



## Executive Summary

**India**, officially the Republic of India , is a country located in South Asia. It is the seventh-largest country by geographical area, the second-most populous country with over 1.2 billion people, and the most populous democracy in the world. Bounded by the Indian Ocean on the south, the Arabian Sea on the southwest, and the Bay of Bengal on the southeast, it shares land borders with Pakistan to the west; Bhutan, the People's Republic of China and Nepal to the northeast; and Bangladesh and Burma to the east. In the Indian Ocean, India is in the vicinity of Sri Lanka and the Maldives; in addition, India's Andaman and Nicobar Islands share a maritime border with Thailand and Indonesia.

The Indian economy is the world's tenth largest economy by nominal GDP and fourth largest economy by purchasing power parity. Following market-based economic reforms in 1991, India has become one of the fastest growing major economies, and is considered a newly industrialized country, it has the third-largest standing army in the world and ranks tenth in military expenditure among nations.

India, second biggest country in BRIC represents one of the most developing and profitable market throughout the world The Gross

Domestic Product (GDP) in India expanded 8.90 percent in the third quarter of 2010 over the previous quarter. From 2004 until 2010, India's average quarterly GDP Growth was 8.40 percent reaching an historical high of 10.10 percent in September of 2006, which in itself is outstanding. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. The economy has posted an average growth rate of more than 7% in the decade since 1997, reducing poverty by about 10 percentage points.

The **Economy of India** is the eleventh largest in the world by nominal GDP and the fourth largest by purchasing power parity (PPP). Economists predict that by 2020, India will be among the leading economies of the world.

Our theme this time also is Enterprising India because we believe that India's unique selling proposition as an investment destination lies in its enterprising people. So despite whatever problems we have on the political front, whatever problems we have in terms of democracy and bureaucracy working slowly towards approvals or any other reforms as well as infrastructure development, India still keeps chugging along and

is now moving at 8.5-9% per annum which is one of the fastest growth rates. It looks like we may surpass China in terms of our GDP growth rate in the next 10 years. In India one probably can say that it's despite the state.



As illustrated in the above figure, it shows that in the last 4 years, during the worldwide crisis GDP grew lowest at 5.8% which is far better than the normal growth of almost whole countries of Europe.

India also represents huge market for alcohols & spirits consumption. The sales has been increased incredibly in the last years.

Each year, for the past five, alcohol sales have grown by more than 19 per cent. The market is worth more than \$25 billion a year. By 2014,

it will be one of the world's most lucrative, worth \$39 billion. India's massive working class, and its ever-growing and ever-wealthier middle, has more disposable rupees, and more time to spend on leisure, than they ever have before and Indians are drinking younger. The average age of initiation to drinking has fallen from 28 in the 1980s to 14.

No international beverage company can afford to ignore it. Over the next five years, the Indian market for alcohol is projected to grow at 10% a year — more than in China, the U.S. and Europe combined, according to an estimate by KPMG India.

If we talk about the alcohol sector, driven by increasing disposable income levels and growing social acceptance of alcohol consumption, the alcoholic beverages market in India is estimated to cross the \$39 billion (over Rs 1,75,950 crore) mark by 2014, as per research firm Data monitor.

According to a study by the firm, the sector grew at a compound annual growth rate of 12 per cent between 2004 and 2009, with the industry turnover touching \$21.7 billion (over Rs 97,910 crore) in 2009.

"India is turning out to be an attractive territory for global players as consumption of alcohol has saturated in many countries and even declined in traditional markets like Europe, while India offers immense growth opportunities.

Increasing acceptance of alcohol consumption among the rich and aspiring middle class, coupled with rising disposable income and a large young population, indicate high growth potential for the sector. "This has provided alcohol manufacturers with a lucrative and expanding target segment," he added. In addition, with increasing financial and social independence, women in India have also started consuming more alcohol.

## **Introduction**

The aim of this Business plan is to promote some Varnelli products in the Indian market, particularly in the Mumbai area.

We choose as slogan "**VARNELLI: THE TRUE SPIRIT OF ITALY**". In this way, we want underline the nationality of the products, as a tool

to enter a new market, and at the same time to define the uniqueness and the quality of these particular kind of spirits.

## **Company profile**

The Varnelli Distillery was established in 1868 as an artisan and herbal company, and it has constantly been managed by the Varnelli Family since then. Today it can declare itself as a leader in the sector of dry anise.

Even with the unchanged methods of production and the secrecy of their recipes, the company has taken on an industrial dimension over time and has transformed itself into a Corporation, whose capital belongs entirely to four Varnelli heirs: Elda, Gigliola Simonetta, Mari Donatella and Orietta Maria.

Currently, the Varnelli Distillery Corp has its headquarters in Muccia, in a modern and elegant establishment. It is here where they perfectly combine the antique traditions of artisan and herbal productions with the most up-to-date and hygienic plants for the storing and bottling of the drinks, according to the laws in force.

The prestigious headquarters, which also include the Varnelli Auditorium where conferences and seminars are held in various topics, is often open to workers in the industry, journalists and students for interesting guided tours and taste-testing.

The products from the Varnelli Distillery Corp are obtained from herbs, roots, fruit, honey and alcohol, which are checked and certified.

The transformation is followed personally by the family members who respect the daily ritual secrets in the production inherited by their herbalist ancestors.

The range of liquors is broad and various both in its type as in its form, and it's geared towards a demanding and prepared public.

The company's product leader is "Varnelli," a special, dry anise liquor that holds a record in the sector.

- The distribution is entrusted to the salesmen who work in the various Italian Provinces. They propose the Varnelli selection to traditional wholesalers as well as to gourmet and specialty shops.

- The production is entrusted to Mari Donatella Varnelli.



- The control of management is entrusted to Orietta Maria Varnelli.
- Communications and relations with the clients are looked after by Gigliola Simonetta Varnelli who also represents the company in A.I.B.E.S (Barnen Italian Association and Supporters).

