

To Understand the Pre-Launch Activities of Gold Fogg Energy Drink and Its Strategies for Market Penetration in Ahmedabad

Srilakshmi Nair*, Kavita P. Kshatriya**

ABSTRACT

RZ International Pvt. Limited is a new entrant in the energy drinks market. Gold Fogg is an FDA-certified energy drink brand. A study was conducted to understand the market for energy drinks in Ahmedabad, the taste and preferences of customers, the level of competition and the market for Gold Fogg energy drink in Ahmedabad. Two separate questionnaires were prepared for retailers and customers, respectively, at various restaurants and cafes. Blind tests were conducted as an experiment. This document explains in detail how the new product 'Gold Fogg energy drink' should be marketed to gain market share and increase its sales volume. It contains information on the present market situation, marketing objectives of the product and also the marketing actions to be taken to achieve the objectives. The paper draws on an exploratory research conducted over 170 respondents, including various segment of the population from customers to retailers at different cafes and restaurants with the help of direct interviews and a comprehensive questionnaire. Microsoft Excel, SPSS Software and other appropriate statistical tools have been used for data analysis.

Keywords: Energy Drink Market, New Entrant, Blind Tests, Gain Market Share, Pre-Launch Activities

INTRODUCTION

Energy drinks are beverages which contain legal stimulants, vitamins and minerals including caffeine, guarana and taurine, various forms of ginseng, maltodextrin, carnitine, creatine and ginkgo biloba. Some of them contain high levels of sugar and glucose.

This category traditionally included caffeine-based drinks which are energy boosters. Currently, the energy drink segment in India is dominated by Red Bull.

Over the period of time, a reduction in the consumption of carbonated drinks has been noticed in the market. This decrease in the carbonated drinks market and the high growth of the energy drink market can be attributed to the positive changes in the perception of health and fitness among the Indian youth. The industry foresees the huge potential for energy drinks. The energy drink segment is the fastest-growing segment in the ready-to-drink

category; the reason being that India has a youth-centric population and the fast urbanisation.

According to Dr H Prathap Kumar Shetty, Associate Professor and Head, Department of Food Science and Technology, Pondicherry University, Puducherry, India is one of the fastest developing consumer markets, especially for a product targeted towards the young and as well as young adults, mostly belonging to upper-middle class. They are ready to try new products as well as ready to spend some quick buck on so-called energy-boosting products. Energy drinks are one of those categories of products which has entered the Indian market in the recent past, penetrated the shelves much faster than products like soft drinks and got accepted by the population even in small towns very quickly.

Market players in this product category are adopting unique marketing strategies like free sampling at schools and colleges before launching their products, sponsoring

* Student, GLS University, Faculty of Management, Ahmedabad, Gujarat, India. Email: srinair1995@gmail.com

** Professor and HOD - IMBA Programme, GLS University, Ahmedabad, Gujarat, India.

major sporting events and fashion shows. These promotions enhance brand recall.

MARKET SHARE OF ENERGY DRINKS IN INDIA

Indian energy drink market is witnessing a fast growth

from USD 131 Million in 2014 to USD 168 Million in 2017 at a CAGR of 8.67%, which is expected to reach USD 261 Million in 2022 at 9.20%.

Red Bull is the giant, dominating the market and continues to run as a leader.

