



Coca-Cola Masala Gets \$5 Billion to Catch Pepsi in India: Retail

By Malavika Sharma - Sep 12, 2012 2:30 AM GMT+0530

[Coca-Cola Co. \(KO\)](#) is spicing up its struggle with [PepsiCo Inc. \(PEP\)](#) for dominance in India, the company's fastest growing major market.

The world's biggest soft-drinks maker is reviving RimZim, a "masala soda" flavored with cumin and other spices shelved after its 1993 takeover of local rival Parle Group. Coke is bringing back old brands and expanding distribution networks as part of a \$5 billion drive in India, where its sales per capita are one-seventh the global average.



Coca-Cola has struggled to replicate the global success of its eponymous cola, which trails Pepsi in India as well as Thums Up -- another Parle acquisition. Brands appealing to local tastes and investment in Parle's old bottling and logistics systems are crucial to meet Chief Executive Officer [Muhtar Kent](#)'s target of doubling [worldwide revenue](#) this decade.

"To be first to reach out to the entire mass of India is a virgin opportunity," said Ankur Bisen, associate vice president, at [Technopak Advisors Pvt.](#), a Gurgaon, India-based firm that advises consumer companies. "There are still many pockets that most of these soft drinks have not gone to."

Dilapidated infrastructure means Coca-Cola is only reaching about one in five, or 1.7 million, of the potential outlets. That's higher than PepsiCo, which says it has 1.2 million and wants double that in five years. Coke says it aims to be in at least one in three outlets within three years.

India's 1.2 billion people on average consume 12 Coca-Cola beverages a year, compared with a global figure of 92. With about 350 million people aged under 15 -- more than the combined populations of Brazil and [Mexico](#) -- and the changing lifestyle that goes with economic growth and urbanization, the potential for the Indian beverage industry is "unlimited," said [Arun Kejriwal](#), a director of advisory firm Kejriwal Research & Investment Services Pvt. in Mumbai.

\$7.5 Billion

India's market for soft drinks is expected to expand to \$7.2 billion in 2015 from \$3.1 billion in 2010, according to Euromonitor International. [China](#)'s will rise to \$79 billion from \$40.2 billion in the same period, the London-based researcher estimates.

Markets outside the U.S. are increasingly important as consumption of fizzy drinks there declines. The volume of carbonated soft drinks sold in the U.S. fell 1 percent in 2011 to about 9.27 billion cases, the lowest level since 1996, according to trade publication Beverage Digest.

About 80 percent of [operating income](#) at Coca-Cola came from outside [North America](#) last year. PepsiCo got 55 percent of its [pretax income](#) outside the U.S., according to data compiled by Bloomberg.

Indian Sales

Coca-Cola [said](#) in July that Indian sales by volume in the second quarter of this year jumped 20 percent. Its share of the Indian carbonated-beverage market rose to 60 percent last year, from 55 percent in 2005, Euromonitor data shows. PepsiCo's share declined to 37.2 percent from 41 percent.

Atlanta, Georgia-based Coca-Cola quit India in 1977 after the government demanded companies reveal ingredients in their products -- which would have forced Coke to hand over its secret cola formula. It returned in 1993, four years behind PepsiCo. Both companies have been dogged by accusations that their drinks were contaminated with pesticides and their bottling operations depleted water tables.

PepsiCo hasn't ceded ground easily. Gautham Mukkavilli, who heads its [India](#) business, estimates [sales](#) grew "double digits" in 16 of the past 22 quarters. Like its competitor, PepsiCo is boosting distribution and relaunching brands purchased in the 1994 takeover of 105-year-old Indian soft-drinks maker Duke & Sons Ltd. for an undisclosed amount.

Pepsi has re-introduced Duke's Masala Soda brand, and is testing a spiced lemonade under its 7-Up brand called Nimbooz Masala Soda, Mukkavilli said.

National Network

Still, in Parle, Coca-Cola acquired 54 bottlers and a national distribution system. Duke was focused on the western state of Maharashtra, said Harish Bijoor, whose Harish Bijoor Consults Inc. in Bangalore advises companies on brands.

Coke CEO Kent on a June visit to [New Delhi](#) said the company and its local partners plan to spend \$5 billion in India by 2020, part of which will be on new trucks, refrigerators and bottling plants. The emphasis will be on Coke's "distribution network, to make it stronger, and on its advertising and marketing, so that it can reach more people," said Sananda Mukhopadhyay, an analyst at [Netscribes Inc.](#), a consultancy company.

PepsiCo has spent \$1 billion in India over the past four years and hasn't announced any new investment.

Thums Up

Parle also gave Coca-Cola India's two favorite drinks at that time. Sales of Thums Up, a cola with a stronger flavor and more carbonation than others, grew 15 percent in 2011, the company said in its annual report, and had a 5.9 percent [market share](#). Maaza, a mango drink, accounted for 5.5 percent of non- alcoholic beverage sales after an 11 percent jump last year.

Thums Up finally lost its top spot last year -- to Coca- Cola's Sprite, which held a 6.1 percent share of the market. Leveraging off its bigger distribution network, Sprite outsells 7-Up by more than two-to-one.

Coca-Cola is now preparing to [resurrect](#) a lime beverage acquired with Parle called Citra -- selling it at a price 30 percent below Sprite's to take on cheaper local brands.

Coca-Cola's trademark Coke held a 3.2 percent market share in India, behind Pepsi's 5.4 percent, according to [Euromonitor](#).

The company's standard-bearer accounted for 49 percent of worldwide sales by volume, according to Coca-Cola's annual report for 2011. That's down from 51 percent in 2009. Growing concerns over obesity and diabetes are also shifting consumers to juices and less sugary drinks globally.

Nostalgic Taste

Six decades after Coca-Cola first branched out into new beverages with its orange-flavored soda Fanta, the company has more than 500 brands worldwide, tailored to local tastes, according to its website.

"Rimzim, I loved it!" said Nikhil Kumar, 29, New Delhi- based managing director at The Storytellers Pvt., a public- relations company. "For me and my friends, it will be nostalgic, it'll bring back some memories. It's a really good, typical Indian drink."