## **Our team**

Our team is composed of four energetic young people coming from different countries with different background, education and experience.

Our team is composed of coming from different parts of the World.

The biggest advantage of such group – is the possibility to exchange our experience, culture and traditions.

A successful team – is always a complex of many different factors, such, for example as: initiatives, compromises, understanding. To collaborate efficiently in the group one needs to listen with the respect to other members and to express own thoughts sometimes even defending them.

The fact that our group is really “internationalized” because its’ members are from different nations helps us to feel the real business

atmosphere and to cooperate in the conditions very close to the working in the big multinational company.

- Pankaj Bassi – is from India. He was studying at Guru Nanak Dev University, has a Bachelor Degree Of Technology.
- Zhang Xiao fan – is from China. She was studying at University of International Business and Economics in Beijing, has a Bachelor degree and a three-year experience working in a trading company.
- Zelinska Tetyana – is from Ukraine. She studied at National University of Khmelnytsky, has a Bachelor degree in International Relations and Translation.
- Mozzoni Matteo – is from Italy. He studied Foreign Literature at University of Macerata.

We once have had a meeting with Export Manager of Varnelli in the company. Even our team never did the real job to launch and promote a traditional product in an international market, we still know that it is hard for a Italian family company, especial a medium or small one, because of

the low level of market knowledge, high risks and the lack of skillful professionals know how to operate abroad. We believe that we could help Varnelli in carrying out plans to enter not only the India's market but also the China's and the Russia's in the future. In the following articles, we will introduce how we are going to manage, what kind of ways we are going to promote and also our market strategy. Each of us worked hard to bring to Varnelli the possibility to enter in the Indian market, bringing a lot of new ideas to current business plan.

## **Objectives**

- To promote Italian spirit "Varnelli" in the Indian market, because of its unmatched taste, quality and uniqueness.
- To introduce for the first time in the Indian market for the very first time the liquors prepared from a mix of Italian herbs and roots.
- To establish the brand image of Varnelli and to become a recognizable brand throughout India.
- To formulate long term development strategies.

- To promote Italian originated liquors “Varnelli” together with Indian foods.
- Introducing different kind of liquors to match the tastes of the different consumers groups.
- To increase profitability and bring the Varnelli brand, in line with other companies in India selling alcoholic beverages.

## Business idea

### + Products



“**Varnelli**” is special dry aniseed liquor, coming from a particular way of processing aniseeds. It is excellent for lacing coffee, while if drunk neat, it aids digestion though it is not bitter; also delicious on ice-cream. Add it to cold water or grape fruit or orange juice to get an effective thirst-quencher; it is also suitable as an aperitif. It comes in 100-, 70-, 50-cl bottles, and in miniature bottles.



**“Mandarino Liqueur”**: This mandarin cream is produced according to an old recipe. Its moderate alcoholic strength and delicate taste, make it delicious if drunk iced or in its "sour" version with lemon. It is also an excellent ingredient for original, successful cocktails and long drinks, especially if mixed with sparkling wine and fruit juice. It comes in frosted glass bottles or in cased sophisticated 70-cl decanters.



**“Adesso”**: Excellent completely natural bitter liqueur, obtained from a decoction of herbs and roots, which is prepared over a wood fire and sweetened with the honey produced in the area of the Sibillini Mountains. This liqueur should be drunk neat to aid digestion, or as a hot drink with a piece of lemon peel. It is a delicious thirst-quencher if mixed with soda water or Sprite. Shake it with white vermouth to get an original aperitif . It comes in 100-, 70-, 50-cl bottles, and in miniature bottles.

## **Business Idea**

Our idea is to sell these Varnelli liquors, together with Indian foods and coffee in different places, like restaurants, hotels, wine shops, having as target place Mumbai, the richer and most populated city in India, but in the same time a place open to foreign cultures and products too.

We aim to penetrate the Indian market, assuming as target clients the middle and high income earning customers. In the same time, we want to maintain the independence of the Varnelli company, because of its strong familiar link with the territory of Marche region.

The distribution of the products in India should be made through an effective chain of agents, distributors and importers with a real knowledge of the territory and a direct contact with the customers.

## **Customer Value Proposition**

The customer value proposition of a product like Varnelli, basically is focused on the uniqueness of these kind of liquors inside the Indian

market but in the same time to the care of the Varnelli company for the human resources and their craft skills.

In pursuing its corporate mission, Varnelli constantly aims at combining tradition and innovation, competitiveness and social cohesion, a strong local identity and a dynamic approach to the global dimension of the market. To achieve these goals, the company gives great importance to investment in intangible capital, as to say the "soft" elements of the value chain: human resources and skills, marketing, branding, a strong tie with the local community, environmental protection.

The Varnelli products have a first rate quality/price relation, even in the presence of high taxes. The distribution channel can represent a direct contact with the territory: importers and distributors, have the purpose to guarantee a widespread diffusion of the products in elegant wine bars, restaurants and hotels where the Varnelli brand can show up. Agents can control better the territory and have tools to know the needs of potential clients and their tastes.

To make Indian customer aware of the brand name, should be useful to organize trade fairs, inviting people to visit Italy for products

degustation and in the same time to create an effective promotional campaign for the Varnelli liquors.

## **Market Opportunity**

*"Market opportunity" what does this term mean?*

Newly identified need, want, or demand trend that a firm can exploit because it is not being addressed by the competitors. These are defined as the circumstances in the external environment which offer an organization the chance to satisfy particular consumer needs and wants at a profit. In other words we can also say that market opportunity is the possibility of finding new sales in the market.

