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BIRA 91: SETTING NEW PRICES IN AN ESTABLISHED SEGMENT[[1]](#endnote-1)

Gaganpreet Singh wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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We need to redefine the world of beer.[[2]](#endnote-2)

Ankur Jain, founder and chief executive officer, Cerana Beverages

In February 2015, Ankur Jain, founder and chief executive officer (CEO) of Cerana Beverages Pvt. Ltd. (Cerana Beverages), launched Bira 91 (Bira), India’s first handcrafted beer. Craft beers, including those produced in microbreweries, accounted for only 1 per cent of the market share.[[3]](#endnote-3) Bira 91 was introduced to “fill the gap in the market for a trendy, unorthodox, fun and smart brand of beer that could be positioned between Indian brands and expensive imported beers.”[[4]](#endnote-4) Eighty per cent of the beers sold in India were strong, with an 8–9 per cent alcohol content, while Bira was a mild lager. At Bira’s launch, different variants of a 330-millilitre (ml) bottle of Bira were priced between ₹170[[5]](#endnote-5) and ₹220 in different states of India. However, with an increase in demand, Bira adopted strategic pricing and dropped its prices. In June 2016, the brand established a reference price point of ₹100 for a 330-ml bottle of beer in New Delhi.[[6]](#endnote-6) It was priced lower than several premium beers but higher than the market leaders—which were strong, higher alcohol content beers. The price allowed Bira to develop price leadership in the premium beer segment, as no beer was available at the same price point.[[7]](#endnote-7) By decreasing the price and setting a new price range, Bira acquired high-quality, low-price (HQLP) appeal, becoming capable of significantly influencing customer product evaluations. Cerana Beverages intended to replicate this pricing strategy during global expansion planned in next three to four years (2018–2022),[[8]](#endnote-8) so it needed to successfully design a proactive strategy for the associated challenges. It had to have a thorough understanding of discount management to successfully implement its proposed business-to-business partnership strategy while undergoing expansion.

**ABOUT BIRA 91**

*Bira* and other variations of the word meant “brother” in north India and other parts of the country. The Bira 91 logo used a reversed B, which reflected the spirit of rebelling against tradition, and a 91, which signified India’s country code. Its mascot was a monkey, which was symbolic of the monkey inside many of us.[[9]](#endnote-9) Jain described Bira as follows:

The most pristine, earthy water, the sturdiest and choicest barley and wheat, flavoured with a blast from the most delicate hops and restless, manic yeast. There are the secret ingredients of spirit, mystery, mythology, passion, and a turbulent chaos full of vitality, energy and creativity. India has these secret ingredients in abundance.[[10]](#endnote-10)

Craft beers were typically produced in small volumes with emphasis on flavour, quality, and traditional brewing methods. They had lately become highly popular in microbreweries located in select Indian cities. Specifically, microbreweries did not produce beer in the “product format,” implying that the beer was brewed and distributed on site. Cerana Beverages thus led the way in India by deciding to sell both draft and bottled Bira.[[11]](#endnote-11)

By the end of 2017, there were five product variants of Bira: Bira 91 White Ale; Bira 91 Blonde Lager; Bira 91 Light; Bira 91 Strong; and Bira the Indian Pale Ale. Bira 91 White was a wheat beer with low bitterness. Bira 91 Blonde, an extra hoppy craft lager, was a more traditional wheat–barley brew. Bira 91 Light was one of the first low-calorie beers to hit the Indian market. It was positioned as a “lunchtime lager.”[[12]](#endnote-12) Jain described it as follows:

Bira 91 Light is the lowest calorie option for any alcoholic beverage in the bar. It is lower than a glass of champagne, much lower than Breezers, wine, or cocktails. It is even lower than a glass of milk or orange juice. Most things that are healthy have a reputation of tasting awful. We wanted to make a beer that was not just healthy but also delicious. Bira 91 Light will hopefully give non-beer drinkers another reason to consider beers when they are looking for a refreshment.[[13]](#endnote-13)

Recognizing the hold of strong beers in the Indian market, Cerana Beverages launched its first strong wheat beer (Bira Strong) with a 7 per cent alcohol content. Further, Bira the Indian Pale Ale was believed to have spurred a beer revolution in India.[[14]](#endnote-14)

Bira targeted millennial and urban populations, emphasizing taste. About Bira’s segmentation and targeting strategy, Jain said, “The alcohol content barely matters for the urban millennial who is looking to have a good time with friends. What matters is that the beer that they are drinking should be new age.”[[15]](#endnote-15)

**THE INDIAN BEER MARKET**

The Indian beer market was anticipated to grow 7.5 per cent between 2017 and 2021. Indiscriminate taxation was perceived as one of the obstacles to the expected growth. In India, the tax criterion for beer was similar to that for spirits: a volume metric instead of an alcohol-by-volume metric was used. Hence, after attaining the legal age, consumers opted for spirits directly, as the cost of intoxication was relatively low. However, several factors such as a young and growing middle class, changing cultural attitudes, and the trend of craft brews acted as triggers to bring about a change in beer consumption.[[16]](#endnote-16)

