

India Has 1.2 billion people but not enough drink coke

Nikhil Gulati and Rumman Ahmed

Coca-Cola Co.'s Chief executive Muhtar Kent said the company and its bottling partners will invest \$5 billion in India by 2020 as it looks to raise its presence in one of its fastest-growing emerging markets.



"We think there's potential here," Mr. Kent said Tuesday during a visit to India, adding that the company wants "to stay ahead of the curve" in the country.

India, a country of 1.2 billion people, remains one of the last big frontiers for the Atlanta-based beverage giant. As Mr. Kent pointed out, Indians on average consume only 12 eight-ounce bottles of Coke a year compared with 240 in Brazil and 90 bottles globally.

The investment outlay of \$5 billion marks an increase on plans announced late last year to invest \$2 billion in India over the next five years. Coca-Cola has put \$2 billion into its Indian operations in the past two decades.

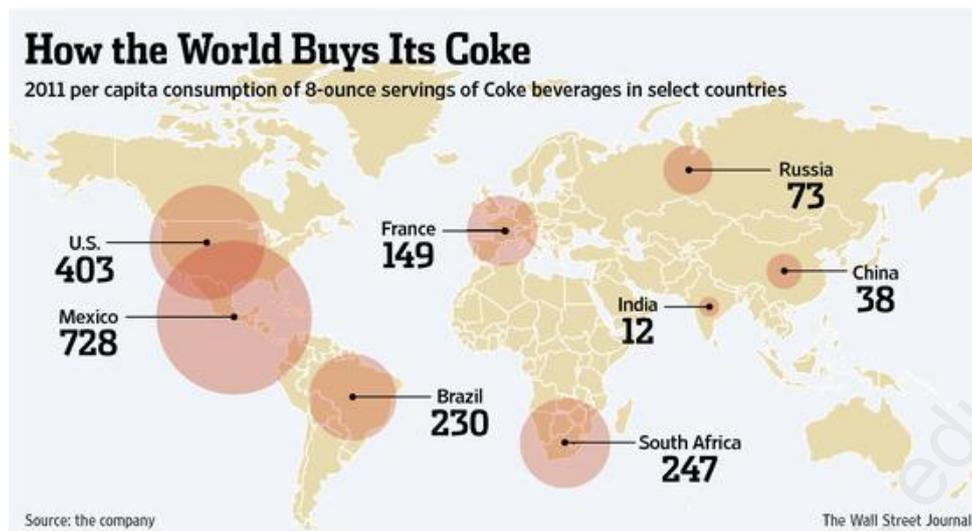
The company plans to spend the money increasing capacity at its Indian bottling unit and at its 13 bottling franchisees, expanding distribution and brand building.

Mr. Kent's bullishness comes despite the company's tumultuous history in India. In the late 1970s, Coca-Cola left the country after refusing to partner with an Indian company and hand over its secret ingredients. It returned in 1993 after India liberalized its economy.

It has faced other challenges since then. In 2006, the company took out ads in Indian newspapers to counter unfounded claims by local non-government groups that its products contained illegal levels of pesticides.

For India, Coca-Cola's optimism on the country is a rare bit of good news at a time when foreign businesses have soured on the country for policy flip-flops, including plans to retroactively tax deals involving overseas investors.

Other consumer goods companies also are planning to expand in India. Last week, Swedish furniture company IKEA Group said it would invest nearly \$1.9 billion in the country to set up 25 stores in coming years. Later this year, Seattle-based coffee-chain operator Starbucks Corp. SBUX +1.23% is expected to open its first store in India.



The planned investments show how big consumer goods and lifestyle companies can't afford to ignore India's growing middle class, estimated at about 20% of the population, despite the difficulties of doing business here.

Although economic growth slowed to 5.3% in the first three months of 2012, in part due to weak investment, that's better than almost flat rates in most of Europe and the U.S.

Coca-Cola for years trailed rival PepsiCo Inc. PEP +0.48% in the Indian market. PepsiCo began selling its cola in India a few years before Coca-Cola returned in 1993, giving it an edge. Homegrown Indian colas like Parle Agro Pvt. Ltd.'s Thums Up also became popular.

On its return, Coca-Cola bought Parle's four leading soft drinks brands—Thums Up, Limca, Gold Spot and Maaza—giving the company an instant 60% share of the Indian soft drinks market. At the time, PepsiCo had less than 30%.

The Parle acquisition also handed Coca-Cola a nationwide bottling and marketing system on which to piggyback its own brands.

Now, Coca-Cola and PepsiCo together dominate the market for carbonated soft drinks in India, where soda sales overall are estimated to total 60 billion rupees (\$1.05 billion). Coke accounted for 60% of retail value sales of carbonated soft drinks in India in 2011 versus PepsiCo's 37%, according to data from Euromonitor International.

Coca-Cola's dominance comes from Thums Up and Sprite, another of its brands, which both had a 16.5% market share in 2011, making them the nation's most-popular carbonated drinks. But in the battle of colas, Pepsi had a 15% market share compared to Coke's 8.8%, according to Euromonitor.

PepsiCo, too, has been investing in its Indian operation. PepsiCo's chief executive, Indra Nooyi, was born in India.

India has been one of Coca-Cola's fastest-growing emerging markets. Sales in the January-March period jumped 20% compared with a 9% increase in China and 4% in Brazil.

The investments by Coca-Cola in India are part of a plan to spend \$30 billion to build capacity and on marketing in emerging economies to fulfill its aim of doubling revenue and volume by 2020.

Fonte: The Wall Street Journal , 26 June 2012. [Portal] Disponível em: <<http://online.wsj.com/article/SB10001424052702304870304577490092413939410.html>>. Acesso em: 26 June 2012.