### **Consumers**

West is propagating against alcohol while in India people are making it into a fashion - Consuming alcohol brings along woes - the myth about alcohol is necessary to survive cold climate is very wrong - that it is just a false notion. Alcohol consumption needs check before it attains unpropotional length - Not only do men drink alcohol - women too have joined the bandwagon as if in competition to out do



Impacted by economic development and cultural environment, imported alcohol consumers are mainly white-collar people with high salary, rich knowledge and good taste, for example, foreign trade personnel and creative directors etc. They are major consumers of imported spirits, medium and high grade alcohol and imported spirits, in particular.

All imported brands have staged frequent spirit testing and promotion activities one after another. The participants of these spirits wine tasting activities are generally embassies personnel of relevant countries, government officials, exclusive agents, consumers, liquor associations as well as professional media etc. They attach greater importance to potential market in India, so their promotion focuses more on culture instead of anxious business invitation and marketing.

### **Marketing Analysis**

This section contains a complete marketing analysis for spirit market in India. It examines the markets in which Varnelli plans to start, including segmentation, pertinent factors, target market segmentation, strategies, customer groups, geographic composition, and features of its products and services. Additionally, it provides an assessment of present market and competitors, focusing on an in-depth supplier assessment

and a competitive review, including a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis. Finally, it covers Varnelli marketing strategy - promotion, advertising and sales.

### **Markets**

Spirits Market is faced with an exciting opportunity of being one of the few movers in an untapped niche market like India. As an Italian brand, Varnelli will combine the products of two independent services, Italian spirit and unique flavor into one product. In addition, the consistent popularity of Italian spirits has created significant market for our products in India. Combining and customizing the products, and providing a unique Italian sensation, will enable Varnelli to tap into already hyped existing markets to develop a new niche market.

### **Segmentation**

A study by NIMHANS has shown that the average age of initiation has reduced from 28 years during the 1980s to 20 years in the recent times. The National Survey (study sponsored by the Ministry of Social Justice and Empowerment and the United Nations Office on Drugs and Crime, 2004) revealed that among adult men, about 21% were current drinkers and about 17% were regular user of alcohol, and among those seeking treatment about 44% were alcohol users. The most recent data

on alcohol use is available from the National Family Health Survey (NFHS-3, 2007) Data collected in 2005-06, published in September 2007. It showed that about 32% were current users of alcohol and between 4 and 13% were daily users. The proportion of users among rural and urban population is very similar (32% and 31% respectively)

Around 15 to 20 per cent of Indians consume alcohol and over the past twenty years, the numbers of drinkers have increased considerably. According to a survey done by Hindustan Times, an estimated 5 per cent of Indians can be classified as alcoholics which projects that at least five million people in India are addicted to alcohol, which is near to the population of Italy.

Surveys published recognized alcohol as one of India's heavy quantity consumed stuff. An imported liquor, still remains an enticing treat for people of adult ages, and will likely continue on in the future.



## Overview of Mumbai- Target launch city

Mumbai is one of the most populated cities in the world. The business capital of India is home to more than 20.4 million people. Like other metros of India, the population of Mumbai has also grown rapidly in last 20 years. It is one of the largest cities of India in terms of population, business and trade activities. A large majority of Mumbai's population are migrants from other states of India. This migrant population who come and stays here in search of better employment opportunities is one of the significant factors in rising population of Bombay. According to 1991 census, the population of Mumbai was only 12.5 million; So Population of Mumbai has grown almost double in the last 20 years. This population explosion in Amchi Mumbai has caused serious health related problems for the government officials. A large number of Populations in Mumbai city lives in Slums and other residential areas. Mumbai has a Population density of 30,000 persons per square kilometer which is relatively very high. This large population of Mumbai includes dabbawala, stock broker, diamond merchant, Bollywood producer or even the local paanwalla.

Hinduism continued to be the largest religion in Mumbai with 67.30% Hindu population. Muslims with 18.56% population forms the second largest religious community in the city. The religions of Buddhists (5.22%), Jains (3.99%), Christians (4.2%) and Sikhs (0.58%) have also significance presence in Mumbai. Parsis and Jews making up for the rest of the population

<b>Population of Mumbai</b>			
<b>In 1901</b>	2,901,000		
<b>In 2006</b>	18,000,000 (18 million)		
<b>Sex Ratio in Mumbai</b>	774		
<b>Literacy Rate</b>	86%		
<b>According to 2001 Population Census:</b>			
<b>Area</b>	<b>Persons</b>	<b>Males</b>	<b>Females</b>
<b>Mumbai (Suburban)</b>	8,587,561	4,702,761	3,884,800
<b>Mumbai</b>	3,326,837	1,875,141	1,451,696

### **Target Market Segment**

Alcohol market intent is to cater to the bulk of the population, focusing primarily on population between the ages of 20 and 55. As a

by-product of this targeting, an additional 15% of the population will be targeted on two primary groups, those between 20 and 34, and those between 35 and 55 years of age.

### **Strategies**

Varnelli's primary strategy is differentiation; it distinguishes itself from competitors through high quality products and Unique taste. Furthermore, a focus strategy will be implemented to concentrate on a special product and the its marketing. By combining differentiation and strategies, Varnelli products will establish a competitive advantage that stimulates success and is difficult for others to imitate. Through its differentiation strategy, Varnelli focus on its high quality products, emphasizing the quality & originality of Italian spirit. Varnelli's strategy will concentrate on its distinctive products. It can provide regional customers high quality special product not available in India as yet, at price comparable to locally available imported products.

### **Pertinent Factors**

Mumbai, one of the biggest financial, commercial and business centers of the country. Mumbai formerly known as Bombay is the capital of the Indian state of Maharashtra. It is the most populous city in India, and the fifth most populous city in the world, with a population of

approximately 21 million (1/3<sup>rd</sup> of the population of Italy) according to census 2011. Along with the neighboring urban areas, including the cities of Navi Mumbai and Thane, it is one of the most populous urban regions in the world. Mumbai lies on the west coast of India and has a deep natural harbor. As of 2009, Mumbai was named an Alpha world city. Mumbai is also the richest city in India, and has the highest GDP of any city in South, West or Central Asia.

