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Nilgai Foods: Positioning Packaged Coconut Water in India[[1]](#footnote-1)

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In June 2017, Abhay Jaiswal and Arjun Gadkari, founders of the food start-up Nilgai Foods Private Limited (Nilgai Foods), reintroduced their product Cocofly at the lowest price point among major competing brands of coconut water in the Indian market. The two partners first came across the idea of packaged coconut water in 2014, when they were contemplating an expansion of their business. Although the packaged coconut water was a billion-dollar industry globally, the young partners were surprised to find out that India had little to no presence in this market. Despite being the world’s second-largest producer of coconuts,[[2]](#footnote-2) India had less than 1 per cent share in the global packaged coconut water market. The idea of packaged coconut water seemed promising to the two entrepreneurs—but only if they could convince consumers fixated on drinking coconut water directly from the fruit to switch to a packaged product.

In 2016, the two partners launched Cocofly as a new packaged coconut water product.[[3]](#footnote-3) Consumers generally responded positively to Cocofly for its taste and quality, but they were not as happy about its price. The next year, Cocofly was reintroduced at the market’s lowest price point, which raised some questions for the two founders: Was such as low price sustainable as a marketing strategy? In a largely unorganized market with several early entrants, how could they improve their marketing strategies? Could they create a market segment for their product without the distribution wherewithal of beverage industry giants? More importantly, how could they avoid having their product become commoditized?

Company Background

It was a chance encounter between Jaiswal, a London Business School graduate, and Gadkari, a young University of Oxford graduate, that led them to set up Nilgai Foods. Jaiswal, who was working as a management consultant in London, wanted to return to India to build a new venture in the fast-moving consumer goods industry. Gadkari was experimenting with a business model that would make quality packaged food accessible to the broader Indian population. In 2011, Jaiswal and Gadkari joined forces and set up Nilgai Foods in Mumbai, India, thus venturing into the food and beverage industry. The company started with fine dining restaurants and later opened a chain of quick service restaurants, which consisted of express outlets that provided a range of grab-and-go gourmet foods. In 2013, the company launched its gourmet sauce brand Pico,[[4]](#footnote-4) a hot sauce made from Indian spices and flavours. It was not until one year later that the idea of packaged coconut water was formed.[[5]](#footnote-5)

Jaiswal and Gadkari spent some time researching the market potential and the business challenges. With their company involved in the packaged food business, it seemed a natural progression to move into packaged beverages. Their research showed the market as being promising. A growing Indian market with rising consumer demand for healthy and natural products seemed to be a lucrative segment. The company spent almost two years perfecting the packaging process and working out supply chain issues for sourcing the coconuts. Cocofly, as the final product was branded, finally hit store shelves in February 2016.[[6]](#footnote-6) By April 2016, Nilgai Foods had sales of US$460,000,[[7]](#footnote-7) with monthly operating costs of $100,000. Hoping to increase sales to $5.7 million in 2017, the company planned to raise $6–8 million in capital to be allocated over the next three years for the marketing and distribution of the Pico and Cocofly products.[[8]](#footnote-8)

The Beverage Market in India

The Indian beverage market had experienced rapid growth in the previous few years. At the end of 2015, the market for beverages was valued at $27.9 billion, and it was expected to grow at a compound annual growth rate (CAGR) of over 20 per cent during the next five years.[[9]](#footnote-9) Reasons for the projected growth included increasing disposable incomes, growing organized retail, and India’s comparatively low per capita consumption rate for soft drinks, which was one-twentieth of the U.S. rate.[[10]](#footnote-10)

The market was broadly segmented into alcoholic and non-alcoholic beverages. Alcoholic beverages consisted of distilled and non-distilled drinks; non-alcoholic beverages included soft drinks and hot beverages. The soft drink market was further segmented into carbonated drinks, fruit juices, bottled water, ready-to-drink tea and coffee, and sports and energy drinks.[[11]](#footnote-11) The non-alcoholic beverage market was growing substantially at an impressive CAGR of 17 per cent. As of 2015, this market was valued at $2.5 billion and was poised to reach $4.9 billion by 2020. The industry average of the net profit margin for non-alcoholic beverages from 2016 to 2017 was 8–12 per cent.[[12]](#footnote-12) Within the non-alcoholic beverages segment, carbonated drinks held a higher market share (at 47.9 per cent) than fruit juices (at 25.1 per cent) from 2010 to 2015. However, the growth rate for fruit juices was higher (at a CAGR of 27.3 per cent) than the rate for carbonated drinks (at a CAGR of 12.8 per cent) during that same period.[[13]](#footnote-13) One key reason for the shift toward juices was the increasing health consciousness among Indian consumers and concerns about the negative effects of carbonated drinks on their health.[[14]](#footnote-14)