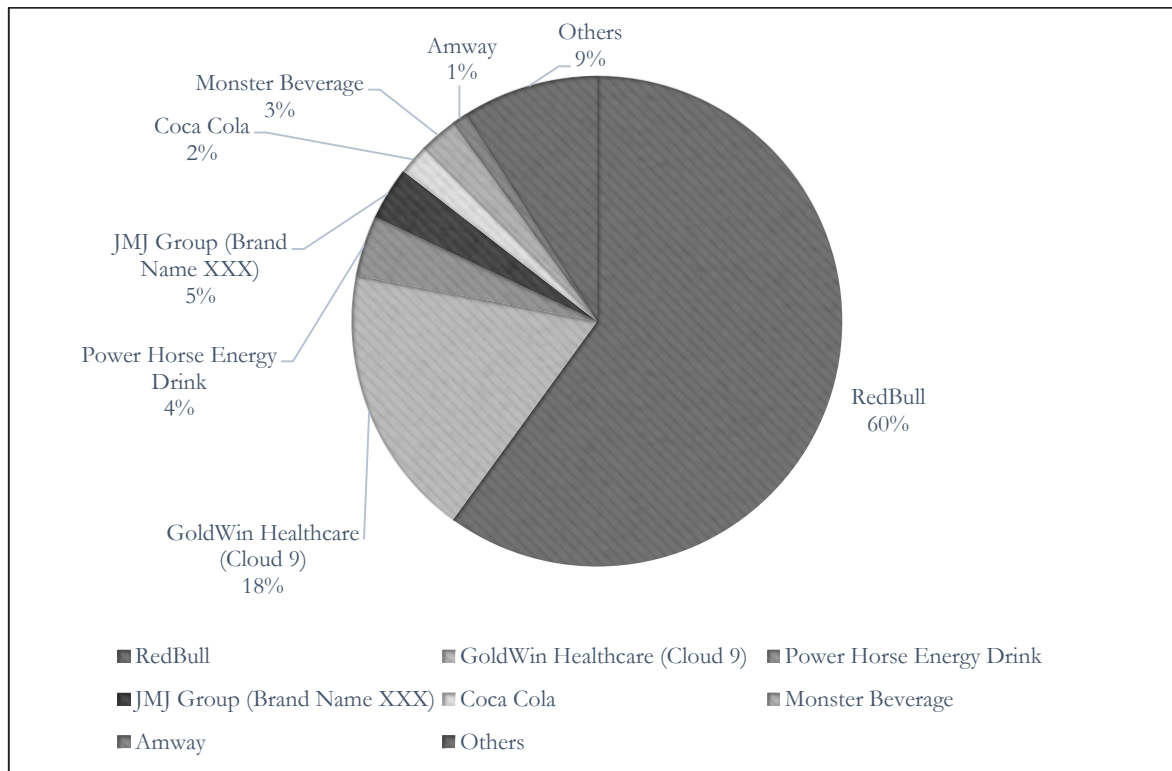


Fig 1: Market Share of Various Energy Drinks in India, 2017

CHALLENGES FOR ENERGY DRINKS

The market for energy drinks is expanding and is expected to grow further, but the drink manufacturers have a challenge of supplying drinks that consumers feel are safe to consume as there have been a lot of controversies and talks about the ill effects of energy drinks on health and health risks associated with them.

The World Health Organisation (WHO) study published in *Frontiers in Public Health* on October 14, 2014, also stated the health risks associated with energy drink consumption are primarily related to their caffeine content. A caffeine overdose can cause palpitations, hypertension, diuresis, central nervous system stimulation, nausea, vomiting, marked hypocalcaemia, metabolic acidosis, convulsions

and, in rare cases, even death. In adults, there is also an increased risk of arterial hypertension and Type 2 diabetes, as high consumption of caffeine reduces insulin sensitivity. High caffeine consumption among pregnant women increases the risk of late-miscarriages, small for gestational age infants, and stillbirths.

The WHO study also warns that consumption of energy drinks among adolescents is associated with other potentially negative health and behavioural outcomes such as sensation seeking, use of tobacco and other harmful substances, and binge drinking, and is associated with a greater risk for depression and injuries that require medical treatment. The WHO study concludes by saying that the potential health risks related to heavy consumption of this product have gone mainly unaddressed.

The energy drink manufacturers will have to evolve a strategy to overcome this challenge of gaining the consumers' confidence that what they are consuming is safe.