There is particular process according to which every new company has to undergo this set of procedure to start up a business in the Indian market.

Service	Department
Issue of letter of confirmation of the availability of name Issue of Certificates of Registration of the company	Register of Society
Issuance of the Tax Code(Permanent Account Number PAN) Legal persons tax return	Income Tax Office
VAT/ Tax Service	Office& Tax on VAT Service
Archiving FC-GPR(Reporting investment abroad)	Reserve Bank of India
Registration activity' trade	Authorities' local
Registration Tax on Professions	

## 🚩 SWOT Analysis

### ❖ Strengths

- India's per capita GDP and population continue to grow as do disposable incomes.
- Imported liquors has a positive image as a high-quality, healthy alternative to domestically produced alcohol and is perceived as an excellent gift.

### ❖ Weaknesses

- Import procedures for new brands and vintages are often lengthy and arbitrary. New items need up to four months to clear, so advance planning is crucial for trade shows and wine tastings.
- Consumers judge quality by price. Importers face a high import tax, making them less competitive with domestic wines.

### ❖ Opportunities

- Marketing in mid-to-high-end chain restaurants and hotels is a good way to develop brand awareness and mass-market sales.
- Distributors and retailers are developing an on-line presence and increasingly offering online sales.
- As knowledge of imported liquors, more specialized stores offer a variety of spirits.



- Second tier and third tier cities are a large and relatively untapped market.

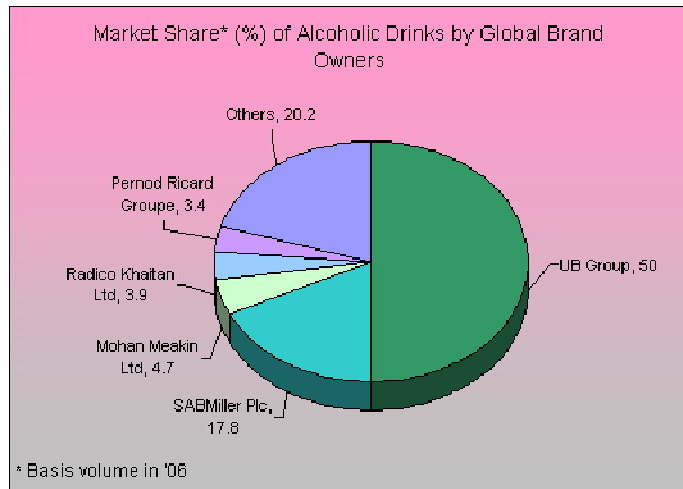
#### ❖ **Threats**

- The Indian government is sure to enforce labeling requirements in the future. Improving quality of domestic spirits make them more competitive domestically and abroad.
- Country of origin of the spirit is often taken as the guide in judging the quality of spirit. This is not always accurate, as many poor quality alcohol can be produced by famous wine producing countries.
- Many established and newly established competitors (France, Australia, Chile, Spain, USA) are actively penetrating the market and are eager to get the biggest market share

## **Analysis of Competitors**

Indian liquor market is very huge where domestic players as well as the international players are competing head to head. The craze of western lifestyle and imported liquors is on increase in India due to the

changing mentality of the Indian middle class people and due to the increased availability of disposable income.



#### ◆ Main competitors

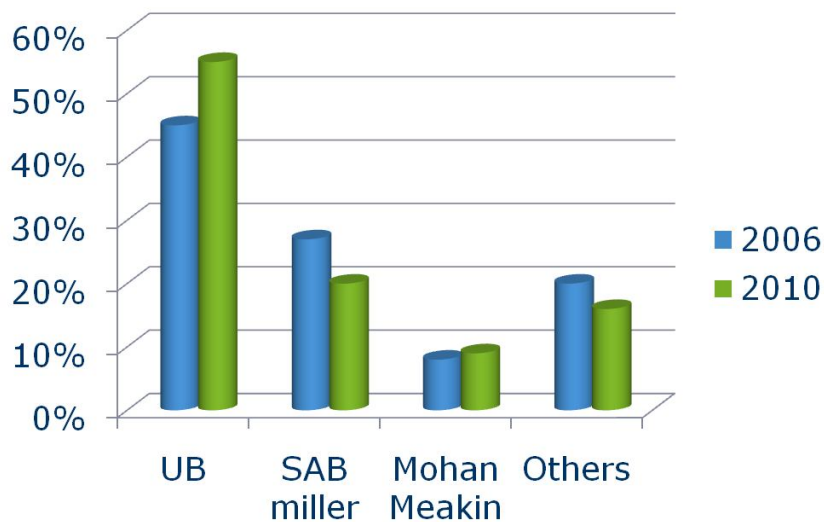
The diversity of main competitors comes out from the different origin of the companies, taken to our analysis. For example, we can see 3 local domestic competitors, 2 Italian and 1 from UK. All of them are big and famous brands in India.

The psychological factor plays an important role in the human life. As for example, we always think that the company with the biggest history is the better one, even if it is not always like this. A lot of successful multinational brands are not so ancient. But still, the elder the company is the more respect it has from the clients.

In this case, Varnelli is one of the 3 most ancient companies in the market, making way only to Luxuardo (190 years) and Mohan Moakin (156).

Company Name	Origin	Established in	Range of Products
UB	India	1915	140 brands: whisky, rum, beer
SAB MILLER	UK	1895	200 brands
MOHAN MEAKIN	India	1855	Beer, rum, whisky, vodka
VINBROS & CO.	India	1942	Whisky, vodka, rum, liquors
RIONA WINES	Italy	1977	Wines
LUXARDO	Italy	1821	Sambuca, Amaretto, Limoncello, liquor, Grappa

#### ◆ Market share of competitors



\*Source from: *Indian express.com*

## ❖ **United Breweries**

United Spirits Limited (USL) is the largest spirits company in the world by volume, selling 114 million cases for the fiscal ending March 21, 2011.