Based on the amount of fruit they contained, juices were further segmented into three categories: fruit juices, nectar drinks, and fruit drinks. Fruit juices consisted of 100 per cent fruit. The minimum fruit content required for fruit nectars varied between 25 and 50 per cent, depending on the type of fruit. Fruit drinks had a maximum of 30 per cent fruit content.[[15]](#footnote-15)

The Coconut Water Market in India

Jaiswal and Gadkari conducted research that revealed important details about India’s coconut water market. Although India consumed large amounts of coconut water, it was generally consumed directly from the fruit. It was rarely available in packaged form in retail outlets. The market for packaged coconut water was unorganized and consisted mainly of city street vendors. Therefore, the two partners saw a large gap in the market and decided that packaged coconut water held considerable growth potential. The packaging would make it convenient to carry the product and increase its shelf life. In 2016, the Indian packaged coconut water market was valued at $15.38 million and projected to grow at a CAGR of over 17 per cent from 2017 to 2022 to reach $40.73 million by 2022.[[16]](#footnote-16)

The Cocofly Journey

Packaging coconut water was a tedious process. Tender coconuts, once detached from bunches, would be highly perishable and lose their natural freshness within 24 to 36 hours. To maintain the natural freshness of the coconut, researchers were experimenting with various methods at every stage of processing—from collecting coconut water under hygienic conditions to upgrading, pasteurizing, filtrating, and packaging the product. The Cocofly team, with the help of highly specialized food technologists, experimented for nearly two years and successfully developed a special processing method that could retain the natural freshness of coconut water.

Recognizing the potential of the packaged coconut water market, several other companies had already entered the market. Among the first entrants was Cocojal, launched in 2010 by Bangalore-based Jain Agro Food Products Pvt Ltd. In 2014, Réal Activ coconut water was introduced by Dabur, a leader in the fruit beverage category. Jaiswal and Gadkari believed that it was the right time to enter the market. Although the concept of packaged coconut water had already been tested through products such as Cocojal and Réal Activ, there was enough potential to grow with their own product.[[17]](#footnote-17)

Demand for fruit drinks had been rising consistently among Indian consumers, driven by these products’ health benefits. Jaiswal and Gadkari saw tremendous growth potential in the market and launched Cocofly, which they described as 100 per cent pure *nariyal pani* (Hindi for “coconut water”), with no added sugar or preservatives.[[18]](#footnote-18) As Gadkari explained:

Cocofly stands out not only compared to other beverages but also when compared to competing coconut waters: we have [highlighted] the fact that Cocofly has no added sugar and no preservatives, which makes it the only truly guilt-free drink in the market.[[19]](#footnote-19)

Pricing of Cocofly

Cocofly was introduced at an initial price of ₹35 (approximately $0.51)[[20]](#footnote-20) for a Tetra Pak of 200 millilitres (ml). During a hot summer in June 2016, Nilgai Foods dispatched 50 cases of Cocofly to the Indian army, where 400 army personnel tasted it and provided their comments. Their responses on the taste and the quality of Cocofly were generally positive and encouraging. However, there were concerns about the price at which Cocofly was being offered. Although price may not have been an issue for officers, lower-ranked army personnel (known as *jawans*) found the price too high. Similar responses were provided by officials from the Indian Railways, who stated that Cocofly would likely be sold only in first-class coaches. Not enough demand was expected from (non-air-conditioned) sleeper coaches and (unreserved) general coaches. Jaiswal and Gadkari were convinced that they would only be able to capture a relatively small segment of customers—middle and higher income consumers—with Cocofly’s initial ₹35 price point.[[21]](#footnote-21) As Jaiswal recalled, “I was consistently told that if you want to build a huge business, you are creating a cap at Rs. 35.”[[22]](#footnote-22)

A 200 ml coconut water drink sold in packaged format, usually from roadside vendors, was priced at about ₹35–40, whereas packaged juices of a similar size could cost only ₹20. This meant that the consumer was paying a premium of approximately 80 per cent to switch to coconut water from sugar-laden juices and nectars. The two partners had to reconfigure their supply chain and find a new method of processing coconut water that could dramatically reduce the cost to consumers.

