



**Chartered Management Institute
National Convention**

27th and 28th October 2005, Leeds

At the end of October several hundred managers descended on the Queens Hotel in Leeds for the Institute's first National Convention. It was a very intensive two days with 41 workshop options, a formal dinner, breakfast sessions and three keynote speeches, not to mention the now ubiquitous 'networking opportunities'. The highlight, however, was surely the keynote speech from Karan Bilimoria, founder and CEO of Cobra Beer, whose insightful talk is reported in this article.

BUILDING A CONSUMER BRAND FROM SCRATCH

EXTRA SMOOTH

Brand



EXTRA
SMOOTH

COBRA
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50% Vol

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The son of a general in the Indian army, Karan Bilimoria came to the UK as a young post-graduate, starting his career at Ernst & Young in 1982, where he spent four years qualifying as a Chartered Accountant. He then studied law at Cambridge and it was whilst a student there that he first had the idea for Cobra beer.



Mr Bilimoria wants to take on the big beer labels

Bilimoria maintains that the best business ideas stem from passion - loving something passionately or hating something with a passion. Bilimoria loved beer, but hated lager, especially the kind he found in England as the universal accompaniment of Indian food. In 1990 he left Cambridge with a Law degree, a £20,000 debt and a business idea to develop a non-gassy lager to complement Indian food. He was planning to enter the most competitive beer market in the world at the start of the worst recession we've had in the UK over the last 20 years. Needless to say, he got little encouragement from family, friends or the business community who all thought he was mad. In that context, you can understand the origins of the Cobra vision, "Aspire and achieve against all odds with integrity".

England. Still there were problems. When the first container of beer was being test marketed in Indian restaurants in the UK it appeared that customers loved the taste but didn't like the name. Not Cobra, but Panther Beer, which was Bilimoria's original choice for the brand name. Never too proud to listen to the market, the name was changed to Cobra despite the costs already incurred for design and packaging and the inevitable delays that resulted from re-doing it all.

Changing the brand name isn't the only evidence that Bilimoria was market-led from the outset. He didn't go into beer just because he liked drinking the stuff. His Ernst & Young training ensured that he'd thoroughly researched the market, the figures in the two charts showing that perhaps he wasn't quite as mad as many people thought.

Market led

Not knowing anything about beer, apart from how he wanted it to taste, Bilimoria returned to India, where he struck a deal with the country's largest independent brewer (Mysore Brewery, also the Indian army's beer supplier), to develop the product, manufacture it and export it to

Having a good product in a growth market is always going to be a winner but Bilimoria went one better than that. He targeted a niche market that was not well served by the competition and where he had a clear USP - beer for Indian restaurants brewed in Bangalore.