Besides Whyte & Mackay and Bouvet Ladubay being 100% subsidiaries of USL, the company has 21 millionaire brands (selling more than a million cases a year) in its portfolio and enjoys a strong 59% market share for its first line brands in India. United Spirits' brands have won the most prestigious awards for flavors, ranging from Mondial to International Wine and Spirit Competition (IWSC) to International Taste & Quality Institute (ITQI); more than 115 awards.

The Company is known to be an innovator in the industry and has several firsts to its credit like the first pre-mixed gin, the first Tetrapack in the spirits industry in India, first single malt manufactured in Asia and the first diet versions of whisky and vodka in India.

USL has a global footprint with exports to over 37 countries. It has a sizeable presence in India. United Breweries, India's largest brewer, has reported a 57% rise in net profits and a 17% jump in beer sales for its fiscal first quarter.

### ❖ **SAB Miller Plc**

SABMiller Plc is a global brewing and bottling company headquartered in London, United Kingdom. It is the world's second-largest brewing company measured by revenues (after Anheuser–Busch InBev) and is also a major bottler of Coca-Cola. Its brands include Grolsch, Miller Genuine Draft, Peroni Nastro Azzurro and Pilsner Urquell. It has operations in 75 countries across Africa, Asia, Australasia, Europe, North America and South America and sells 213 million hectolitres of lager per year.

SABMiller India, the Indian arm of SABMiller PLC is one of the leading brewers in the country. The company serves the market with ten breweries with popular brands such as Foster`s, Knockout, Haywards, Royal Challenge and Indus Pride and also markets its premium international brand Peroni Nastro Azzurro

### ❖ **Mohan Meakin**

Mohan Meakin is a large group of companies started with Asia's first brewery incorporated in 1855 (but established much earlier) by Edward Dyer at Kasauli in the Himalayan Mountains in India under the name Dyer Breweries.

Mohan Meakin Brewery was introduced by Edward Dyer and was incorporated in the year 1855. Mohan Meakin is a large group of companies involved in the manufacturing and marketing breweries both in the Indian market as well as overseas.

The company was set up at Kasauli in the Himalayan Mountains by Edward Dyer under the name Dyer Breweries. The company largely deals with the manufacturing of Lager which is available in various states in India in the Army's Canteen Services Department. Mohan Meakin entered into collaboration with Dyer breweries in 1937 after the First World War. The company was then restructured with its Indian assets after the separation of Burma from India and was renamed as Dyer Meakin Breweries. It got listed on the London Stock Exchange.

### ❖ **Radico Khaitan**

Radico Khaitan Limited (RKL) is an India-based company. The Company is engaged in manufacturing, sales and distribution of Indian Made Foreign Liquor (IMFL). The liquor business incorporates the product groups, such as rectified spirit, country liquor and IMFL. Its brands include 8PM Whisky, 8PM Royale Whisky, After Dark Whisky, Eagles Dare Whisky, Contessa Rum, Old Admiral Brandy, 8 PM

Excellency Brandy, Magic Moments Vodka, Magic Moments Gin and Morpheus Brandy. As of March 31, 2010, the Company had 32 bottling units across the country, which production capacity is 151 million liters.

## **Key Players in The Indian Alcohol Sector From Italy**

### **Riona Wines**

Riona Winery is a JV between an Indian and two Italian wineries to produce Indian wine, with the possibility of Italian varietals to be introduced for the first time in India. Based in Miraj, District Sangli in the south-western Maharashtra, Riona wines made in collaboration with Marche situated Moncaro and Cantina Enzo Mecella will be introduced in 2010. The initial phase will see a roll out of the staple Chenin Blanc, Sauvignon Blanc, Chardonnay, Shiraz and Merlot. 'Chardonnay and Merlot grow very well in Sangli district.

Rather than taking only the services of a foreign winemaker we decided on collaboration with Italy's two leading wine manufacturing company's namely Terre Cortesi Moncaro and Cantine Enzo Mecella. State of the Art winery of 1.5 million liters capacity, situated in Sangli district in western Maharashtra.

There is already a presence of Italian winemakers in India with

Nashik based Vintage Wines owned by Yatin Patil and Goa based Big Banyan owned by John Distilleries Ltd., already using the services of Italian winemakers to make quality wines. Humpy in Karnataka is also reportedly consulting an Italian winemaker. But Riona's Italian partners will not only share the equity, but will also help procure the equipment and technology from Italy based on their specifications.

"Riona is a dream to combine Old cultures of Italy and India to introduce to Indian wine connoisseurs a wine steeped in culture made with modern technology.", says Enzo Mecella who is visiting India in a couple of weeks as a member of a delegation from Marche, that also includes the agriculture minister of the region.

The Marche region is known for a white variety of grapes known as Verdicchio which is well suited to Indian palate apart from being a good match with the Indian food. Besides, the region is known for Sangiovese and Montepulciano grapes which on their own or the blend give very palatable, slightly spicy wines.

#### ❖ **Ilva Saronno S.p.A.**

Modi Ilva India Pvt Ltd., announces their first foray in the Indian spirits market by launching a premium brand Artic Vodka as their



offering in the domestic market, through 50:50 JV between Umesh Modi Group and Italian Spirit maker Illva Saronno S.p.A. The company, is manufacturing the newly launched product at its state-of-the-art distillery in Modi Nagar, under technical supervision of Illva Saronno S.p.A., Italy. It has invested nearly half a million dollars to set-up a new line for Artic Vodka.

