samvad

Igniting Thoughts of Tomorrow

Mr. Navin Quadros
Information Systems
Transformation Leader
Mondelēz International

Featured Article
FMCGs in E-Commerce - Where are they today?

FMCG

Must Read
Rebranding in FMCG

July 2015

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About WeSchool

OUR VISION

"To nurture thought leaders and practitioners through inventive education"

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

"The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn." - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

WeSchool has chosen the 'design thinking' approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Message from the Group Director

Prof. Dr. Uday Salunkhe,
Group Director

Dear Readers,

It gives me great pride to introduce Samvad issues every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone. I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes in-grained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Prof. Dr. Uday Salunkhe,
Group Director

OUR VISION

"To facilitate exchange of ideas that inspire innovative thought culture"

MISSION

To Dialogue

To Deliberate

To Develop

To Differentiate

As the student magazine of WeSchool, Samvad is greatly inspired by the words of Alvin Toffler backed by a strong vision of facilitating exchange of ideas that inspire innovative thought culture. Samvad is a platform for the next generation leaders to bring forth their perspective on management to the world and gives the readers an opportunity to learn, unlearn and relearn on a continuous basis.

The team of Samvad is driven by a set of strong WeSchool values which enable us to create a dialogue leading to knowledge gaining and sharing, to deliberate on the information, to develop a sense of creativity and differentiate our minds with innovative thoughts of tomorrow; today.

From the Editor's Desk

The Fast Moving Consumer Goods (FMCG) sector is a corner stone of the Indian economy. This sector touches every aspect of human life. From ritzy cities to forlorn villages, fast moving goods evoke a sense of loyalty and trust amongst its consumers that many other products fail to inspire. Today these companies go beyond simply selling products and are creating an idea or value that would differentiate these companies from their competitors.

While these consumer goods have become strongly entrenched in our lives, there is still vast potential for growth in the rural markets which are still largely untapped and unexplored. The 'sachet' revolution helped small and big companies to capture the rural market but much more is left to be done. Another development that the FMCG companies need to prepare themselves for is the increasing significance of e-commerce or e-tailing. With consumers now preferring to shop online for even their daily essentials, companies are making a shift to increase their visibility and in the presence online market.

In this month's issue we explore several aspects of this growing sector which boasts of some of the most powerful and recognisable brands. Read on to find out more about the impact of e-commerce on the FMCG segment and the increasing outbound financial deals in the FMCG sector. In addition to the range of student articles on this theme, we also have a featured interview with Mr. Navin Quadros, Information Systems — Transformational Leader, Mondelez International. Mr. Quadros has been closely associated with the digital foray of the company and shares with us his thoughts on this matter.

I hope you enjoy reading this issue just as much as we did developing it. Do remember to write back with your valuable feedback and suggestions. We would love to hear from you on what you thought of this issue, and inputs, if any, to make it a more interesting and engaging reading experience. Stay with us for our upcoming issue on the Mergers and Acquisitions.

Until then...

Read Better to Know Better!!!

Best Wishes,

Anuja Kadam

Editor

Acknowledgements

Team Samvad would like to extend its heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by **Prof. Deepa Dixit**. Her insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Indu Mehta** for her help in selecting the best Marketing articles. She is a part of our core Marketing faculty at WeSchool.

The Finance articles were scrutinized by **Prof. Sapna Mallya** and we thank her for choosing the most relevant and informative articles.

We appreciate the efforts of **Prof. Jyoti Kulkarni** for selecting the most interesting articles in General Management domain.

The Human Resources articles were scrutinized by **Prof. Rimmi Joneja.** We thank her for choosing the best articles.

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also, we thank **Ms. Prachi Shah** and her team for helping us out in the website updates of Samvad

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.

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An Interview with Mr. Navin Quadros

By: Team Samvad

(Information Systems — Transformational Leader, **Mondelez International** *)*

1. Please take us through your professional journey, after you graduated from B-school to your work in Mondelez.

I am an Electronics and Telecommunications engineer by qualification, so getting into IT Infrastructure was an obvious choice for me. Completing my post-graduation in Management was an opportunity to expand my outlook to business as a whole and the non-technical aspects of business in particular, areas like Finance, Marketing and Strategy. I have worked with some of the big IT players like TCS, Accenture, Wipro and HCL. Mondelez gave me an opportunity to work on the other side of the IT table, the customer side.

2. Could you throw some light on the gist of the Gartner Research report that you worked on?

IT, in most organizations, is not the core business. As a result, it is easy to classify IT expenditure as just that, expenditure! The Gartner Report was based on the work our team did in Wipro to quantify, in real dollar terms, the value that IT brings to the bottom line of any organization. Based on real life consulting experience and numerous case studies, we successfully mapped the benefits of IT, both tangible and intangible, quantified them and created a benchmark comparison tool that enabled organizations to map where they are

and where they need to be in terms of maximizing the value of their IT investments.

3. With the growth of e-commerce in India, what is the e-commerce channel, marketing and sales, strategy of Mondelez?

It would be a gross understatement to say the e-commerce scene in India has grown. There is a lot of excitement about the way business is changing with all the new business models in this space. That said, I think we are just at a very early stage with e-commerce in India right now and while there is a lot of potential, there also are many unknowns. We still need a strong policy framework specific to e-Commerce and the fact that most of this growth is limited to the urban areas, we need more technology penetration, availability of stable internet across the country. For Mondelez, our focus has always been our customers and all channels to bring joy to our customers are important. However, we are very excited about this space.