LITERATURE REVIEW

A market expansion growth strategy, often called market development, entails selling current products in a new market. There several reasons why a company may consider a market expansion strategy. First, the competition may be such that there is no room for growth within the current market. If a business does not find new markets for its products, it cannot increase sales or profits. A small company may also use a market expansion strategy if it finds new uses for its product. For example, a small soap distributor that sells to retail stores may discover that factory workers also use its product (Suttle, 2018). While market penetration fits strategically for a firm when currency markets are not saturated for the types of offer the firm is making and its present customers can be induced to buy more. And typically, when a company wants to attack the market share of the competitors, they will undertake market penetration as a way of increasing their own share in the market (Finlay, 2000). (CLEVERISM, n.d.) Explains the tactics for market penetration:

Aggressive Pricing: Mostly, businesses adopt the method of aggressive or penetration pricing. The products or services are offered at prices that are lower than the competitor's price. In this manner, the business increases its market share, enjoys the support of loyal customers and thereby potentially increases profits.

Advertising: Business owners adopt a strategy of aggressive advertising through TV, promotional mails, radio and many other channels.

Attracting New Customers: Non-users of the product should be made aware of the characteristics of your product. Strategies related to better product placement should be adopted to create awareness among the customers who have not used your product.

Promotional Discounts: Another tactic used for market penetration is to announce promotional offers on your product, i.e., pull strategy. Trade discounts, offers, sale discounts and other promotional offers will help to increase the reach of your product (Investopedia, n.d.). Penetration pricing is a marketing strategy used by busi-

nesses to attract customers to a new product or service. Penetration pricing includes offering a low price for a new product or service during its initial offering. The lower price helps to lure customers away from competitors. This marketing strategy relies on the idea of low prices, making a customer aware of a new product. The price induces the customer to try the new product. According to (Revionics, 2017), the advantages of penetration pricing to the firm are as follows:

- It can result in fast diffusion and adoption. This can achieve high market penetration rates quickly. This can take the competitors by surprise, not giving them time to react.
- It can create goodwill among the early adopter's segment. This can create more trade through word of mouth.
- It creates cost control and cost reduction pressures from the start, leading to greater efficiency.
- It discourages the entry of competitors. Low prices act as a barrier to entry.
- It can create high stock turnover throughout the distribution channel. This can create critically important enthusiasm and support in the channel.
- It can be based on marginal cost pricing, which is economically efficient.

And the main disadvantage of penetration pricing is that it establishes long-term price expectations for the product, and image preconceptions for the brand and company. This makes it difficult to eventually raise prices. Some commentators claim that penetration pricing attracts only the switchers (bargain hunters) and that they will switch away as soon as the price rises. There is much controversy over whether it is better to raise prices gradually over the years (so that consumers do not notice) or employ a single large price increase. A common solution to this problem is to set the initial price in the long-term market price, but include an initial discount coupon. In this way, the perceived price points remain high even though the actual selling price is low. Another potential disadvantage is that the low-profit margins may not be sustainable long enough for the strategy to be effective. According to (Arora, 2008), another important strategy to increase sales to existing customers is price bundling. The study points out that the intent of bundle pricing is to increase sales by offering a discount when a pre-specified bundle

of items is purchased at the same time. Usually, the additional items in the bundle are those that are complementary to the main product. The assumption is that the bundle priced items offer more value and are therefore more attractive to the buyer.

RESEARCH OBJECTIVES

- To understand the market for energy drinks in India.
- To understand the tastes and preferences of people with respect to energy drinks.
- To understand the level of competition in the market.
- To understand the level of acceptance of Gold Fogg energy drink among the consumers.

RESEARCH METHODOLOGY

Primary Resources

The paper draws on exploratory research conducted over 170 respondents including various segment of the population from customers to retailers with the help of direct interviews and a comprehensive questionnaire. Microsoft Excel, SPSS Software and other appropriate statistical tools are used for data analysis.

The following tests were performed:

- Binomial Test
- Chi-Square Tests
- One Sample T-Tests
- Independent Sample T-Tests
- One-Way ANOVA Tests
- Frequency Tests

The respondent data are collected from 170 people in Ahmedabad. Out of which, 100 respondents are the college students or the young adults who love to experiment. And the other 70 consist of the retailers and dealers in the market. For the collection of data, customers and retailers in various stores and cafes were approached for their valuable feedback. As well as the people who purchased the product, during the various events that were covered, were also contacted for their feedback.