Artic is a first of its kind Pure, Italian, Luxury vodka manufactured in India. Artic is made from 100% pure grain alcohol, clearly establishing the superiority of the spirit. An imported secret ingredient from Italy is added that gives it a distinctive taste. Artic undergoes a meticulous quadruple distillation process and multiple filtrations to ensure that the alcohol is in its purest form. Quadruple Distillation is ideal to get the smoothest vodka without losing its distinct flavor. Natural Mineral Water keeps the end product pristine and pure as possible.

Commenting on the launch of Artic® Vodka in India, Mr. Abhishek Modi, CEO – Modi Illva India Pvt Ltd. said, "India's liquor and spirits market is on a surge, we have introduced Artic Vodka at the right time, we want to be identified as a key player in the premium liquor segment in India. I am of the opinion that with the change in the mindset of

consumers, the premium liquor space is bound to evolve and we are very sure of our place here. We are looking at a market share of 10- 12 per cent in the premium segment with the launch of some new products in the next three years. To firm up our portfolio in the Indian liquor market, we plan to bring more premium brands from our partner's product folio including Disaronno, Tia Maria and Isolabella Sambuca by 2011".

The premium Artic® Vodka which is available in 750 ml bottle is priced at Rs. 700/- in Delhi, Rs. 900/ - in Mumbai and Pune, Rs. 830/- in Bangalore, Rs. 500 in Chandigarh, Rs. 800 in Noida. Artic® shall be available at all leading hotels, restaurants and select retail outlets across the country.

### ❖ **Luxardo S.p.A**

Established in 1821, and still 100% controlled by the founding family, Luxardo is one of the oldest European firms producing liqueurs. Transferred to Torreglia (Padova) in 1947 due to the consequences of the Second World War, it is now a leader in the liqueurs industry and one of the few proprietary brands present in almost all the international markets. The firm owns over 20.000 Marasca Luxardo cherry trees,

cultivated in industrial nurseries and is the only company with such agricultural installation in the European Union.

They have not made any type of joint venture till yet with any domestic company in India. They are only selling to the potential distributor and this distributor is helping them to expand in the Indian market and to achieve the higher market share.

## **Competitive advantage & Disadvantage**

### **\*ADVANTAGE\***

The purchase decision for our customer is based on trust in our process and ingredient's selection. We have established relationships with our customers in Italy which extend beyond that of the buyer/seller. Our liquors are priced up to nine percent higher than similar products. Our customers are willing to pay more for our product because they are familiar with us and trust in the quality. This is the result of success in the marketplace with our product.. And we hope to have such a success also in India. Varnelli means that the product has been chosen and prepared with the highest quality standards in mind.

The secret recipe can be inherited only by the generation of the family. It makes Varnelli very special and distinguishes it from other producers of alcohol drinks. The company doesn't need to patent its secret because all the process of technology and initial steps of production are available only to a family member.

Varnelli specialties derive their distinctive taste and aroma from natural raw materials. All ingredients are selected very carefully to guarantee the high quality and standard of the products.

So everyone who at least once has tasted it can easily understand that it is Varnelli even with eyes closed.

All these factors can be summarized in the list of competitive advantages:

- Secret recipe
- Distinctive taste and aroma
- High quality product
- Carefully selected ingredients
- Identity of an independent family company

- Respect to tradition
- Attention to details
- Social responsibility
- Relationship with the territory
- 150 years of experience in preparing unique spirits

**\*DISADVANTAGE\***

India has a well developed tax structure. The power to levy taxes and duties is distributed among the three tiers of Government, in accordance with the provisions of the Indian Constitution. The main taxes/duties that the Union Government is empowered to levy are:- Income Tax (except tax on agricultural income, which the State Governments can levy), Customs duties, Central Excise and Sales Tax and Service Tax. The principal taxes levied by the State Governments are:- Sales Tax (tax on intra-State sale of goods), Stamp Duty (duty on transfer of property), State Excise (duty on manufacture of alcohol), Land Revenue (levy on land used for agricultural/non-agricultural purposes), Duty on Entertainment and Tax on Professions & Callings.

The Local Bodies are empowered to levy tax on properties (buildings, etc.), Octroi (tax on entry of goods for use/consumption within areas of the Local Bodies), Tax on Markets and Tax/User Charges for utilities like water supply, drainage, etc.

In the wake of economic reforms, the tax system in India has undergone a radical change, in line with the liberal policy. Some of the changes include: rationalization of tax structure; progressive reduction in peak rates of customs duty ; reduction in corporate tax rate; customs duties to be aligned with ASEAN levels; introduction of value added tax ; widening of the tax base; tax laws have been simplified to ensure better compliance. Tax policy in India provides tax holidays in the form of concessions for various types of investments. These include incentives to priority sectors and to industries located in special area/ regions. Tax incentives are available also for those engaged in development of infrastructure.



<b>3. Financials</b>						X			
Setting up the account system						X	X		
Setting up the payment system						X	X		
Setting up the advertisement campaign budget								X	X

## **Team management**

As we are going to start with your business in Mumbai, it would be essential to find a local Indian person as the general manager, who must have abundant managerial experience, also sales and marketing experiences are required. In order to smoothly set up a branch office in Mumbai, Varnelli has to appoint an Italian Representative to assist the local Indian general manager at the beginning. Of course, before that the local Indian manager should be trained several weeks in Varnelli in Italy.

With acknowledge, resources, experiences and his previous clients of the local Indian manager, we would better know the "real" Indian market, also we could get familiar with the Indian agencies, distributors as soon as possible.



## **Marketing Strategy**

Varnelli's overall marketing strategy will be to create an image of the highest quality spirit in India. The products will be sold in a high-populated and developing city – Mumbai. Customers will be reached through advertisements such as tv, newspaper ads, bus banners and through grand ceremonies, Italian festivals.

Our main strategy is to communicate the unique and desired attributes of Italian alcohol liquors to larger segments of the Indian market. We sell a superior product. It is therefore important that we effectively communicate the unique aspects which make it ideally suited for a chosen market.

