

# Business Standard

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## Premium thirst

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Ramesh Chauhan's Bisleri comes out with a new brand of natural mineral water sourced from a spring in Uttarakhand to take on Tata Tea's Himalayan.

Ramesh Chauhan of Bisleri Ltd is not one to give up easily. Nearly two years after his natural mineral water, Mountain Water from the Himalayas, got into a legal tussle with Tata Tea's Himalayan (it had bought the brand from Dadi Balsara, the maverick non-resident businessman) over patent infringement, he is all set to relaunch it as Vedica in the metros. Chauhan's Bisleri is the undisputed leader in the market for packaged water. Vedica will tap the top end of this market.

Packaged water is a recent phenomenon in the country. As incomes improved rapidly in the last 15 years or so, people began to look for safe drinking water when on the move and even in offices and at homes.



The size of the market today stands at Rs 254 crore. Though there was a scare some years back that packaged water contains pesticides and is not safe for consumption, growth in the market has been of the order of 35 to 40 per cent per annum. Placed against each other in the battlefield are Bisleri, Kinley from Coca-Cola, Aquafina from PepsiCo, Himalayan and at least half a dozen other brands. Nestle is one big name to have withdrawn from the market after testing the waters. And soon there will be Vedica — it could launch as early as mid-January. Chauhan plans to come out with flavoured water after that.

While most mass brands are just purified water, Vedica, like Himalayan, is natural mineral water. Piped straight to a Bisleri plant from a spring in Uttarakhand in the foothills of the Himalayas, and bottled without any additives, the water meets the BIS (Bureau of Indian Standards) specifications on salt content, minerals and hardness.

### Premium buyers

Vedica will take on Himalayan in a category that Ambit Capital Vice-President (research) Vijay Chugh calls "masstige" (between mass and prestige markets), wooing high-end consumers in posh neighbourhoods, in hypermarkets or when they visit fine-dines and five-star hotels. This top end is around 10 per cent of the packaged water market. Vedica is priced at Rs 30 per litre (higher than Bisleri's flagship, eponymous packaged water), the same as Himalayan but lower than imported natural mineral water brands such as Evian and Perrier (both marketed in India by the Narang Group). There are other players lining up to enter the natural mineral water market

such as Mulshi Springs. Chugh points out that while the health quotient is high for natural mineral water, not everyone can afford brands such as Evian or Perrier for regular consumption.

Bisleri does not want to give consumers a reason to complain that they have been shortchanged. The premium price would fetch superior water. “Our water will be markedly sweeter and less chalky than any of the imported brands because the mineral content is optimum and not too high,” insists Bisleri International Director (business development) Anjana Ghosh. KPMG Advisory Manager (consumer markets) Anand Ramanathan says: “Bisleri would need a larger budget for promotions and advertising for Vedica to register itself with the affluent classes and institutions.” Bisleri will launch its campaign in March; for now it will concentrate on below-the-line promotions.

Vedica will first roll out in Delhi and Mumbai and then in the other metros. It will ride piggyback on the existing Bisleri network in these markets to spread out fast. While Bisleri Mineral Water is placed in hotel rooms, Vedica will strive to find a place in hotel restaurants and fine-dines, and hence the two will not fight for the same customers.

Observers also reckon that discounts could play a major role in pushing Vedica in the market, since the product will largely depend on institutional sale rather than retail (because of the added value). According to industry sources, while the retail sale of packaged water entails reed-thin margins resulting from discounts of 20 to 30 per cent, institutional sales can claim discounts of 50 to 60 per cent. Ramanathan says, “The natural mineral water market is actually more cut-throat with tactical undercutting by the players to push products.” But Ghosh does not think discounts are the deal-clincher. “For our clients from the hospitality segment, servicing comes before the price they pay because they anyway charge a premium from the customer,” she adds.

### **Miles to go**

It is no secret that packaged drinking water still has miles to go as a branded category. A commodity as essential as drinking water, when coupled with low-key below-the-line promotions by various players, renders brand recall ineffective. Fickle consumers have also contributed to the sector’s punishing margins. What stands out then is service in a product category characterised by huge out-of-home consumption. Ghosh is confident that this is what will help differentiate Vedica from other players just as it has helped maintain Bisleri’s lead in the mass market.

“Fine-dines and five-star hotels find it hard to forecast consumption — one large party and they might run out of stock. At the same time they are wary of storing water because it is a bulky product. This is what makes our service to them critical,” believes Ghosh. What she means is that unlike players such as Tata Tea’s Himalayan, which has only distributors in key cities such as Mumbai, Bisleri has its own storage facility to put the client at ease. The just-in-time principle is at work here.

Bisleri’s confidence in Vedica underlines two of the company’s mainstays that it is also fine-tuning — service and multiple manufacturing units. What Ghosh calls servicing has seen 50 per

cent of Bisleri's sale coming from direct-to-home/institution deliveries. Using 120 of its own trucks, along with the logistics of its distributors and retailers, Bisleri can deliver its bulk packages at the doorsteps of those who call up the company's hotline. It is aiming to turn the service on for 24 hours from the present 7 am to 7 pm window. If someone calls Bisleri at midnight, the delivery would have to wait till the next morning but not for long. It is, as Ghosh points out, all about volumes. "We have to multiply the packs we sell to grow. Hence, delivering to homes when our trucks are on their way to distributors and retailers is one way of facilitating bulk demand," she says. Ramanathan of KPMG feels that the direct servicing model is scalable and could open up a huge need gap in semi-urban areas with potable water problems.

## **Rural push**

Shoring up volumes would also need Bisleri to reach nooks farther away. "Our plan for the next two years is to ensure that no consumer is denied a bottle of Bisleri if he asks for it," says Ghosh, underlining that the brand already enjoys a generic recall in bottled water. The company is putting 35 new plants all over India, with five to six coming up this month in places such as Rajkot, North Bengal and Silvassa, to service the rural and semi-urban regions around these plants. Water purifiers that do not need electricity but can store water do not fluster Ghosh. "How much can a purifier store? What happens when there is no running water?" she asks rhetorically.

In the meantime, Vedica and its planned flavoured water range will keep the urban markets abuzz. Bisleri is biding its time to hit on the right mix of flavours (such as peach and green apple) and value-adds (such as natural Ayurvedic additives that would reduce fat) to introduce its flavoured water which it will position as another choice for thirsty consumers who might be tired of plain water or sweetened carbonated drinks. It could come as soon as summer 2010, what with players such as Coca-Cola not ruling out the possibility of entering the enhanced water market. Soft drinks could be followed by bottled water, which is increasingly shifting towards health and energy drinks.

These two diversifications would not only let Bisleri play on its core expertise but would also open up the higher-margin markets that its flagship brand does not allow it. Even if natural mineral water commands a small part of the packaged mineral water market, it still retails much higher than regular bottled water because the source of such water is rare to find in nature's lap. But a short-term impact on Bisleri's bottomline looks unlikely though its brand appeal could shoot up with its premium product.

Chauhan feels the wide choice of media and the ease of graphics today liberate brand-building. A former Coca-Cola bottler, Chauhan built from scratch brands like Thums Up and Limca after Coca-Cola was asked to leave the country in the late 1970s. He sold the whole portfolio to Coca-Cola when it returned in the 1990s. Thums Up happens to be the largest aerated beverage brand in the country—India happens to be one of the few countries where Coca-Cola's flagship is not its eponymous brand. Clearly, rivals can expect a tough fight from Chauhan.