

# THE INDIAN ALCOHOL INDUSTRY: A THEORETICAL ANALYSIS

Dr. Anand Kumar Shrivastava  
Assistant Professor, Amity Business School,  
Amity University Madhya Pradesh, Gwalior, India

**Abstract:** This paper evidences the evolution of alcohol industry, from way back archaic times to the present or current scenario. A brief introduction about the Indian liquor industry is presented in this paper. Light has also been thrown on how marketing has become an integral part in various processes of liquor industries. How strongly and widely it has created an impact on the demand of the consumers, especially on today's young generation.

**Index Terms** - Marketing Strategies, Liquor Industry.

## I. INTRODUCTION

As we talk about today's competitive scenario, the most important and vital segment of the company is its marketing. Marketing process something which starts operating even before the production of the product and goes on till the first transaction of sales. The liquor industry has always seen and experienced a large sum of challenges right from the production to the promotion and selling of these products. In such a scenario the concept of surrogate advertisement and promotion hold a great potential for development and growth as compared with the other types of advertisements.

The liquor industry of India which has witnessed several fluctuations since the Islamic period to present has enormous amount of innovations and modifications. The evolution of the alcohol use and advertising has been discussed to give deep insight to the reader about the alcohol industry with various perks and challenges the manufacturer, seller and the consumer enjoys and faces during the whole process. Market has been tried and studied well and thorough to be aware of all the phases of this industry and could be easy to come out with favored solution and conclusion. Surrogate marketing as the issue of the consumption of alcohol has remained being a topic of great ambivalence, where a major section of the society enjoys the consumption of alcohol and strongly favors it the other minor section of society firmly disfavors its consumption and promotion. A huge source of revenue is generated from this industry to the government and still its advertisement is banned, an irony it is in the world's fourth highest alcohol consumption country and also a home to the giant goliaths of this industry around the world.

## II. THE HISTORY OF EVOLUTION OF ALCOHOL USE IN INDIA

The consumption and use of alcoholic content, in India especially, has stayed and raised as an issue of extreme hesitancy throughout the deep great history of the subcontinent. Our interaction with many different cultures have left rooted influences in our history, which can be regarded as one of the most important reason- we have very complex and contradictory attitudes towards the consumption and use of alcohol in India. The alcohol content consumption pattern model can be divided into four major historical eras, which are as follows-

- Vedic era which dated from (ca. 1500-700 BCE).
- From 700 BCE to 1100 CE, this period witnessed the evolution of Jainism and Buddhism, introducing some new contrary belief for the consumption of alcohol with the emergence of earlier Vedic advancements in the Hindu culture and traditions with an aid of intellectual scripts. New lines in thoughts were added to the argument, by the discoveries of the prominent medical professional- Susruta and Charaka who favored moderate alcohol use.
- The Islamic Period (1100-1800 CE), which included the Mughal Period dated from (1520s to 18000, displayed a vast contradictory and a very complex reciprocity of the boundless use of alcohol, challenging the pure and firm Quranic obstruction and opposition for the use of alcohol .
- The fourth period (1800 to the present) witnessed the great influence and impact and of colonial British Rule, the other half of the century included the Indian independence from 1947. Various differences and vagueness were encountered in some elite sections of the civilization, including the casts of higher status (Kshatriyas- warriors/rulers) who strongly favored alcohol versus the disapproval of the use of alcohol especially by the highest section of the society- Brahmin (scholar-priest) caste who have discovered that alcohol consumption patterns and behaviors include continuous high-risk and are dangerous for health of the people consuming it.

The current unpredictable development for the alcohol use and consumption in various sections of the general and young Indian population and especially with the youth is associated with the strong testimony of the role of alcohol in the spread of HIV/STI infections and other health risks diseases, points towards the need of understanding complex cross-currents emerging from the past history of alcohol use and abuse in India which has left the general youth with a legacy of complex ambiguities.