The unique aspects of our products include superior product selection and preparation, quality assurance, and efficient distribution. The tactics we will use to communicate these strengths will also include, personal selling, targeted print advertising, and improved communication capabilities via information system improvements and a sophisticated website.

The marketing strategy will focus on two segments:

1. The company will benchmark the objectives for promotion and

personal selling.

2. The marketing budget will be \$36,000 per year.

The pricing strategy will be to initially undercut our main competitors by 10%, using a market penetration strategy. Then, pricing will be adjusted to be directly competitive with the other major competitors.

## **4Ps of Market**

The four marketing P (product, price, place and promotion) strategy is an important tool in developing business idea. We can see in details in the following points in order to create a good marketing plan.

### Product

There are several aspect that Varnelli should take into consideration for the product provided in relation to the marketing strategy:

- to consider the benefit for the consumer or customer if they purchase the product and detailed research in this area is a must.
- to think of creating an outstanding packaging that could be distinguished from the competitors' packaging.
- to consider the warranty use of the product and how to make the customer feel that they are staying in the comfortable zone after they

buy your product.

## Price

The next important P is the pricing strategy. If the price of a product will be high it will be more difficult to perceive people to purchase your product, if the price of a product will be low a perception of a low quality can be created. So, Varnelli has to find out what is the best price to charge in order to satisfy both the company's and clients' interest.

Right price for the product can be determined through pricing research and by adopting test-marketing techniques. The various pricing methods are:

- Value pricing
- Going rate pricing
- Introducing a product at a premium price
- Ethical pricing
- Full Line pricing
- Perceived value pricing: in which a firm sets its price in relation to the value delivered and perceived by the customer. Perceived value is made up of several elements like buyer's image of the product performance, warranty, trustworthiness, esteem, etc. Each customer gives different weight age to these elements. Some may be price buyers, others may be

value buyers and still others may be loyal buyers. If either the price is higher than the value perceived or the price is lower than the value perceived, the company will not be able to make potential profits.

In our business plan we are using the last strategy – perceived value pricing.

#### Place

It is important for us to choose where we should sell our products? First, we choose Mumbai which is one of the most populated cities in the world, not only in India. In hotel or the bars where there were a lot of tourists, business men, so their taste and also the income is matching with our status of Varnelli.

#### Promotion

We need to promote the product provided in order to generate increase of the sales. First it is important to identify the type of advertising tool that is to be used, the marketing effort that is to be carried out, discuss about public relation, create the promotional plan. Promotion implies the process of informing and persuading the prospective customers about the products or services of the firm, so that they keep patronising the firm. It means to create and maintain the demand for the product of the enterprise. In other words, the function of

promotion is establishing the contact with the members of society, showing them how the products offered by the firm will satisfy their needs and creating among them the desire to buy the products. It also helps customers in differentiating the product of a particular firm from the competing products of other firms. It also seeks to assure the customers about the quality and price of the product so as to prevent their shifting from a particular brand of product to another brand of product.

No business enterprise can sell its products unless it undertakes various promotional activities effectively. The need for promotional activities has increased in today's globalise world because of widening of market, stiff competition, rapid advancement in technology and continuous changes in tastes and preferences of customers. Firms around the world use advertising as the most important promotional tool. It involves non personal dissemination of information about a firm's product on a large scale to potential customers. Salesmanship is the oldest form of promotion used by the firms to directly and orally communicate with the customers in order to sell their product. While, sales promotion is another promotion technique used to supplement the other selling efforts of the firm.

## **Business Model and mechanics of the deal**

With the concerning improvement of consumers, more companies began to consider from the perspective of the consumer. The single-marketing model has passed, the whole system-marketing has been more and more in consideration.

The system-marketing, is to implement to meet the competition of the multi-dimensional strategies and performance management. With the strategic planning and guidance, to establish a strong marketing organization with a mature business model and a number of collaboration and participation in organizational systems to form a comprehensive ability, rather than relying on product, packaging, planning, pricing, communication, team, service, brand, such as single or several aspects to compete consumer resources, customer resources and development for new market demand.

We suggest at the same time to carry out Precision Marketing which improves the customer value. For precision marketing can achieve an "one to one" marketing way. This is a concept that through the integration and resources focusing we establish cooperative relations

with the distributors with the principle of mutual benefit, to jointly build market competitiveness, to make maximize profits in the market.

On the basis of segmentation in the market, we are going to target the individual needs of the market, to give our brand an unique value, to establish brand differentiation and personalization as our core competitive advantage.

- Value position

In the previous articles, we specified our market position, our target

- Value chain structure

Enterprise value chain structure: the value system of a enterprise is a chain, one side is the enterprise, and the other is market. If unable to meet both enterprise and market recognition, the enterprise value chain will immediately become the fetters.

1. Brand value chain structure: the competition between the products is primary stage. For the medium should be the competition between the brands. Varnelli is committed to invent new products on the basis of its brand characteristics. We should continue to give new intension to the brand. Our goal now is to start with a solid brand foundation. First to pay attention to the high quality of the products; second, to

make efforts in innovation, to make some change of our products to make more suited for market demand; then to make efforts on the market, high-quality service builds brand reputation.

2. Consumption value chain: in the real consumption patterns, consumers need not only competitive price with perfect quality products, but also demands for products, brands, service and culture. All these aspects form the consumption value chain. In fact, it is could not separate from the other tow value system. In our BP, we plan to integrate Indian food with Varnelli products.

In the sales channel management, monitoring prompted dealers standardized operation, to accelerate brand promotion and prevent market risk are the primary tasks:

#### The brand business model

To establish our brand image is the final goal of our BP. Usually the manufacturer entrepreneurs focus on the production, but for an unique product in the market, the most important thing is to establish a good brand image.

