prod/80028_functional_drinks_global_industry_guide.aspx

² <http://www.marketresearch.com/Datamonitor-v72/Functional-Drinks-India-Soft-6173962/>

energy drinks accounted for 89.6 % (total value) of the functional drink market followed by nutraceutical drinks (5.5% share) and sports drinks (4.8% share). In 2008, the market was valued at \$146 million, up from \$ 6 million in 2003 and it was predicted to reach \$ 369 million by 2013. The growth of Indian energy drink market in the last decade (50.2 %) was far ahead than its BRIC counterparts: Brazil (16.6%), Russia (14.5%) and China (7.2%)⁷. The growth of energy drinks in India was primarily driven by Red Bull GmbH.

8. COMPETITIVE SCENARIO

The prominent brands in the market were Red Bull, Cloud 9, Burn and Power Horse in the energy drink product category. The energy drink market in India was developed by Red Bull. The new brands in the Indian energy drink market were XXX, KS (KamaSutra), 28 Black & 28 White, Romanov Red, Gatorade and Tzinga.

Red Bull entered India in 2001. Being an early entrant it dominated the market both in sales and market value. Produced and marketed by Austrian company, Red Bull GmbH had established both on-trade and off-trade sales network in India. Other prominent player Power Horse was launched in 2003. It had 3 variants viz. regular, sugar-free and cola. Competing against established specialist players like Red Bull and Power Horse, soft drink giants Coca-Cola and Pepsi Co launched their brands Burn and Gatorade respectively. The aim was to establish them in this fast growing new segment in beverage market and get these brands perceived as Energy beverage. The availability of Burn was restricted to pubs, select modern trade outlets and gyms. It was not available at convenience stores. Gatorade targeted sport persons and youngsters. It was made available at all convenience stores.

A few local players had also launched their energy drinks in the Indian market. Goldwin Healthcare launched 'Cloud 9' in 2008 and became the second

largest player in energy drink market in India. Cloud 9 was available in four variants- premium, wild berry, pomegranate and red grapes. Other local players included XXX by Viking Beverages, KS energy drink by Raymond and Romanov Red (a sub brand of Romanov Vodka) of UB group. For details see Exhibit 2.

9. TZINGA

Hector Beverages introduced Tzinga in March 2011. The product was launched after 14 months of in-depth research, 6 months of which was conducted in Europe. It contained natural ingredients such as lemon and ginseng and was available in three variants i.e. Lemon Mint, Tropical Trip and Mango Strawberry.

The brand was first launched in National Capital Region market and gradually covered important towns and metros in the states of Karnataka, Rajasthan, Madhya Pradesh, Andhra Pradesh, and Gujarat.

10. TZINGA'S POD (POINT OF DIFFERENCE)

Likable Taste - Tzinga's taste was non-cough syrup type unlike its rival 'Red Bull'. Tzinga's syrup was fruit based and was a key reason for its likable taste.

A reduced carbon footprint – Tzinga packaging was designed to keep it environment friendly. It was half in weight of a plastic bottle, which was packaging container for most of the energy drinks. Consequently, the energy utilized for manufacturing, transportation and the CO₂ associated with the manufacturing processes was halved.

Value to the customer – Tzinga was a value for money product for customer. It was priced INR 20, much below its competitors in the market. The reasons for its low price were

- Doy packaging instead of tin packaging used by most competitors.

³<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2966367/>

⁴Asiraphot, V., & Waleetorncheepsawat, W. (2009, June 4). A study of attitudes towards energy drinks in Thailand (Master Thesis in Business Studies). Mälardalen University, Thailand. Retrieved from <http://mdh.diva.portal.org/smash/get/diva2:225451/FULLTEXT01>

⁵<http://www.assochem.org/prels/shownews.php?id=3828>

⁶<http://www.marketresearch.com/Datamonitor-v72/Functional-Drinks-India-Soft-6173962/>

⁷http://www.datamonitor.com/store/News/coca_cola_a_second_shot_at_energy_drinks?productid=6BD05C0B-EA89-4593-BD39-9C95310FB3E7

- Unlike Red Bull and Power Horse it imported ingredients instead of finished goods helping the company to save on import duties. Import duty on finished product was 60% while on ingredients it was only 10%.
- Local manufacturing and low overhead costs.

Exhibit 3 provides the details of competitive information supported by photographs to make an assessment of what is happening in this product category.

Mr Kakkar thought that they have understood the target consumer well. The company also considered itself to have differentiated itself from the competitors well. It was assumed that the launch had been successful. Mr. Kakkar wanted to be convinced of it and therefore, invited MBA students to have a fresh look on what is being done. Could you relook at the following sequence of questions to assure Mr Kakkar?

- What bases of segmentation could be followed in Energy drink market in India?
- Which were the most important benefits consumers look in Energy drink in India?

- What were the points of parity to call a functional drink as energy drink?
- Did Tzinga had the parity and what was its point of difference?
- Was the consumer engagement supportive of its positioning?

11. SUMMARY AND CONCLUSION

The global brand Red Bull was the first entrant to build a new product category of Energy Drinks in India. The success led several other entrants to enter the market. MNCs also wanted to cover the new segment of market by bringing alike products. Hector Beverages was also one of the entrants in the market. The firm was established by professionals with soft drinks experience and financed by venture capitalists. The firm developed a scientific approach to look at the market and consumer. Based upon the understanding, the firm had developed a model to target the market and created the differentiation for it. The case aims to describe the situation and examine the steps followed by the firms and its appropriateness to grow in the market.