In June 2017, Cocofly was reintroduced at ₹20 for a 200 ml pack.[[23]](#footnote-23) The packaging was changed from tetra packs to polyethylene terephthalate (PET) bottles, which were free of BisphenolA (BPA), a chemical substance used in plastic bottles that was known to have an adverse effect on human hormones. The new packaging allowed for more size options and reduced production costs by about 30 per cent. At the new price, gross margins were estimated at 13–18 per cent per bottle of Cocofly, with the potential to become a healthy drink option for all consumers, including those in lower-income segments (see Exhibit 1).

Cocofly’s Distribution

Cocofly was first launched in India’s National Capital Region (NCR), which included New Delhi and several surrounding districts from northern states such as Haryana, Uttar Pradesh, and Rajasthan. The NCR was a non-coastal region, where fresh coconut water was rarely available. Therefore, it seemed a preferred location to introduce Cocofly. Nilgai Foods partnered with 30 distributors and about 4,000 retailers, who received overwhelming response from consumers. About 1.6 million packs of Cocofly were sold in just two months in the summer of 2017.[[24]](#footnote-24)

Cocofly was also sold through the franchise stores of Patanjali Ayurved Ltd. (Patanjali). Patanjali, a well-known brand for Ayurvedic and herbal products in India, was known for its pure and healthy offerings to consumers. By early 2016, Patanjali had about 15,000[[25]](#footnote-25) franchise stores across Tier 1, Tier 2, and Tier 3[[26]](#footnote-26) cities in India. Cocofly was also sold through many institutional channel partners such as hotels, hospitals, airlines, and railways.[[27]](#footnote-27) To further expand its brand presence across the nation, Nilgai Foods started selling Cocofly through its own e-commerce platform.[[28]](#footnote-28)

With the initial success of Cocofly in the NCR region, Nilgai Foods had plans to expand the distribution network of Cocofly to other parts of the country. Jaiswal explained:

We have enough capacity with 2 million litres a month for Cocofly to do a pan-India launch. However, to do a multi-city pan-India launch, we will require more capital to expand our distribution team and marketing. We will need to raise US$8–10 million for it and it will be allocated over 3 years. About 60 per cent of it would go into marketing, while 30 per cent would be utilized for distribution expansion.[[29]](#footnote-29)

Promoting Cocofly

Cocofly was promoted as 100 per cent pure coconut water that not only quenched thirst but was also healthy (see Exhibit 2). The PET bottle of Cocofly acted as an informative advertisement for the product.[[30]](#footnote-30) According to the information provided on the PET bottle, Cocofly promoted hair growth and had no fat content or added sugar.The marketing team promoted Cocofly through promotional videos, where consumers were asked to drink Cocofly’s coconut water blindfolded and comment on its taste. The idea was to dispel the perception that the taste of packaged coconut water was inferior to natural coconut water. Cocofly was also promoted through humorous radio advertisements and YouTube videos featuring parodies of famous Bollywood actors.[[31]](#footnote-31)

The marketing team launched a major out-of-home campaign in the NCR region using large billboards that were strategically positioned in heavy commuter traffic areas. The billboards conveyed two messages about Cocofly: its superiority to other packaged drinks and its lifestyle image as more than just another boring healthy drink (see Exhibit 3). Cocofly also sponsored the initiative Stepathlon Kids, which helped kids become more physically active.[[32]](#footnote-32) The association between Cocofly and Stepathlon Kids was a natural partnership to promote two basic fundamentals of health and well-being: regular exercise and healthy food.[[33]](#footnote-33)

Challenges Ahead

The initial success of Cocofly was attributed to two factors. It was touted as pure coconut water with many health-related benefits, and it was sold at a price point that made it affordable to a mass scale of consumers. However, in the previous four years, various new products—Réal Activ, Cocojal, Paper Boat, and many smaller brands—had entered the packaged coconut water market, offering similar health benefits.[[34]](#footnote-34) Other major companies, such as Coca-Cola and Patanjali, were already making plans to enter this market. It would not be long before industry giants lowered their prices and became strong competitors to Cocofly.

