

Paper Boat –Market Research And Recommendations

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1.Introduction:

The Indian Beverages industry is highly fragmented,with major share of market held by traditional drinks like tea and coffee followed by Juices and Flavoured drinks ,packaged drinking and flavoured water and other non -alcoholic drinks like soft drinks. Over the years,the soft drinks segment has been affected by issues related to health and government policies.There is also a fluctuating seasonal demand when it comes to consumption of soft drinks. The country's soft drink category is dominated by carbonated soft drinks including Coca Cola, Sprite and Pepsi, which make up more than 70 per cent of the total beverages market. A report by market research firm Nielsen has noted that over the past two years, the soft drink industry has seen a value growth of 11 per cent compound annual growth rate (CAGR) and a volume growth of 5 per cent.

Innovation, new consumption occasions, and focus on execution are set to be the biggest growth drivers of the soft drink segment. With more Indians open to the idea of trying out newer and different flavours, it has turned out to be a good time for beverage companies to launch new variants. Currently, apple, orange and mixed fruit flavours account for 55 per cent of the non-carbonated market, with brands like Tropicana (PepsiCo) and Real (Dabur) dominating the segment.But consumers are now aware of the health problems and prefer healthy alternative to soft drinks.Therefore the growth in this segment is expected to come from non-carbonated segment which has contributed to 38 % growth over the past three years.

2.Hector Beverages:

2.1.The Beginning:

Hector Beverages is a Gurgaon based startup focused in non-carbonated and energy drink segment was founded by Suhas Misra, Neeraj Kakkar in 2010.They had worked together at Coke and shared same passion for beverages.They also expanded their team by roping James Nuttall,former packaging expert at Dow chemicals and Neeraj Biyani,another former coca-cola employee. Another major source of support was Shripad Nadkarni,again formerly with Coke, and since then co-founder of MarketGate, a marketing consultancy, who helped with go-to-market strategies,apart from investing in the company in his personal capacity.In the year 2015,the company had inked a tie-up with Indo Nissin, maker of Top Ramen noodles, for distributing its beverages across general trade stores. The two companies had announced the exclusive distribution partnership, which, they said, would specially help to increase Hector's penetration in smaller, tier-II markets.

The company had investment from co-founders,angel investors and from venture capital funds Footprint and Catamaran Ventures.The latest funding valued the company at around \$100 million. The company set up its manufacturing unit at Haryana.They first started their production with energy drink.The energy drinks market in the country, growing at over 30% annually, is dominated by Austrian firm Red Bull with over 70% share. Industry reports peg the energy drinks market at Rs 700 crore.

3.Products:

3.1.Tzinga:

Tzinga,an energy drink was launched in March 2011 which had natural ingredient like lime,ginseng and fruit flavors.The product was available in Delhi and Bangalore at a competitive price of Rs.20 per 200ml pack competing market leader in energy drink Red Bull which was priced at Rs.95.The product was sold in three flavours – Lemon Mint,Tropical Trip and Mango Strawberry.

In two years,the product quickly made inroads with its competitive pricing and flexible packaging and became a leader in cities like Bangalore,Hyderabad,Goa and Northeast though it lagged behind Red Bull in cities like Pune and Mumbai.

In May 2015,the Food Safety and Standards Authority of India(FSSAI) ordered complete recall of the brand Tzinga along with other smaller players like Cloud 9,Akoaroma saying it was unsafe to sell the product because of combination of ingredients ginseng and caffeine.According to FSSAI scientific panel,the “irrational combination” has opposing effect on human body and this combination should not be allowed in any caffeinated beverages.

After 11 months,the product was relaunched with new formulation without ginseng that complied with FSSAI safety standards.

3.2.Flagship Product:Paper Boat

While their first product was a success the lack of clarity on regulations on energy drink made the company look for other avenues.They hit upon the idea of healthy and traditional drinks.Paper boat was flagship product made by Hector Beverages with evocative tagline “drinks and memories” and emerged as a competitor for market leaders.It was during a casual chat with Nuttal and Kakkar that the idea of making traditional drinks emerged.The founders saw that there were no players in the market to produce beverages with traditional flavours.They worked on the idea and decided to make the aam panna .But sourcing of aam panna became difficult with large amounts of green mangoes were not commercially available since people were letting them to ripe.So Paper boat started with Jal Jeera in 2013,a concoction of lemon juice and spices and aamras,a ripe mango smoothie.It was priced at Rs.30.In 2014,they were able to launch aam panna.Within a few months,the company was able to realise sales and the product range started expanding.Their products are now available in 10 varieties- from aam panna and Jal Jeera of North India,to the kokum or wild mangosteen juice popular in southwestern coastal region. Paper Boat does not own intellectual property (IP). The recipes for the traditional drinks that the company talks about have been taken from people’s homes and temples.



