

# Case Study: Nutty

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At a time when most entrepreneurs are going the IT and ITes way Mr. Suresh Pannikal of Nutty LLC has forayed into the business of packaged tender coconut water. Nutty LLC is a privately held firm.

The water of tender coconut is sterile, nutritious and is considered a thirst quenching health drink. The pure and sweet tender coconut is known to possess therapeutic properties and refreshing health drink for all ages. It is loaded with natural sugars, salts, and vitamins and is low in fat, calories and also has no cholesterol. It is a health rejuvenation tonic that can ward off fatigue. Nutty LLC takes the coconut in its natural form and offers the tender coconut water in a food grade and eco-friendly bottle.

The emphasis is on delivering tender coconut water in its true and natural form. It is promoted as a natural thirst quencher, a health drink and also a substitute for artificial energy drinks.

TCW is a good drink to hydrate the body. Besides helping to remove toxins from the body and aiding digestion, coconuts have anti viral , anti fungal and anti microbial properties that help to cure the disease. There are no harmful additives to the TCW that are usually found in other soft drinks. Coconut water accounted for 67% of all juice retail sales in 2010, compared to 47% in 2005 and 21% in 2003. As packaged food and beverage markets continue to develop in terms of sophistication, consumer will eventually be compelled by easy portability, convenient and hygienic format to suit consumption.

The product exerts universal consumer appeal on the premise that unadulterated , natural, virtually unprocessed 'pure' products are healthiest for the human body. Another category is the sports drink one. Sports drinks are viewed by many as chemical concoctions, not helped by the fact that they come in a range of lurid colours.

The Indian packaged tender coconut water is still an industry in development phase. Only a few players exist in the market. Recently Dabur has made its entry into the

market with its own product. In comparison to the general beverage market where players like Pepsi, Coco-Cola exist the TCW market is small. However, the emerging trend among consumers is to go for healthy and natural food products. This will drive this newer market.

The size of soft drink industry is estimated to be approximately 50 billion dollars and is growing at a rate of 6 to 7% annually. The per capital consumption of soft drinks in India is around 5 to 6 bottles compared to Pakistan's 17 bottles, Sri Lanka's 21, Thailand's 73, the Philippines 173 and Mexico 605. With the consumers turning health conscious and preferring natural products, the belief is that TCW (tender coconut water) has a strong market both in domestic circles and countries abroad. Nutty LLC aims at capturing the huge potential offered by both domestic and overseas markets. Nutty LLC desires to be one of the largest producers of packaged tender coconut water by the year 2018 and to be a major player in the natural food market by 2025.

Nutty LLC is a privately held firm located in Pune. Nutty LLC uses an outside contractor based in Tamil Nadu to source and bottle the tender coconut water. The product is transported by truck to Pune and Mumbai presently and is further deployed in the supermarkets around Pune and Mumbai. Mr. Suresh Pannikal who is the founder, is also responsible for sales & business development, finance, collections, marketing. He is assisted by a junior sales person and another person who looks after data & research.

The procurement of coconut water is still fraught with issues of availability, quality and perishability. These problems will have to be addressed in order to bring coconut water beverages close to the price points of existing products in the categories in which they hope to compete.

Presently, the extracted coconut water is sold in food grade, eco-friendly bottles of 200ml. They are sold at MRP of Rs.50/- per bottle. Nutty LLC hopes to be able to make the product available in 1 litre packs but for now is concentrating on the 200 ml bottle.

## Unique Features:

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1. Product is offered in its natural form
2. Offering in 200 ml bottles for Rs.50/- each
3. No more carrying heavy tender coconuts from outside. Easy portability
4. No hassle of disposing of the shell.
5. Product can be served chilled immediately
6. Strict quality and hygiene measures
7. Plastic coated seal on the mouth of the bottle to stop air from entering
8. Available in supermarkets

The health benefits offered by the product is what is primarily being seen by the customer. Mr. Pannikal wants to understand how he can change the mindset with the customer to make it a 'sport' drink or a drink for the youth.