Sample Size: 170

Customers: 100

Retailers: 70

Secondary Resources

Many resources of secondary data were available on the internet about energy drinks which included previous marketing research reports on energy drinks and prominent websites.

HYPOTHESES

H0: People generally do not prefer having or consuming energy drinks.

H1: People generally do prefer having or consuming energy drinks.

H0: People do not find the pricing of the product attractive.

H1: People do find the pricing of the product attractive.

H0: People would not prefer consuming Gold Fogg energy drink over the present energy drink they are consuming.

H1: People would prefer consuming Gold Fogg energy drink over the present energy drink they are consuming.

H0: There is no significant chance that people would recommend Gold Fogg energy drink to others.

H1: There is a significant chance that people would recommend Gold Fogg energy drink to others.

H0: There is no significant relationship between the number of crates sold per week of any energy drink and the retailer's interest to keep Gold Fogg energy drink in their store.

H1: There is a significant relationship between the number of crates sold per week of any energy drink and the retailer's interest to keep Gold Fogg energy drink in their store.

ANALYSIS AND INTERPRETATION

Table 1

| | | <i>Age</i> | | | | | <i>Total</i> |
|--------|--------|--------------|--------------|--------------|--------------|-----------------|--------------|
| | | <i>18-21</i> | <i>22-26</i> | <i>27-31</i> | <i>32-40</i> | <i>Above 40</i> | |
| Gender | Male | 19 | 33 | 18 | 8 | 2 | 80 |
| | Female | 3 | 8 | 4 | 5 | 0 | 20 |
| Total | | 22 | 41 | 22 | 13 | 2 | 100 |

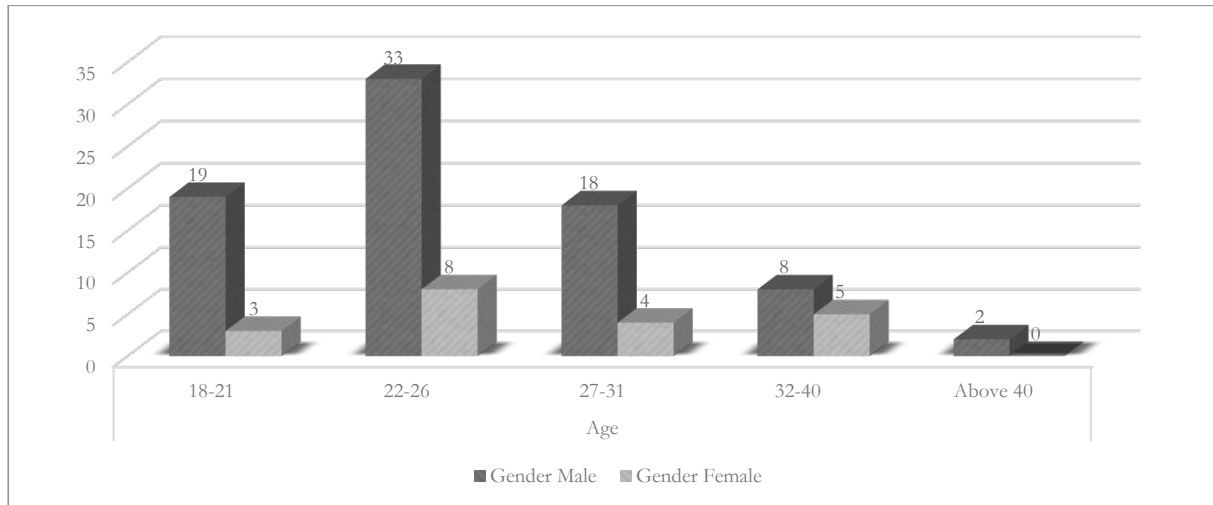


Fig 2: Graph Showing the Bifurcation of Age and Gender to Which People Belong

Table 1 shows the bifurcation of a group of people according to their age groups. This survey consists of 100 respondents and among them, 80% are men, and 20% are

women. Maximum respondents belong to the age group of 22-26. This group includes young adults and hence, a reliable and more precise interpretation, and results are expected.