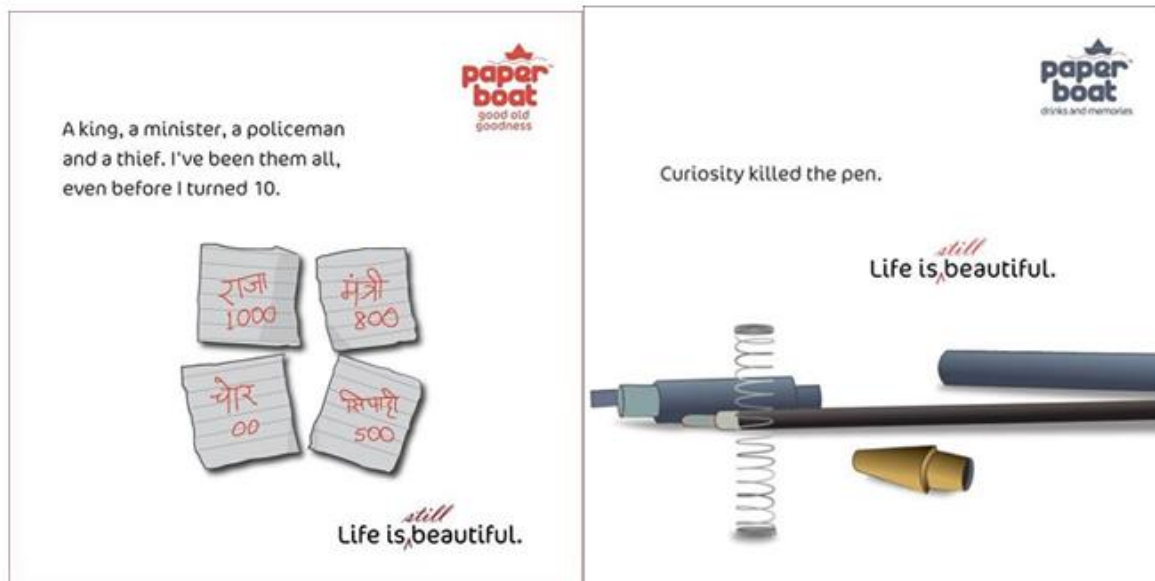
3.3.Fair Trade Product:Paper Boat Chikki

After Tzinga and Paper Boat,the company naturally ventured into traditional Indian snacks with the launch of Paper Boat Chikki that is a fair trade certified product,the first recognisable Indian brand to do so.Fair Trade,a popular concept among consumers in western Europe and the US ensures everyone involved in making of a product is fairly paid:there is no child labour or forced labour;there is gender equality and there are no damages to the environment.With the launch of a fair trade product,the company joins with international brands like Starbucks,Cadbury,Mars that are engaged in fair trade products.

4.Marketing Strategy:

Hector is among a handful of new age companies offering eclectic products - ranging from packaged traditional drinks and food inspired by tradition - for which inputs and ingredients come from farthest places and different cultures. And these companies have built innovative models at the back-end to retain authenticity while appealing to contemporary sensibilities of modern day consumers.

“Drinks and Memories” reads the tagline of Paper boats.One of the main reason for the success of the product was unique marketing strategy handled by the team.True to its name Hector,an ancient greek warrior who took on Achilles ,the product went on to compete with dominating players in the market. The company differentiates its product offerings by linking it with nostalgia and childhood memories and hence the tagline drinks and memories. Every person in their 20s or 30s can associate themselves with this tagline because drinks like Aamras, Aam Panna and Jaljeera, which are of Indian origin and were consumed by children in every household across India almost every day in the summers.Its promotional efforts, which include posting images about childhood memories on their facebook page and website, are in sync with the tagline of the product. The images overwhelm the customers with their own childhood memories, fostering a thought process to establish a connect with the brand and eventually yearning to buy more of it.