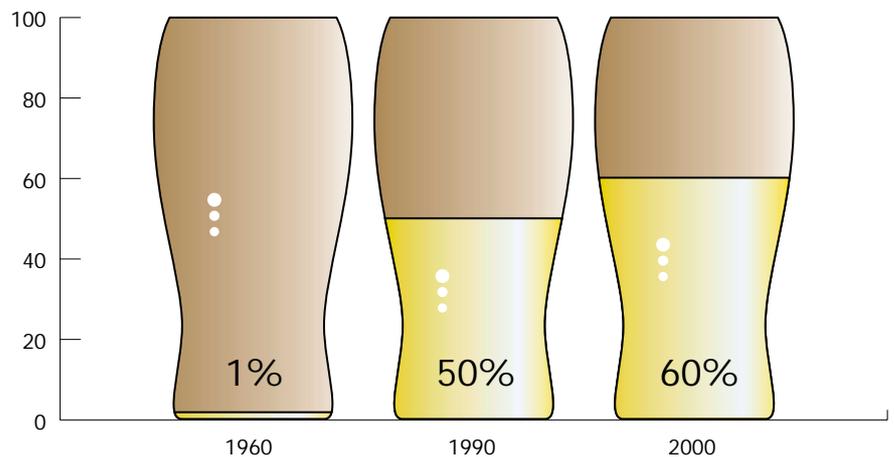


Figure 1: Lager's share of the UK beer market

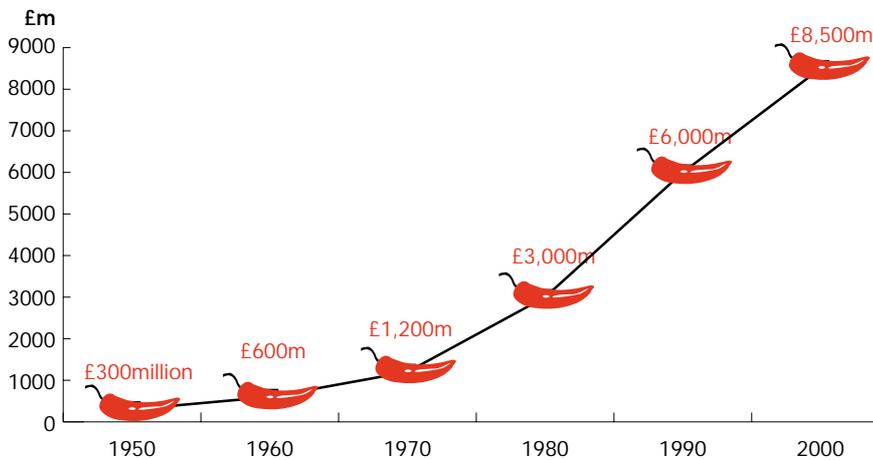


Figure 2: Growth of the UK market for Indian food

Financing the business

Sales growth was slow in the early years (it took 5 years to hit £1 million sales) and like many start-ups finance was the biggest challenge for Bilimoria. He had financed the initial product development and launch phase with a £55,000 loan through the Government's Small Firms Loan Guarantee Scheme. Before long more cash was needed to finance growth but despite numerous attempts, Bilimoria couldn't find a bank willing to extend his Small Firms loan by the £250,000 he now needed, until he finally found an astute bank manager who believed in Bilimoria's business plan but didn't like the idea of being the only one who did, so he asked what the business was worth. Bilimoria plucked a figure of £1million out of thin air. The bank manager's canny response was that if he could raise £50,000 by selling shares in 5% of the company, the loan was his. Raising venture capital would have been comparatively easy, but at a much higher cost. Giving away 30% of the company would have been more likely. Eventually Bilimoria was introduced to a business angel who was prepared to invest £50,000 for a 5% shareholding. When Cobra Beer floats, which it currently plans to do on AIM next year, the business angel could be looking at up to a thousand fold return on his early investment. Not bad going, but still not as good as Bilimoria himself, because although he relinquished more share in 1995 to secure an injection of a further £3.5million, he still owns 72% of the company.

Success

Cobra Beer is now one of the fastest growing beer brands in the UK, with a current turnover of £80 million and around 200 employees. It is available nationwide in more than 6,000 Indian restaurants, major supermarkets and off-licences and now mainstream bars, pubs and clubs. Cobra Beer is exported to over 30 countries and now has offices in India, South Africa, and the USA as well as HQ in London.

Cobra was listed on the 1999 Virgin Fast Track 100 list of the fastest growing, privately owned companies in the UK. Founder and Chief Executive, Karan F. Bilimoria CBE, DL, has been honoured with the RSA Albert Medal, and as Business Person of the Year by the London Chamber of Commerce; Best Business Leader by the Sage Business Awards 2004 in partnership with The Daily Telegraph; Entrepreneur of the Year 2004 by the National Business Awards, London and South East England; Entrepreneur of the Year 2003 by the London Chamber of Commerce; 2003 London Entrepreneur of the Year (Consumer Products), and Entrepreneur of the Year 2003 by the Asian Achievers Awards. He is also Co-Chairman of the Indo-British Partnership and Visiting Entrepreneur at the Centre for Entrepreneurial Learning at Cambridge University.