### III. THE INDIAN LIQUOR INDUSTRY AT A GLANCE

Alcohol industry cares for the assembling, deal and appropriation of mixed beverages and drinks. The Indian liquor industry is one amongst the quickest developing enterprises on the planet and it possesses the third position in contrast with the same business in different nations of the world. Likewise unexpectedly, it is a standout amongst the most scrutinized enterprises on the planet since 1990's a direct result of the unsafe the impacts of the items fabricated by it and the arrangement of promoting sent by it by utilizing pharmaceutical industry and staff to underline upon the medical advantages of liquor. In the light of the rising per capita wage of the Indian individuals and a change and an adjustment in their way of life, a remarkable development has been seen from indigenous alcohol to the Indian manufactured Foreign liquor (IMFL) in this industry.

### IV. TYPE OF MARKET

The ideal example of the oligopoly market is the alcohol industry of India with which noticing the presence of the great and giant MNC's like, Pernord Ricard, Diageo, Heineken, Sab Miller etc. The products manufactured in the Indian alcohol industry can be divided into the following categories as given below:

- Foreign Liquor bottled in India (BII)
- Indian Manufactured Foreign Liquor (IMFL)
- Foreign Liquor bottled in origin (BIO)
- Wine
- Beer
- Country liquor which include cheap and spiced liquor

In spite of the fact that Beer, Country alcohol and IMFL possesses just about the same piece of the overall industry in volume however because of high cost of IMFL it involves right around 65 percent of the piece of the pie as far as quality. In India, the complete business sector size of this industry is of about \$35 billion which additionally is denoting a development pattern of 8 percent for every year.

The other very obvious element of oligopoly in the Indian alcohol industry is one of a kind type of versatility. IMFL and Beer are demonstrating a practically consistent development of around 8 percent Compound Annual Growth Rate (CAGR) every year however the development isn't and cannot be separated consistently over the results of various costs. The case in point of the development is extensively higher in shoddy to medium classification of the Indian Manufactured Foreign Liquor (IMFL) yet the development of the top line items of this category is similarly immaterial. The uniqueness of this sort of flexibility lies in the way that if in case the costs are made higher, the interest does not fall proportionately but rather the purchaser movement to the less expensive items prompting mass deserting gets increased. This type of excessive flexibility, results in making the business sector goliaths coming into an argument with every one of them who attempts persistently to drop the costs of their products in the overall industry.

### V. GOVERNMENT REGULATIONS

The Indian alcohol industry is featured by massive government regulations- legal or economical.

#### A) Legal

- The alcohol industry is a State undertaking and hence every producer, manufacturer or seller needs to get licenses from the government in each state, they have to work in.
- Separate and varied licenses are required for the generation, packaging and conveyance of the item, making it a complex assignment for all those who are associated with these functions.
- Alcohol industry welcomes and accepts hundred percent foreign direct investment (FDI). If the other case emerges in which the proprietor is a remote organization however the speculator is Indian, the venture will require an earlier endorsement and acceptance of Foreign Investment Promotion Board and it will be for a given authorized limit and period. If the company is deciding to expand the venture, the financial specialist will require a totally new endorsement of the (FIPB).
- Permitting the Indian alcohol industry is done under the Industrial (Development and Regulation) Act, 1956.

#### B) Economical

- Various duties like Excise duty, Value Added Tax and many other impacts the pricing of the products to a great and massive extent.
- The retailing and distribution in the Indian alcohol industry is strictly controlled by the government. The marketing of the alcohol products is banned, leading to surrogate marketing.

### VI. MARKET SCENARIO

The liquor Industry of India is an industry including high risks, uncertainties and dangers. This danger begins from abnormal state of obligations and tax assessment forced on the business by the legislature. This majorly affects value adaptability prompting not all that solid budgetary profiles and worse than average edges.

The important factor in making the alcohol manufacturer or producer a goliath in the business sector is his capacity to represent and control his organization's operations in different states all over the nation, when the obligations administering the alcohol business change from one state to another. Furthermore, molasses- a fixing which is used to make the highly demanded Indian spirits, is another exceptionally touchy issue in the nation, the state governments generate real incomes from this industry and hence the assessments and obligations are forced on liquor producers which are unrealistic to diminish. Though different responsibilities and duties are made to the World Trade Organization as of late and new giant multinational companies and brands are developing in over the business sector yet on account of the overwhelming obligation and tax assessment, the business sector isn't overflowed with second rate quality imports inferable from its fears of the high dangers in the business sector. Despite the fact that has been talked about

above, there are considerable measures of obstacles on the off chance that one needs to turn out without a hitch in the Indian liquor industry however there are certain key elements which could help the various players in picking up a competitive edge over each other.