The appeal was enhanced by its sleek, single-serving flexible packaging -squashy bottles and innovative way of marketing. They followed an emotional positioning strategy with the drink rather than focus on the functional aspects. Its winning formula can be summarised as: ethnic flavors, snazzy packaging, funky digital marketing focused on stirring nostalgia through storytelling. The theme of fully fledged brand campaign centered around “Drinks and Memories” and the soundtrack was an adaptation of “Malgudi Days”. Paper Boat is now available in over 25,000 retail outlets, including coffee chain Barista, and aboard airlines like IndiGo and Jet Airways. The brand has primarily grown based on word of mouth and marketing campaigns.

The company was the first to launch a disruptive marketing called “appointment drinking” with the company launching the products closer to Indian Festivals and taking it off after a few weeks. The company wants to bring people closer to the brand which has triggered such idea since Paper Boat has enjoyed high emotional value and aims to bring these alive at the right occasion. The hard business logic is that a lot of trade happens in India around the festival time and there is no organised player in non carbonated health drinks segment which Paper Boat is trying to cater to.

5. PESTLE Analysis:

PESTLE analysis evaluates the market a company hopes to enter. A company may have all the information it requires about the quality of its infrastructure, the extent of funds, and the employee talent available to it, but it may not be fully aware of the external environment in which it is to operate or launch a new project. A PESTLE analysis helps it to study all these factors and evolve a strategy to take advantage of, or to overcome, these factors. It helps in decision-making and timing.

Although the quality of leadership and extent of financial resources decide a company's future, the macro-environmental milieu represented by the PEST factors also greatly influence its prospects. The most important aspect of these factors is that a company or business has no control over them and can only manage them as best as it can. This is why it has to evolve strategies to counter these factors, and this is where an analysis of the factors helps.

5.1. PESTLE for Paper Boat

Political:

1. Government regulations in Health drinks market is unclear yet.
2. Prime Minister Narendra Modi's call for multinationals to produce more fruit-based drinks to help Indian farmers.
3. Government has announced 100 % FDI in FMCG sector.

Economic Factors:

1. Rise in supply chain and distribution cost of the product.
2. Higher Inflation rate of 3.36 % as of August 2017.
3. Cost of raw materials can be high since sourcing of ethnic items like green mango, purple carrots with some of them sourced around the world to ensure quality.

Socio-cultural Factors:

1. Changing preference of consumers towards healthy beverages.
2. Large chunk of Indian population is represented by youth segment who are fun loving and prefer fashionable and cool products.
3. Opportunity to cater to large people with health related issues India being diabetic capital of the world and spike of Diet category in food products.
4. Growth of social media platforms which have become voice of customers and a medium for producers to directly interact with them and promotions.

Technological:

1. Growing e-commerce market in India with people preferring to buy more products online than from traditional brick and mortar stores.
2. Higher scope for research and development in unexploited traditional beverages market.
3. Optimisation of manufacturing efficiency and supply chain with technologies like big data analytics.
4. Advanced manufacturing techniques can be deployed for increasing the throughput.

Legal:

1. FSSAI regulation of beverages sector.

Environment:

1. Recycling of paper which could reduce the environment effects.
2. Depletion of water resources since country is already suffering from severe drought in several states.

6.Existing Segmentation,Targeting and Positioning for Paper Boat:**Segmentation:**

Based on geographic segmentation, Paper board's market segment caters to urban cities. It is seen as a premium brand in these cities and are available in all supermarket stores. The names like aam panna, Jaljeera, neer more resonate with Indian traditional receipts and create instant appeal to the urban population.

Based on behavioural segmentation, Paper Boat brand has been centered around the theme of bring back good old memories associated with childhood while consuming and have released certain product variants like Thandai, Serbet-e-khaas, Rose Tamarind and Panakam on festive occasions.

Based on demographic segmentation, paper boat caters to youth above 20 years of age with moderate to high income levels.

Paper boat uses psychographic segmentation based on the following research

1. Lifestyle— Peoples preference towards ready to eat foods and preference of consumers to pay for convenience. Earlier, there was not much preference for ready made foods. But the scenario has changed with 25-35 year old age people now preferring ready to eat foods.

2. Social Class- People who have migrated from rural to urban areas in search of jobs and are alone who still cherish their childhood days filled with traditional drinks. Paper boat tried to recreate traditional drinks with old recipes which clicked instantly with people.

Targeting:

The people who are overwhelmed with Indian beverages – Paper boat is majorly targeting this group of people by bringing back nostalgic memories.

People shifting from aerated drinks to natural drinks.