BINOMIAL TEST

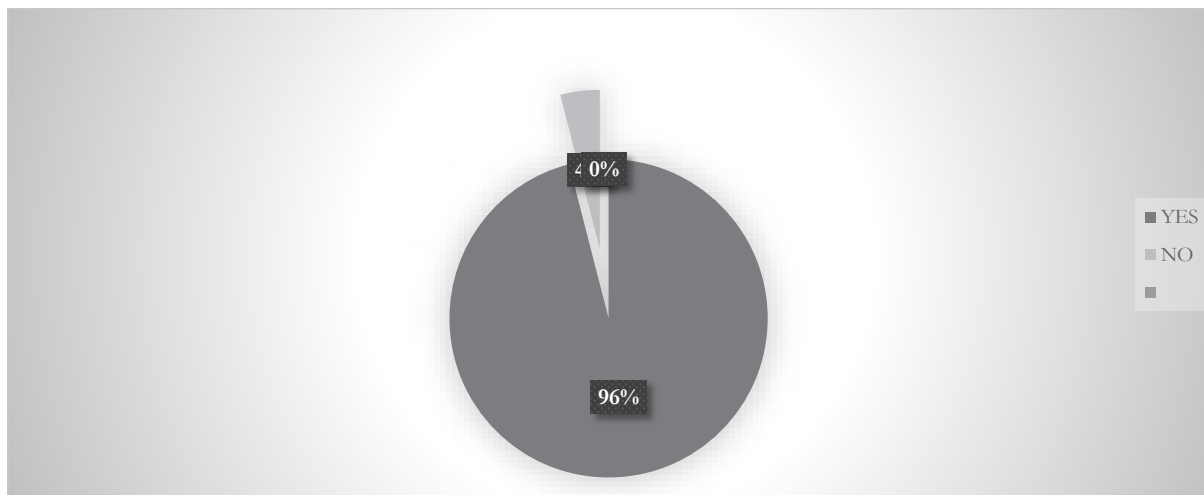


Fig. 3: Chart Depicting the Overall Awareness About Energy Drink in the Market

Table 2: Overall Awareness About Energy Drinks

| | | <i>Category</i> | <i>N</i> | <i>Observed Prop.</i> | <i>Test Prop.</i> | <i>Exact Sig. (2-tailed)</i> |
|---|---------|-----------------|----------|-----------------------|-------------------|------------------------------|
| Do People prefer consuming Energy Drinks? | Group 1 | Yes | 79 | .82 | .50 | .000 |
| | Group 2 | No | 17 | .18 | | |
| | Total | | 96 | 1.00 | | |

H0: People generally do not prefer having or consuming energy drinks.

H1: People generally do prefer having or consuming energy drinks.

Interpretation: Table 2 above shows a significant level of 0.000 which is less than 0.05. Therefore, null hypothesis is rejected here.

A survey was conducted among people to understand the acceptance of energy drink among customers and their feedback was taken with the help of a comprehensive questionnaire.

With the help of Binomial Test, it was derived that around 79% of people do consume energy drink regularly.

Table 3

| <i>Binomial Test</i> | | | | | | |
|---|---------|-----------------|----------|-----------------------|-------------------|------------------------------|
| | | <i>Category</i> | <i>N</i> | <i>Observed Prop.</i> | <i>Test Prop.</i> | <i>Exact Sig. (2-tailed)</i> |
| Do people find the pricing of the product attractive? | Group 1 | Yes | 83 | .84 | .50 | .000 |
| | Group 2 | No | 16 | .16 | | |
| | Total | | 99 | 1.00 | | |

H0: People do not find the pricing of the product attractive.

H1: People do find the pricing of the product attractive.