- **Brand**

A strong brand name does not just give the producer of the product of the overall industry, a lead or a competitive edge over others but also permits them to charge higher rates. Their stronghold in the industry goes about as a barrier for the upcoming brands which could undermine them and moreover is an essential factor in their expansion, improvement and development.

- **Distinct Topographical Qualities**

The Indian alcohol industry is affected by an infinite number of laws which varies from one state to other state, so a player holding a bite in the pie and fortification in various states holds more significant favored outlook. The preferred standpoint is that the change of arrangement in a solitary state does not influence the organization as it were. Furthermore, also the offer of the items to the Canteen Stores Depot of the barrier administrations means their piece of the pie as CD's, are a noteworthy part player in expanding the piece of the overall industry of the liquor organization.

- **Product Diversity**

The assorted qualities of the items, additionally assumes a vital part in characterizing an organization's viewpoint in the business sector. The nearness of the organization in different alcoholic items gives the organization favorable position of withstanding the change of inclination by the clients, in addition the nearness of the organization claimed items in various value fragments additionally helps the organization in keeping up its piece of the overall industry notwithstanding when value climbs are in actuality and further the organization needs an enormous offer in bourbon market as it is the quickest developing part in the alcohol business furthermore holds the greatest piece of the pie.

- **International Impact**

Indian liquor industry pulls in a great deal of remote consideration. The interest for beer is increasing and expanding all around the world while the interest for the classic whiskey is declining with great fluctuations, yet according to figure, the situation in India is entirely contrary, henceforth, India has turned into the purpose of center for monster maker for solid whiskey brands. Furthermore the offer of beer in the Indian alcohol industry is necessary and required to grow soon for a balanced development in both categories of liquor, reason being the liberalization of the huge impacting things (de-associating with Indian Manufactured Foreign Liquor), which has starting now been realized in a couple of states like Uttar Pradesh, Maharashtra and Himachal Pradesh. Wine industry is moreover envisioning take after the lead of ale things in the best in class years. Various giant multinational players like Pernord Ricard and Diageo have made a strong foothold spot in the Indian business division of the alcohol industry. They have in like manner, started showing their promising scotch brands in the market by entering the business area as dual attempts taking after Bill course. In any case, their driving and elsewhere extremely viable brands are made accessible and reachable, in course whose business return could be simply raised if the commitments and costs which are highly constrained on them are reduced impressively.

Joint tries in collaboration with watchman MNC's have focal points in various zones:

- They have a perk of noteworthy brand name to impart with.
- Leading innovation in mixing is effortlessly reachable.
- An advantage of worldwide campaigning.
- Top of the class managerial leadership is acknowledged by them.

Despite each one of the inclinations above, in any case, remote players haven't had the ability to have a huge impact in the matter of the residential players, reason being:

- Concentration on top of the line clients
- Myopic focus on corner
- Relatively late arriving in the business part

### Consumer Trends

The Indian Manufactured Foreign Liquor (IMFL) category is highly overpowered by whiskey. India is the leading business sector for whiskey all around the globe and according to recent estimates 6 in all 7 top offering brands and companies around the world (in volume) are Indian manufactured.

- In instance for the beer category, strong beer is preferred more by the major portion for the India's population, almost 80 percent of beer sold has a place in the strong section.
- Indian liquor industry has demonstrated a special business sector highlight, measurably it gives the idea that the business sector is pulled in more towards better quality and high expenses known as premiumization, towards which the market giant players and companies are working feasibly.
- The white spirits category have demonstrated a quickest development in the last couple of annum, vodka demonstrated a development rate at about 25 percent and higher for each year.
- The slowest developing range remains to be wine, in India, with Karnataka and Maharashtra being to be the only main maker and also customer of the same deducible from the assessment accumulation laws in these states.

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