Paper boat targets the people who prefer natural beverages over aerated ones – these are people who generally go for fruit based beverages or natural juices. With no preservatives and high percentage of natural fruit content in its products, paper boat targets this group of people.

Positioning:

Paperboats has adopted an emotional positioning strategy inline with their tagline “drinks and memories”. The facebook campaign also features these stories with the theme “Life is still beautiful”.

Unique packaging, attachment towards traditional drinks, pride of consuming an “Indian” drink, authenticity of the drink are factors based on which Paper boat has done its positioning.

7. SWOT Analysis of Paper Boat:

Strengths:

1. The brand sells home-made flavours like kokum, aamras and jaljeera to Indians who've been fed on bottled colas for years.
2. Huge investment from primary investors and angel investors.
3. Attractive and unique Packaging.
4. Traditional drinks with Indian flavor compared to carbonated drinks
5. Innovative marketing strategy using social media platforms adding an emotional touch in their products rather than marketing about taste, freshness and other functional features.
6. Good word of mouth created through their products.
7. Tie up with Indo Nissin ,producer of Top Rammen Noodles for reaching out tier II markets and rural areas through its distribution network.
8. Targeting of youth segment ,who form large chunk of Indian population.
9. Provides value for money to customer.

Weakness:

1. Production capacity is limited to offset the demand for the product.
2. Quick rise of competitors in the segment. Dabur launched Hajmola Yoodley brand of ethnic drinks in similar-looking packs and flavours.
3. Fluctuating seasonal demand of the product. Preference of drinks during summer is high.
4. Not available in tetra packs.
5. Premium pricing of the products.
6. Difficulty in sourcing of traditional ingredients.

Threat:

1. Possibility of strong market leaders introducing similar products into the market.
2. Effective visibility of the product in the stores dominated by market leaders.
3. Increase in tax rates after GST.
4. Quality assurance of raw materials sourced from different suppliers.

Opportunities:

1. Changing customer preference over healthy non carbonated drinks.
2. Innovative ideas in introduction of new flavours.
3. Unexplored rural market.
4. Establishing strong distribution network.
5. Taking the products to global market.
6. Enhancing the Customer centricity.

8. Defining the Segment Attractiveness Measures:

Based on PESTLE and SWOT analysis of Paper boat, we try to identify and quantify the segments.

Measurability:

Paper boat has segmented the customers demographically focusing urban youth aged above 20 years. Given the population of Indian youth this is an attractive segment and where the purchasing power is also high. The sentiment in this segment is to shell out extra money for premium high quality products.

Accessibility:

The segmented customers have a vast social media presence and are willing to express their opinions on the media platforms. Therefore, Paper Boat has targeted an accessible segment and any marketing campaign can reach the targeted group.

Substantiality:

The reason for paper boat to achieve significant sales numbers is because of its unique positioning compared to other brands in the segment. Therefore, the consumer segment targeted by Paper boat is profitable and large to approach with its marketing program.

Differentiable:

The needs of the younger and older generation of people targeted by paper boat is different. While the former may prefer for modern, fashionable and cool the later may prefer authentic brands. Therefore the customer segment is differentiable and can be targeted specifically.

Actionable:

Since the customer base has social media presence and are approachable, effective programs can be formulated for attracting and serving the segments.

9. Proposed Segmenting and Positioning Strategy:

With the information presented above, we try to propose segmentation and positioning strategy that would work well for Paper Boat.

With just 9 years into the industry, Paper Boat was able to create a strong presence through its disruptive method of attracting customers and fancy product names. But, going forward the company should not only focus on marketing strategy rather it should expand its presence in rural region where the concept of traditional beverages mean unpackaged juice drinks. What makes Paper Boat's packaged drinks business attractive is also the fact that India is moving from being an unbranded to a branded goods market. "There is a shift from commodities to brand play. It happened in many countries and it is happening in India right now". Also it should try to expand its presence in tier II cities. With confidence in the future of demand, Paper Boat has been expanding its capacity. Currently the company has two manufacturing facilities—one at Manesar near Gurgaon and the other at Mysuru near Bengaluru. When it started out, the Manesar facility churned out 80 Doypacks per minute. However when the Mysuru plant came up in 2015, it added more capacity. With addition of more capacity over a period of time, the two units today collectively produce 400 Doypacks per minute. Positive word of the mouth helped paper boat immensely to gain significant market share. Therefore, it should position itself to retain this image and create products that resonates with the idea.

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