Interpretation: In Table 3, the significance level obtained is less than 0.05. Therefore, the null hypothesis is rejected.

A survey was conducted among people with the help of a comprehensive questionnaire to understand whether they find the pricing of Gold Fogg energy drink attractive or not.

Here, with the help of Binomial Test, it could be derived that around 83% people find the pricing of the product attractive.

The price of Gold Fogg 300 mL can is Rs.110, whereas Red Bull costs Rs.140 per 300 mL can and most other energy drinks were priced between Rs.90 to Rs.99 for a 250 mL can.

Table 4

| <i>Binomial Test</i> | | | | | | |
|---|---------|-----------------|----------|-----------------------|-------------------|------------------------------|
| | | <i>Category</i> | <i>N</i> | <i>Observed Prop.</i> | <i>Test Prop.</i> | <i>Exact Sig. (2-tailed)</i> |
| Would people prefer Gold Fogg energy drink over the present energy drink they're consuming? | Group 1 | Yes | 85 | .86 | .50 | .000 |
| | Group 2 | No | 14 | .14 | | |
| | Total | | 99 | 1.00 | | |

H0: People would not prefer consuming Gold Fogg energy drink over the present energy drink they are consuming.

H1: People would prefer consuming Gold Fogg energy drink over the present energy drink they are consuming.

Interpretation: Table 4 above shows a significance level of 0.00 which is less than 0.05 and hence the null hypothesis is rejected.

A survey was conducted among people with the help of Gold Fogg product samples and a comprehensive

questionnaire to understand whether they would moving forward prefer to consume Gold Fogg instead of their brand of energy drink.

Here, with the help of Binomial Test, it could be derived that around 85% of people find the taste of the product better as compared to the other energy drinks in the market. They also felt the energy surcharge felt using Gold Fogg to be stronger and instant as compared to the energy drink they were currently consuming. A maximum positive response was observed by Artists and DJs who consume the drink on a daily basis.

Table 5: One Sample T-Test

| <i>One-Sample Test</i> | | | | | | |
|--|-----------------------|-----------|------------------------|------------------------|--|--------------|
| How Likely are people to recommend Gold Fogg energy drink to others? | <i>Test Value = 0</i> | | | | | |
| | <i>T</i> | <i>df</i> | <i>Sig. (2-tailed)</i> | <i>Mean Difference</i> | <i>95% Confidence Interval of the Difference</i> | |
| | | | | | <i>Lower</i> | <i>Upper</i> |
| | 43.783 | 98 | .000 | 4.17172 | 3.9826 | 4.3608 |

H0: There is no significant chance that people would recommend Gold Fogg energy drink to others.

H1: There is a significant chance that people would recommend Gold Fogg energy drink to others.

Interpretation: From the above Table 5, it can be seen that the significance level we got is 0.00, which is less than 0.05. Therefore, the null hypothesis is rejected.

With the help of One Sample T-Test, it can be derived that

there is 81% possibility of people recommending Gold Fogg energy drink to their friends and relatives.

People loved the taste of Gold Fogg, which they found to be devoid of the bitter after-taste as compared to other energy drinks, and that they also felt a stronger surge of energy compared to the other drinks. For this reason, most of the people surveyed said that they would recommend this drink to others. People suggested the drinks to party organisers who arrange for quicker market penetration of Gold Fogg.

Table 6: Chi-Square Tests

| <i>How Many Crates are Sold in a Week * Interested to Keep Gold Fogg in Your Store Cross Tabulation</i> | | | | | | |
|---|--------------|---|------------|-----------|--------------|--------------|
| | | <i>Interested to Keep Gold Fogg in your store</i> | | | | <i>Total</i> |
| | | <i>.00</i> | <i>Yes</i> | <i>No</i> | <i>Maybe</i> | |
| How many crates are sold in a week | <i>.00</i> | 1 | 4 | 8 | 8 | 21 |
| | <i>one</i> | 0 | 10 | 3 | 6 | 19 |
| | <i>two</i> | 0 | 9 | 0 | 9 | 18 |
| | <i>three</i> | 0 | 4 | 1 | 4 | 9 |
| | <i>four</i> | 0 | 3 | 0 | 0 | 3 |
| Total | | 1 | 30 | 12 | 27 | 70 |