EXHIBIT 1 INGREDIENTS & POSSIBLE FUNCTIONS

S.No	Ingredients	Function
1	Caffeine	Stimulates the central nervous system giving the body a sense of alertness.
2	Taurine	Usually body makes enough of it and supplement is not required. It is thought, but not proven that under "stress conditions" like illness physical exertion or injury it helps regulate heartbeat, muscle contractions and energy levels.
3	Guarana	Increase alertness and energy.
4	Ginseng	Helps stimulate the hypothalamic and pituitary glands, which then secrete something called adrenal corticotrophin hormone. Believe to increase energy, is anti-fatigue and supposedly relieves stress & increase memory.

Exhibit 2
Current MRP of Energy Drinks in Delhi (15.02.2013)

Beverage	Manufacture	Price (Rs.)	Content
Red Bull	Red Bull	95	250 mL
Cloud 9	Goldwin Healthcare	85	250 mL
XXX	Viiking Beverages Pvt. Ltd	75	250 mL
Burn	Coca Cola	85	250 mL
KS	Raymond	95	250 mL
Romanov Red	UB Group	75	250 mL
Gatorade	Pepsi	35	350 mL
Tzinga	Hector Beverages	20	200 mL

Exhibit 3
Competitor's Activities employed for Consumer Engagement

Brand	Company	Year of entry in market	Variants of product	Promo Budget (INR in millions 2011)	Print	Sports event	Cricket	Music event	College/ student event	Face book	Movies
Red bull	Red Bull GmbH	2001	1	71		Y	Y	Y	Y	Y	N
Cloud 9	Goldwin Healthcare	2008	4	0.2	Y	N	N	N	N	N	N
Xxx	Viking Beverages@	2009	2	8.3	Y	Y	Y	Y	Y	N	Y
Power Horse	S. Spitz Company#	2003	3	NA							
Burn*	Coca-cola	2009		NA		N	N	Y	Y	N	Y
KS Energy Drink	Raymonds (India) & Ansell Int (Australia)	2012	2	NA							
Romanov Red \$	UB	2010		NA							
Gatorde	Pepsico	2004	3	NA		Y	Y		Y	Y	
Tzinga	Hector Beverages	2011	3	NA		N	N	N		Y	Y

@- Agreement with Café Coffee Day to promote its brand

#- Restricted to pubs, select modern trade outlets, and gyms

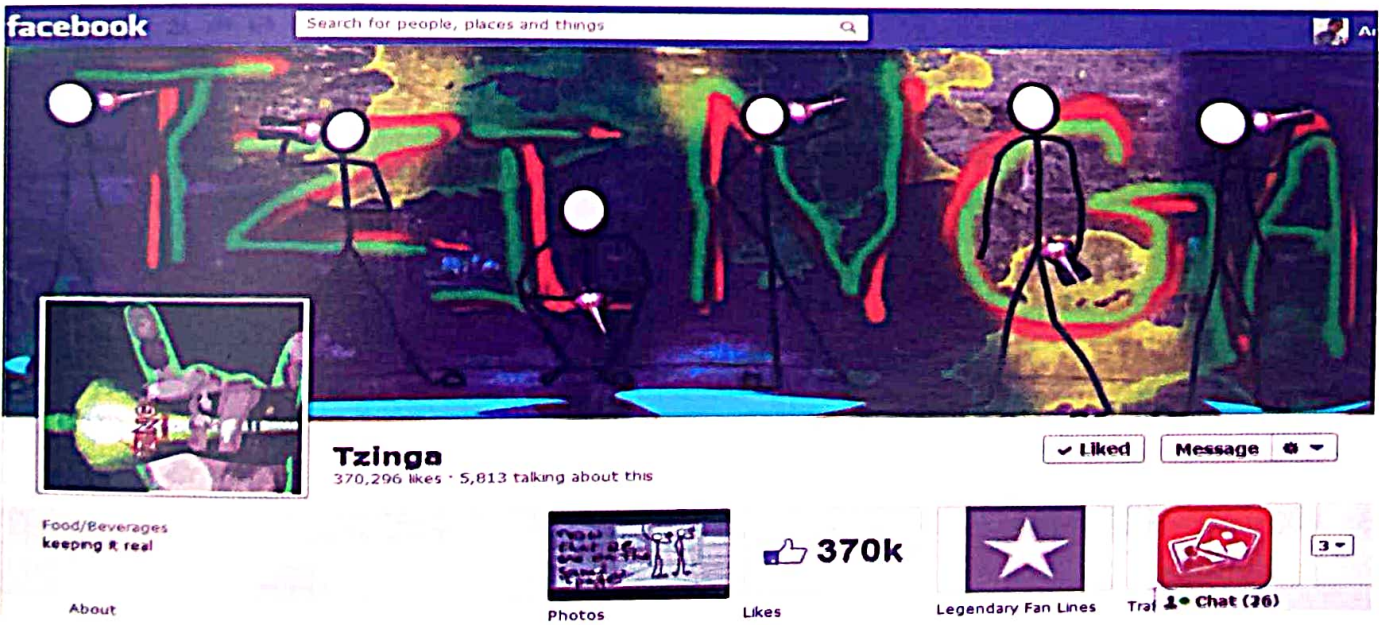
*- First attempt of "Shock Energy" failed

\$- BTL activity like sampling and testing sessions at POS, discos, hotels and pubs

Exhibit 4: PHOTOGRAPHS:



2:



3:





4:



5:

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