The beer market was classified on the basis of two measures: alcohol-by-volume content (strong: 6-8 per cent, and mild: around 5 per cent) and price of beer (mass, mainstream, premium, and super-premium).[[17]](#endnote-17)

**Alcohol by Volume**

In Western countries, beer was often perceived as a refreshment drink. In India, however, it was consumed for intoxication. In 2016, strong beers accounted for 80 per cent of the total beer sales, indicating the Indian preference for strong beers.[[18]](#endnote-18) Each of the three major players—United Breweries Holdings Limited (United Breweries), Carlsberg India Pvt. Ltd. (Carlsberg), and Anheuser-Busch InBev India Ltd. (AB InBev ) —recorded major sales for their respective strong beer brands: Kingfisher Strong, Elephant, and Knockout.[[19]](#endnote-19)

In India, mild beer was perceived as a premium experience, linked to a certain lifestyle, especially among the urban population. This enabled beer companies to diversify their offerings into mainstream and premium segments.[[20]](#endnote-20)

**Price of Beer**

The Indian beer market was dominated by three players: United Breweries, Carlsberg, and Anheuser-Busch InBev. A snapshot of the 2016 market share showed a consolidated oligopolistic market (see Exhibit 1). To cater to the Indian customer base, each of the major players developed a varied product portfolio that covered all segments—from mass to super-premium (see Exhibit 2).[[21]](#endnote-21) (For a detailed snapshot of product segmentation, see Exhibit 3. For the pricing strategy of each beer segment, see Exhibit 4.)

**PRICE LEADERSHIP AND GLOBAL EXPANSION**

Price leadership was an outcome of an industry-level price management strategy. The other two levels of price management were product/market and transaction.[[22]](#endnote-22) Price leadership referred to a situation in which a market player set a new price point or range in a particular segment and pushed the rest of the players to follow. Initially, when Bira was launched, its price was comparable to the premium beers available in the Indian market. However, after it raised funds from Sequoia Capital India Advisors and shifted its production outsourcing from Belgium to India, it instituted a reference price point of ₹100, thereby setting a new price range in the established segment.[[23]](#endnote-23) Bira adopted an HQLP positioning.

The lower price point in the premium beer segment was also possible because of the company’s negligible spending on mass marketing campaigns. Its product was made available at popular pubs such as Beer Café, Monkey Bar, Raasta, Pint Room, and Barsoom. People liked it, and the product went viral. Only word-of-mouth publicity helped Bira capture 30 per cent market share in the premium segment.[[24]](#endnote-24)

Acquiring a commanding position in the premium segment required Bira to diligently understand the myriad industry factors at play. These included demand, supply, and costs, among others. However, at one point in Bira’s growth journey, unprecedented demand had led to a supply shortage, and “sold out” was the most common tag associated with Bira. Jain admitted the inaccuracy of the projections. Competitors claimed that the supply crunch had been a tactic to keep the buzz around Bira alive, but this was later refuted by Jain. By the end of 2017, Bira had raised around US$30 million from investors, which was largely used for strengthening the supply to meet the increased demand. Working on a fixed 45 per cent gross operating margin, Bira hoped to break even in 2018 if it did not raise more funds.[[25]](#endnote-25)

The pricing success in the premium segment of the Indian beer market was simultaneously driven by an audacious international expansion. This began in 2016, when Bira became the official beer of the Tribeca Film Festival in New York City, which was known for showcasing indie filmmakers. Bira hosted 70 after parties, and the beer was made available at 300 restaurants, pubs, and bars all over New York City. Acknowledging the perfect partnership, Jain stated, “We want to be associated with a brand that resonates globally. Bira is young and unorthodox, and that overlaps with what Tribeca stands for.”[[26]](#endnote-26) Andrew Essex, CEO of Tribeca Enterprises, explained the partnership, saying the Tribeca management was “always looking for cool, progressive brands to be involved in our events. When Ankur introduced us to Bira 91, we knew it was the right fit for our beer sponsor—groundbreaking, modern, creative, and above all, fun.”[[27]](#endnote-27)

Confident about establishing Bira’s position in the U.S. market, Jain explained to a *Fortune* reporter,

Our point of differentiation is significant not just in India but also in the U.S.,” . . . He explains that two categories of beer—traditional “blue collar” ones like Miller and Coors, and “esoteric, exotic” craft beers—are fighting it out in the U.S. market. While the former project themselves as unfussy, “manly” products, craft brewers are mostly “these two white guys with beards” making obscure brews and telling consumers, “if you don’t like these beers there’s something wrong with you.” “We’re neither. We’re a brand with a very clean, stark, memorable visual identity.[[28]](#endnote-28)