The main marketing challenge Jaiswal and Gadkari faced was to avoid the commoditization of Cocofly and to differentiate it from competing brands.[[35]](#footnote-35) If they were ever to realize their dream of making Cocofly a $140–$150 million brand, a different positioning of the brand was essential in the next few years. Market expansion of the brand without differentiation would simply result in overall growth of the coconut water market, without creating any locked-in benefit for Cocofly.[[36]](#footnote-36) The two partners also had the challenging task of planning the expansion of Cocofly’s distribution network across India, including the coastal region. Experts believed that it would be difficult for Cocofly to penetrate the coastal belt, where coconut water was easily available to consumers through unorganized markets.[[37]](#footnote-37) Jaiswal and Gadkari needed to act fast.

Exhibit 1: Relative Price of Cocofly

|  |  |
| --- | --- |
| **Brand Name** | **Price (Six Packs of 200 Millilitres Each)** |
| Dabur Réal Activ | ₹240 (approx. US$3.42) |
| Paper Boat | ₹240 (approx. US$3.42) |
| Cocojal | ₹210 (approx. US$3.00) |
| Cocofly | ₹120 (approx. US$1.71) |

Note: ₹ = INR = Indian rupee; US$1 = ₹64.40 on June 1, 2017.

Source: “Cocofly Launches 200ml Bottle of 100% Pure Coconut Water Priced at Rs 20,” FnBnews.com, June 8, 2017, accessed April 4, 2018, www.fnbnews.com/Top-News/cocofly-launches-200ml-bottle-of-100-pure-coconut-water-priced-at-rs-20-40668.; “Grocery & Gourmet Foods: ‘Coconut Water,’” Amazon India, accessed November 24, 2018, www.amazon.in/s/ref=nb\_sb\_noss\_1?url=search-alias%3Dgrocery&field-keywords=coconut+water.

Exhibit 2: Cocofly pet bottle outlining the healthy characteristics of coconut water



Note: PET = polyethylene terephthalate.

Source: VJMedia Works, “Cocofly Slashes Price & Unveils New Packaging; to Launch New In-store Communications,” Retail4Growth, June 1, 2017, accessed April 1, 2018, www.retail4growth.com/news/cocofly-slashes-price-unveils-new-packaging-to-launch-new-in-store-communications-2606.

Exhibit 3: Out-of-home large billboards



Source: Satrupa Chakraborty, “Cocofly Douses Summer Heat through Outdoor,” Media4Growth, May 19, 2016, accessed May 14, 2018, www.media4growth.com/ooh-news/cocofly-douses-summer-heat-through-outdoor-979.

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 Nilgai Foods or any of its employees. [↑](#footnote-ref-1)
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3. “Cocofly Launches 200ml Bottle of 100% Pure Coconut Water Priced at Rs 20,” FnBnews.com, June 8, 2017, accessed April 4, 2018, www.fnbnews.com/Top-News/cocofly-launches-200ml-bottle-of-100-pure-coconut-water-priced-at-rs-20-40668. [↑](#footnote-ref-3)
4. “Nilgai Foods Forays into Retail,” India Infoline, October 19, 2013, accessed August 27, 2018, www.indiainfoline.com/article/news-sector-fmcg/nilgai-foods-forays-into-retail-113111802062\_1.html. [↑](#footnote-ref-4)
5. “The Cocofly Story at the So Delhi Confluence,” YouTube video, 10:44, posted by “Abhay Jaiswal,” June 3, 2016, accessed April 1, 2018, www.youtube.com/watch?v=N0fNEvqzKgE. [↑](#footnote-ref-5)
6. Sonal Khetarpal, “A Gourmet Touch,” *Business Today*, accessed December 18, 2018 www.businesstoday.in/magazine/features/nilgai-is-now-looking-at-the-european-market/story/232042.html. [↑](#footnote-ref-6)
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14. Admin, op. cit. [↑](#footnote-ref-14)
15. Editor FMT Magazine, op. cit. [↑](#footnote-ref-15)
16. Admin, op. cit. [↑](#footnote-ref-16)
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20. ₹ = INR = Indian rupee; US$1 = ₹64.40 on June 1, 2017. [↑](#footnote-ref-20)
21. Irani, op. cit. [↑](#footnote-ref-21)
22. Ibid. [↑](#footnote-ref-22)
23. “Cocofly Launches 200ml Bottle of 100% Pure Coconut Water Priced at Rs 20,” op. cit. [↑](#footnote-ref-23)
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35. Irani, op. cit. [↑](#footnote-ref-35)
36. Ibid. [↑](#footnote-ref-36)
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