| <i>Chi-Square Tests</i> | | | |
|------------------------------|--------------|-----------|------------------------------|
| | <i>Value</i> | <i>df</i> | <i>Asymp. Sig. (2-sided)</i> |
| Pearson Chi-Square | 19.318 | 12 | .081 |
| Likelihood Ratio | 22.800 | 12 | .029 |
| Linear-by-Linear Association | 1.046 | 1 | .306 |
| N of Valid Cases | 70 | | |

H0: There is no significant relationship between the number of crates sold per week of any energy drink and the retailer's interest to keep Gold Fogg energy drink in their store.

H1: There is a significant relationship between the number of crates sold per week of any energy drink and the retailer's interest to keep Gold Fogg energy drink in their store.

Interpretation: From Table 6, a significance level of 0.08 is obtained which is greater than 0.05 and hence the null hypothesis here is accepted.

With the help of a Chi-Square Test, it can be concluded that there is no significant relationship between the number of crates sold per week of any energy drink and the retailer's interest to keep Gold Fogg energy drink in their store.

As retailers were informed that it is a newly launched product in the market, they were provided with samples of the same to taste. Also, we asked them to keep crates of the product at their stores for sampling.

For retail stores, energy drinks are equivalent to Red Bull. However, after tasting our product and feeling convinced of our branding strategy and delivery cycle, most stores readily agreed to place our product at display in their stores.

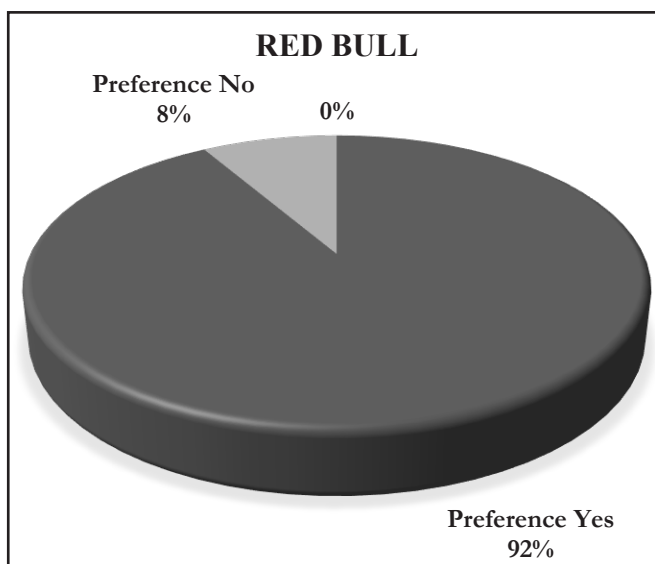


Fig 4: Preference for Red Bull

Interpretation: From Fig. 5, it can be understood that Red Bull is the leader of the energy drink market in Ahmedabad.

Every consumer of energy drink has tasted Red Bull at least once, with most of them consuming Red Bull frequently. 92% of the people included in the survey prefer Red Bull, and many of them are loyal customers of the brand. Currently, Red Bull stands as the clear market leader.

MAJOR FINDINGS

Findings Based on Customer Review

The survey results bring out significant findings of Gold Fogg energy drink in the Ahmedabad market. It was found that the maximum audience for energy drinks belongs to the age group of 23–26. It was noticed that the people belonging to this age group were more open to trying a new energy drink and hence were found to be the ideal target audience for the same. It was found that 96% people were aware of energy drinks. And among those 96% people with the help of this survey result, the potential segment of people to target for could be derived. They are:

- Teenage Youth- People who need focus and energy and who love to experiment,
- Skilled Executives- People who have a tedious work life as well as spending capacity, and
- Sports Athletes- People who need relief from exhaustive practice and schedule.