Dabur and Parle Agro are already into fruit juice drinks. There are however few major players in coconut water processing with Cocolal from Jain Agro Food being the leader.

A survey was conducted for Nutty LLC and some common conclusions from the consumer survey & focus group study are

1. TCW tastes sweeter than the natural coconut water
2. Customers have apprehensions about TCW being completely free from preservatives or being 100% natural.
3. Point of Purchase was found to be the nearby traditional retail outlets mainly due to convenience purpose.
4. The bottle was well received but tetra packaging was perceived to be the norm to supply products without preservatives
5. One set of consumers' estimated that the price could be around 30-35 Rs.
6. The focus group members after seeing the bottle guessed it to be around 40-45 Rs
7. Both the study groups related TCW to health, energy supplement source
8. Triggers for buying the TCW were
  - a) when they see the coconut vendor
  - b) when low on energy
  - c) season like summer
9. Home made sharabats & fruit juices are found to be consumed daily by 47% of the respondents
10. Age group of 18-34 yrs (28% of the respondents) either consume no cold drinks or prefer to have health drinks.
11. People of age group 41- 50 yrs (24% of the respondents) preferred health drinks or home made sharabats.
12. Respondents in their fifties were found to be preferring fruit drinks and home made sharabats
13. As compared to 500 ml & 1 lit packs 200/250 ml pack size was the most preferred when it came to buying cold drinks from outside.
14. The point of purchase (POP) was at near by retail outlets than the supermarkets like D-Mart / bigbazaar
15. Number of packs / bottles picked up were always 1 or 2 and never in bulk like a pack of 6 or more
16. Though consumption of coconut water was on higher side (74%- 1 to 2 times a week) but the frequency of purchasing it from outside was very less.
17. They all were habitual coconut water consumers and did relate coconut water to health and energy / nutrition supplement
18. Most of the respondents did like the taste but "its little sweeter than the natural CW" cannot be ignored.
19. Participants expected the bottle to be priced at around Rs 30-35.
20. Almost 80% of the respondents had never heard of the brand but they did like the bottle (shape, colour)

Nutty PLC has priced the 200 ml bottle for Rs 50/-. The product is priced towards a customer with higher spending power. Earlier on Mr. Pannikal had tried bringing down the price of the product however, feedback from the stores that he had placed his product in was that the market was accepting of the price and to leave it as is.

The product moves directly from the bottler in Tamil Nadu to Pune and Bombay. There are plans to distribute the product in Bangalore also. But final selection will depend on reach and cost benefits.

Promotion is done through various events like Farmer's Market, Schools, Colleges, Exhibitions, etc. There is no newspaper advertising and a small presence on social media.

The bottling plant is in Tamil Nadu and the contract work of Nutty LLC is just one of the customers that this plant caters to. The entire cycle from ordering the sleeve, procurement of the bottle, batch production, testing, sleeve and final packaging, transportation takes 21 days. Mr. Pannikal is



unable to crash this cycle and find at times he is unable to meet demand when there is a sudden spurt in buying.

The entire operation for the last eighteen months since the company has started has been from personal loans and loans from friends. After being cash positive in the month of November 2015, presently the company has found that they have slipped back into the red and are unable to meet working capital needs. As the company is a trading company no sufficient assets exist on the balance sheet of the company should he want to obtain a bank loan.

**Issues:**

1. Has Nutty LLC correctly identified the target audience?
2. Mr. Pannikal has aspirations of seeing his drink as a sporty and youthful drink. Presently, the drink is seen as a health drink. How can he re-position his communication message for promotion and advertising? Would it be wise to re-position?
3. Analyse his production facility. Identify the bottlenecks and suggest improvements to crash the production cycle.
4. Suggest ways for Mr. Pannikal to finance his business.

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