Great place to work

For the past two years, Cobra has been

included in the top 50 'best places to work' in the small company category. Bilimoria is a great believer in Harvard's 'recruit for attitude, train for skills' policy, re-named 'hire for will rather than skill' at Cobra. The culture is cosmopolitan, relaxed (no dress code, no fixed hours of work) and inclusive (all employees can join a share option scheme). It's a priority to foster an environment where ideas can flourish and, where appropriate, be implemented quickly. The idea of the month scheme is judged by different, randomly selected members of staff each month. A recent winner was the idea to have three large clocks in the reception area showing the time in the UK, India and the US to remind all staff every minute that the Cobra is now becoming a global business.



Photo: Bilimoria receiving his Business Person of the Year Award from the London Chamber of Commerce

Partnerships

Although the company has grown very strongly over the last ten years, the number of permanent staff is surprisingly low - around 230 for an £80million turnover company. This is down to Bilimoria's strong belief in out-sourcing everything, although he maintains that Cobra's relationship with suppliers is one of genuine partnership. From the earliest days in Bangalore, product development, manufacture and distribution have all



been outsourced, with Cobra now brewed in Bedford, Poland, Belgium and Holland as well as India. Bilimoria would be the first to admit, however, that outsourcing isn't all plain sailing. With the growing popularity of Cobra in the mid-90s, Bilimoria found that shipping the beer over from India was swallowing up 50% of management time in organisation and administration. The obvious solution was to brew in Britain. But would this be acceptable to customers? It had always been assumed that the beer's 'Indianness' was a crucial part of its brand identity. Bilimoria therefore decided to consult customers before making any changes. Thousands completed some simple response cards asking them to rank in order of importance four key characteristics of Cobra Beer:

- Brewed in India
- Less gassy
- Premium lager
- Smooth taste

It transpired that Cobra's least important characteristic for customers was being brewed in India. Decision made. Bilimoria placed his businesses with the Bedford-based, family-owned firm Charles Wells, which also makes Jamaican Red Stripe and Japanese Kirin Beer. It took six attempts, says Bilimoria, for the UK brewery to get it right, but the partnership has worked very well since.

Bilimoria's advice is to always appoint the best advisors and then work very closely with them. Many of Cobra's partners, for example, attend its AGM. Although this will be costly, it is far less costly than employing all that expertise permanently within the company.

Community

Bilimoria has always had a strong sense of corporate social responsibility. 'Wherever your business is, you must reach out and be outward looking and give back to the community,' he says. 'Every business can do that. From our very early days we've been able to

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The Cobra vision

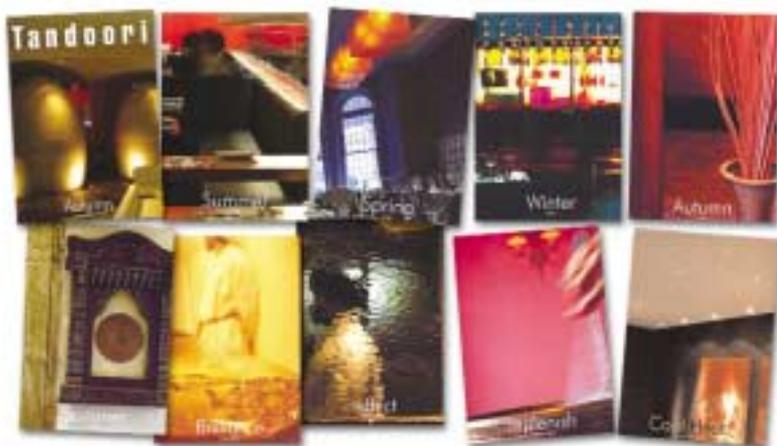
support events by giving away our product for free as a donation in kind.' Over the years, Cobra Beer has given away around £100,000 worth of beer at a variety of charitable events. But the generosity also serves as a good marketing opportunity. 'It's a win-win situation,' Bilimoria maintains.

Bilimoria also supports a number of charities and acts as a business adviser. These include the Thare Machi Starfish Initiative, which fights prostitution and slavery in the developing world; Rethink Severe Mental Illness; The Memorial Gates Trust; and the Shrimati Pushpa Wati Loomba Memorial Trust for the education of children of poor widows in India. To quote Bilimoria again, 'More and more in Britain we are demonstrating that it is not just important to be the best in the world, but the best for the world. So many businesses are putting back into and engaging with the community.'