Findings Based on Retailers Review

It was found that 67% of retailers kept energy drinks in their stores. Based on the survey, it was found that only 20% of people were aware of Gold Fogg energy drink in the Ahmedabad market. But, almost 86% of the retailers were comfortable with the product based on the pricing and profit margin provided by the company. There is a cut-throat competition in this industry and Red Bull is the leader among all; but many times, it failed to deliver its products on time, once the order was placed by the retailers. Though the facilities, margin and services provided by Red Bull were satisfactory to the retailers,

they were open to trying a new product. The margin and services provided by Gold Fogg were much accepted in the market.

CONCLUSION

It was found through this survey that there is a huge opportunity in the energy drink industry to grow because the younger section of the society consists of people who love to experiment. But there is already an established market of Red Bull. It was found to be a brand that has kind of a monopoly in Ahmedabad market. It was difficult to convince people to choose a new product over Red Bull, because many were brand loyal people and most of them did not have confidence in a new product. They rather chose a brand that was there in the market for a long time. Initially, for Gold Fogg, push strategy needs to be applied, but many retailers do not have time or interest to take such effort despite providing with a good margin by the company. Based on the taste of the product, there had been a very good response from the customers. But, it was clear from the survey results as well as from the response of the people during the survey that Gold Fogg lacks behind in terms of Brand Recall. Branding and marketing in the right direction are required for this product, since there is immense acceptance of the taste of the product in the market.

RECOMMENDATIONS

The significant budget needs to be allotted for marketing and advertising the product as there is very less awareness about the product in the market. A good recognition of the brand is required for further penetration in the market. Also, to build the brand name among the target audiences, college campuses should be targeted, vending machines should be installed there and the option of buying it in campus gives an alternative source for purchasing the product to them. Hoardings, posters, fliers, etc., should also be placed in high traffic areas to create brand recall. The company should team up with dance clubs, sports teams and music producers to enhance their reach. The pricing of Gold Fogg energy drink is Rs.110 for 300 mL can; for Red Bull, it is 99 for 250 mL can, the fact that

people do not notice the difference in quantity, but only see the price of is a drawback to the product. Hence, it is highly recommendable to lower the price of the product for faster and effective market penetration. The company should think of giving a powerful built to the brand by changing the name of the product because the name of this energy drink fails to give a punch or a boost and hence lacks to convey the whole idea of energy drink. The acceptability of the taste was very high, but people were fairly dissatisfied with the packaging of the product. The company should work on the packaging of the product to enhance the acceptability of the same in the market.

REFERENCES

- Martin. (2015, February 3). Market penetration. Retrieved from <https://www.cleverism.com/lexicon/market-penetration/>
- Arora, R. (2008). Price bundling and framing strategies for complementary products. *Journal of Product & Brand Management*, 17(7), 475–484.
- Finlay, P. (2000). Strategic management: An introduction to business and corporate strategy. Retrieved from <http://catalogue.pearsoned.co.uk/catalog/academic/product?ISBN=0201398273>
- Grand View Research. (2017, July). *Energy drinks market analysis by product (alcoholic, non-alcoholic), product type (non-organic, organic, natural), target consumer (teenagers, adults, geriatric), distribution channel (on-trade, off-trade & direct selling) and segment forecasts, 2018 - 2025* (Report ID: GVR-1–68038–951–7). Market Research Report. Retrieved from <https://www.grandviewresearch.com/industry-analysis/energy-drinks-market>
- Investopedia. (n.d.). Penetration pricing. Retrieved from <https://www.investopedia.com/terms/p/penetration-pricing.asp>
- Revionics. (2017). Retrieved from www.revionics.com
- Ruth, M., & Bruce, M. (2003). Strategy, accountability, e-commerce and the consumer. *Managerial Auditing Journal*, 18(3), 193–201.
- Suttle, R. (2018, February 9). Growth strategies in business. *Chron*. Retrieved from <https://smallbusiness.chron.com/growth-strategies-business-4510.html>