For the New York market, Bira was still being imported from the brewery in Belgium; however, in 2018, Jain expected Bira to have its own brewery in the United States. In July 2017, Jain announced Bira’s entry into five new markets—the United Kingdom, Singapore, Hong Kong, Thailand, and the United Arab Emirates—by the following summer, through distribution partnerships. On expanding into Southeast Asia, he mentioned that the beer market in Southeast Asia was very similar to that in India. Bira intended to capitalize on the first-mover advantage to shift consumers from mainstream beer.[[29]](#endnote-29)

Jain proposed to repeat the pricing strategy in each of these countries, with “beer on tap in restaurants at accessible price points, much lower than other imported ones, and later making Bira available in retail stores.” Bira aimed to begin its foray into brewing in each home market once the volume reached 10,000–20,000 barrels per year. This ambitious implementation would require raising another US$150 million through debt and equity.[[30]](#endnote-30)

The initial success in New York had convinced Jain to proceed with his global expansion plans; however, the investors of Bira believed it was too early in the life of the company to do so.[[31]](#endnote-31)

**THE CHALLENGES AHEAD**

Bira’s success in setting a new price range had changed the pricing strategy in the premium segment of the Indian beer market. The intention of replicating that pricing strategy in global markets made the associated challenges more complex. Sustaining a leading position required Bira to constructively increase prices at regular intervals, capturing the full value of the innovation and, more importantly, avoid price wars. Senior leadership at Bira had to have a thorough understanding of what underpinned successful price leadership. In addition, the three levels of price management were an interrelated hierarchy. Lowering the price point in the premium segment and positioning itself as a brand with HQLP appeal required Bira to manage challenges primarily associated with customer evaluations. Bira’s plan to execute its expansion strategy through the business-to-business partnership model required in-depth understanding of discount management.

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Exhibit 1: Market share by volume, 2016

Note: AB InBev = Anheuser-Busch InBev.

# Source: Adapted from “India: Beer sales plummeted by 10% last year”, Inside Beer, accessed on July, 15, 2018, https://www.inside.beer/news/detail/india-beer-sales-plummeted-by-10-last-year.html.

Exhibit 2: Consumer Profile

|  |  |  |  |
| --- | --- | --- | --- |
| **Consumer Profile** | **Size of Population** | **Preference** | **Purchasing Power** |
| Working Man | Maximum | Strong, mass | Low |
| Millennial Party-goer | Intermediate | Strong/mild, mainstream/premium | Moderate |
| Corporate Connoisseur | Minimum | Mild, super-premium | High |

Source: Primary researchconducted by case author in July 2018.

Exhibit 3: Competitor Analysis

|  |  |  |
| --- | --- | --- |
| **Product** | **Type** | **Classification** |
| Kingfisher Premium | Mild | Mainstream | |
| Kingfisher Strong | Strong | Mainstream | |
| Kingfisher Ultra | Mild | Premium | |
| Kingfisher Ultra Max | Strong | Premium | |
| Kingfisher Blue | Strong | Premium | |
| Kingfisher Buzz | Mild Flavour | Premium | |

|  |  |  |
| --- | --- | --- |
| **Product** | **Type** | **Classification** |
| Carlsberg Green | Mild | Premium |
| Carlsberg Elephant | Strong | Premium |
| Tuborg Green | Mild | Mainstream |
| Tuborg Strong | Strong | Mainstream |

|  |  |  |
| --- | --- | --- |
| **Product** | **Type** | **Classification** |
| Budweiser Magnum | Strong | Premium |
| Budweiser Light | Mild | Premium |
| Corona | Mild | Super-premium |
| Stella Artois | Mild | Super-premium |
| Knockout | Strong | Mass |
| Hayward’s 5000 | Strong | Mainstream |
| Hayward’s 5000 Bold | Strong | Mainstream |
| Foster’s Lager Mild Beer | Mild | Mainstream |

Source: Adapted from United Breweries Website, accessed on July 16, 2018, <http://unitedbreweries.com/our-brands>

Extracted from Carlsberg India Website, accessed on July 16, 2018, <https://carlsbergindia.com/products/>

Extracted from AB InBev Website, accessed on July 16, 2018, <http://www.ab-inbev.com/our-brands.html>

Exhibit 4: Pricing Strategy

|  |  |
| --- | --- |
| **Beer Segment** | **Pricing Strategy** |
| Mass | Cost-plus |
| Mainstream | Penetration pricing |
| Premium | Premium Pricing/Mark Up |
| Super-premium | Price Skimming |

Source: Interview with beer industry analysts.

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Cerana Beverages or any of its employees. [↑](#endnote-ref-1)
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11. Rai, op. cit. [↑](#endnote-ref-11)
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14. Ibid.; India Today, “The Return of India Pale Ale, Years after It Left Indian Shores,” *India Today*, October 19, 2017, accessed December 17, 2017, <http://indiatoday.intoday.in/story/october-ale-england-india-pale-ale-beer-bira-white-rhino/1/1071404.html>. [↑](#endnote-ref-14)
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20. Ibid. [↑](#endnote-ref-20)
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