Innovation

Another of Bilimoria's strong beliefs is constant exposure to new ideas to drive innovation. He is a member of the Hoffman Group, (named after the famous 'achieving the impossible' bridge over the Grand Canyon), whose meetings judge their success in terms of IPH - ideas per hour. One outcome has been King Cobra, the world's first ever double fermented lager. There are now also award winning non-alcoholic and draught beers. When Bilimoria found it difficult to get his message across to the thousands of Indian restaurants in the UK due to the absence of targeted media he simply started his own. Tandoori Magazine now goes to all Indian restaurants.

Another great example of Cobra's innovating culture is its own brand General Bilimoria wines, named after Karan's father. The idea was germinated at Cobra's 1999 management retreat





when someone suggested the growth in wine consumption was a threat to the beer market. After a brief debate of ideas to counter it by encouraging people to drink beer rather than wine, it was soon decided that jumping on the bandwagon made much more sense than trying to derail it, especially when subsequent research identified that whilst 35% of customers in Indian restaurants chose to order wine with their meal, 50% of wine available in Indian restaurants was very cheap, low quality house wine.

Following an extensive search they found a Merlot and Terret-Sauvignon from the renowned Languedoc region in the south of France and by November of the same year had their first General Billimoria wines on the tables of UK restaurants. The first wine sold out within months of its launch and the portfolio was expanded at the beginning of 2001 with the launch of three new wines from the same region including a Marsanne-Roussanne and a Syrah. In 2002, three premium quality South African varieties were added to the range: Pinotage, Colombard-Chardonnay and a Shiraz-Pinotage. The Pinotage is produced in the Stellenbosch region by Beyers Truter, and Oliphants River, on South Africa's Western coast, is the home of both the Colombard-Chardonnay and Shiraz-Pinotage. A range of Spanish wines from the coast of Valencia, have been added in 2004, along with a Chenin Blanc from South Africa.

General Billimoria wines are now selling in excess of 350,000 bottles a year, and are available in hundreds of Indian restaurants throughout the UK, including two Michelin-starred restaurants, and are also

available to order online. The full General Billimoria range of wines are now also sold in restaurants in India, the United States and South Africa. As well as a profitable new revenue stream the new line has enabled the company to provide a valuable new benefit to its Indian restaurant customers who can now make more money from offering a better quality wine.

continued growth. The market has been steadily expanding, but Billimoria points out that Indian per capita consumption of 0.6 litres a year (compared to 98.7 litres in the UK) is still very low. A partnership with Mount Shivalik Group, the largest independent brewing company in India will, almost a decade and a half after the Cobra brand was first developed in India, again brew the beer under licence on the

	CURRENT PRODUCTS	NEW PRODUCTS
CURRENT MARKETS	MARKET PENETRATION STRATEGY <ul style="list-style-type: none"> Increase penetration of Indian restaurants (6,000 now covered) Tandoori Magazine 	PRODUCT DEVELOPMENT STRATEGY <ul style="list-style-type: none"> General Billimoria Wine Non-alcoholic Cobra Draught Cobra King Cobra
NEW MARKETS	MARKET DEVELOPMENT STRATEGY <ul style="list-style-type: none"> Develop new channels Supermarkets Off licences Bars and Pubs Export markets 	DIVERSIFICATION STRATEGY <ul style="list-style-type: none"> New products to new markets is very risky and should be avoided unless no alternative. Avoided by Cobra so far

Figure 3: The Cobra Multiplier Matrix

Strategy for continued success

Billimoria's attendance on Harvard senior management courses has clearly not been wasted. The Ansoff origins of his 'Cobra Multiplier Matrix' will be recognisable to many strategic marketing students, but you still won't find many better strategy frameworks.

Billimoria sees the Indian market providing the next big opportunity for Cobra's

sub-continent, but this time for India's rapidly growing domestic market. Local production will allow the company to avoid excessive import duties. Will he succeed? He has with everything else so far. No doubt AIM investors will be taking a keen interest next year. **S**