#### Distribution channel strategy:



For a new product into a new, unfamiliar market, it is no doubt to find a co-operator who is well-known your target market. At the first step, authorize some of the distributors, but not exclusive one. Only after a few years, after we also become to know the market, we suggest to establish a long-term business relationship with an exclusive dealer. Here are two distributor channels that we take into consideration:

SELL THROUGH A DEALER NETWORK    SELL THROUGH A VAR  
(VALUE-ADDED RESELLER)

To sell product through a geographical network of dealers who sell to end-users in their areas. The dealers may service the product as well. The dealers are essentially your customers, and you have a strong program to train and support them with marketing campaigns and materials. To sell a product to a company who bundles it with services or other products and re-sells it. That company is called a Value Added Reseller (VAR) because it adds value to your product. A VAR may work with an end-user to determine the right products and configurations, then implement a system that includes your product.

📌 Agent channel strategy:

The agent could exist with the distributor at the same time. The reason that we cooperate with the agents is that the agents usually have

its own royalty clients(including the distributors). It will be helpful to open the new market via the agent. It is one of the agent's advantages.

#### ✚ Hotel Channel strategy:

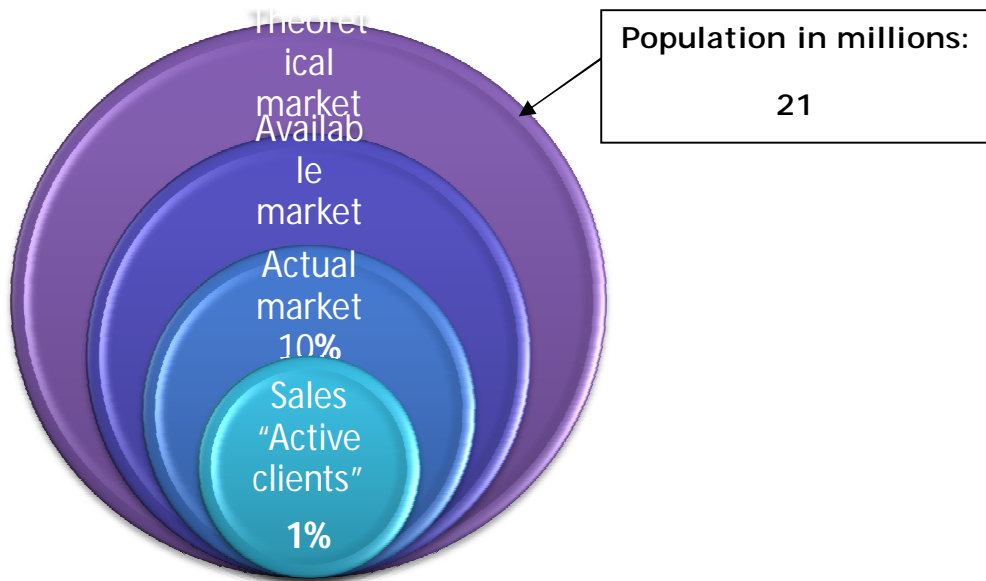
We should attach importance to the influence of stated hotels, also in the bars or the restaurants in the hotel. The target consumers of the stated hotels are tourists from all of the world. To hold kinds of activities and promotion in hotel to let the consumer to know the products at the same time to increase brand awareness.

## **Funding Plan & Financials**

Managing the finances of the firm in an efficient manner is the most important aspect of managing a business. It means controlling and managing the firm's financial resources. The process of managing finances involves cash flow management which is concerned with the inflow and outflow of money in and out of a business. For this a cash flow statement is prepared which records a company's income and expenses in a systematic form. Cash flow statement is a financial tool used by the companies to measure its cash receipts and disbursements over a period

of time. It lists cash to and cash from operating, investing and financing activities along with the net increase or decrease in cash for the period.

1. We are assuming that the sale model would be achieved in 3 years.
  2. From the following scale, we assume that the theoretical market would be 21 million, so according to our assumption, we could see our targeted market share is 0.14%.
  3. It means that if we could make this achievement in three years with a average net profit at 3 euro for each market share, we could have 88200 euro for profit.
  4. After these 3 years, we hope that we could make a progress for each year at an increase of 20%.
  5. We've mentioned about the marketing channels and promotions in previous articles. We'd like to use 20,000 euro for start-up investment which accounts for a significant part of the fixed cost to get the business running.
- 2.6. The specified analysis would be made with the company Balance Sheet.



## Why invest in my venture?

We are proud to promote Italian spirit Varnelli as a beverage with a long history and tradition. The aim of our project is to launch 'Varnelli' in the Indian alcohol market and to promote its distributions and sales throughout India. "Varnelli" is a Special Dry Aniseed Liquor coming from a particular, secret way of processing aniseeds.

Our product can be interesting for Indian people not only because it has special taste but also because it is completely natural and consists of unique herbs and with a lot of useful characteristics for the human organism. For example, it helps to digest the food after a heavy meal.

For many thousands of years India was famous for the medicine. Ayurveda was an indigenous system of medicine meaning the science of longevity. It included information about diseases, their diagnosis and expected cures.

The famous saying says: "We are what we eat". In our case we can transfer this phrase to "We are what we drink", because Indian people even consuming a lot of alcohol nowadays are also thinking about their health. So, drinking Varnelli will be for them not only pleasant but also very useful.

The decision to enter a new market will always have some advantages and disadvantages, as far as it certainly will have a great part of risk. To minimize it we will start with the analysis of our direct and indirect competitors in India. It will help us to understand the current situation in the market of alcohol products and make a continuous research and forecast for a possible profit or loss.

## **Conclusion**

Our business plan is aimed to promote “Varnelli” brand as one of the most famous Italian spirit drinks, prepared by secret recipe, owned by the family since almost 150 years.

During market research and analysis we focused on developing and phenomenally growing market of liquors in India.

We have chosen Mumbai as a target launch city for its passion and openness towards the western cultures. Our main goal is to satisfy the needs of Indian customers and to increase the profitability of the company.