4. Has the rise of investor confidence in E-Commerce ventures affected the FMCG or CPG space? Can budding entrepreneurs be optimistic about trying to start-up in this (FMCG/CPG) space?

I've said before that the e-commerce ventures today are predominantly focussed in the urban areas. As a result, we already leave out close to 65% of India's market. So while investors are excited about e-commerce in India, we know that our "physical" channels are still very relevant to reach our customers. Think about it, when was the last time you only ordered a bar of chocolate from an online portal? Just chocolate, nothing else? Chances are never. It was always bought as part of a larger order. However, you walked to a "kirana" store and bought just the chocolate outright. When you can do the same online, that's when the e-commerce space will "affect" the FMCG or CPG space.

My advice to budding entrepreneurs trying to start up in this space would be, take advantage of the fact that the e-commerce space is still very young. Try experimenting in this space so that when the sector matures, you are ready with a strong business model and operational experience to ensure a successful venture.

5. What are the Innovation and R&D initiatives that are being taken up at Cadbury to stay ahead of the curve and to retain its competitive advantage?

Actually like the Pharmaceutical industry, FMCG depends a lot on innovation and R&D, which can be an eye-opener for many people. It is as closely guarded as pharmaceutical research. Our primary focus is to ensure that our products are the best choice for our customers, with nothing but the highest standards of quality. We are respectful of the fact that our customers have a huge variety of choices whenever they consider our products and all are initiatives are geared towards ensuring that our products are among the top choices that our customers consider in their purchase decisions.

6. What are the supply chain challenges that a FMCG company like Mondelez faces in India?

In India, the number one issue is reach. We are a vast country and a huge population. While that is exciting as a marketing statistic, the ability to get our products to the right people at the right time in the right quantities, based on demographic information is key for any FMCG company. This is where IT helps, with ensuring real time data about markets which enables better forecasting, better planning and finally better fulfilment.

Another issue is the complicated tax and levy structure we have in the country, especially due to the dichotomy of central and state jurisdictions. This affects product pricing as well as consumer purchasing power which in turn limits the potential consumers who can benefit from our products. It is unfair that a high tax burden drives products beyond the reach of certain consumers. A standardized uniform framework around taxes and levies across the country will enable standardized pricing.

7. Rural markets are expected to be the major driver for FMCG, as growth continues to be high in these regions. What is your plan and strategy to cater to this growing consumer segment?

We have been in India for over 6 decades, having started in 1948 as an importer of chocolates, to the household brand that we are today.

This has been largely due to the fact that we do not make distinctions between an urban customer and a rural one. We believe that our products bring joy to everyone and are for everyone. As a result, over the past 60 years we have ensured that our products reach customers everywhere and have built our supply chain capabilities to grow with the growing consumer demand. We will continue to grow with that focus in mind.

8. What trend is India seeing towards investment in factory automation by large manufacturing firms in India?

I believe India is unique in the sense that investment in capacity here is not so much for production growth but rather to keep up with the growing demand of the consumers. It's not about producing 'x' times more than before, but rather having enough products to cater to 'x' times more demand for products. Thus investment in factory automation is not just a choice, but rather a business necessity. There is also a push for manufacturing in India and this is only going to give a boost to capacity building investments in India.

9. How do you see the effect of the exponential growth of this sector (FMCG) on the Indian economy?

I've said this before, the FMCG sector growth is not about manufacturing more products, but rather keeping up with the increasing demand. Education, awareness of global consumption habits and trends and increased product availability will only drive up demand for FMCG products. Also most FMCG products are consumption products with a small use lifecycle. Given our population growth, FMCG will continue to constitute a major portion of the consumer's bill.

10. How do you see the effect of the exponential growth of this sector (FMCG) on the Indian economy?

Both the FMCG and IT sectors are extremely fast changing sectors. New innovations and developments happen every day and it helps tremendously to be updated with these, especially now that FMCG and IT are so closely integrated. If you have a favorite news source, a favorite industry magazine or even a favorite business newspaper with a section on the FMCG industry, read them voraciously. Most of all, never stop learning. You could not have learnt everything in business school and your learning doesn't stop once you graduate. Don't be afraid to ask questions if you don't know something.

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Impact of E-Commerce on FMCG

By: Rohith Ambati, PGP(2014-16), IIM Trichy , Tamil Nadu

FMCGs in E-Commerce – Where are they today?

In the past few years, the proliferation of mobile phones and internet have led to the creation of E-Commerce sector, which carved a space for itself in an already competitive landscapes of India. A recent report by Internet & Mobile Association of India (IAMAI) and KPMG found that, as of June 2015, internet users in India stood at over 350 million. With internet penetration still at 19 per cent, which is only one-third of that in other BRIC nations, it is expected to grow at a CAGR of 61.3 per cent from 2013 – 17. India's internet growth story is strongly driven by the rapid growth of rural mobile internet users, which grew from 0.4 per cent in 2012 to 4.4 per cent today. Metros and Tier- 1 cities although not saturated yet are also growing at a tremendous pace.

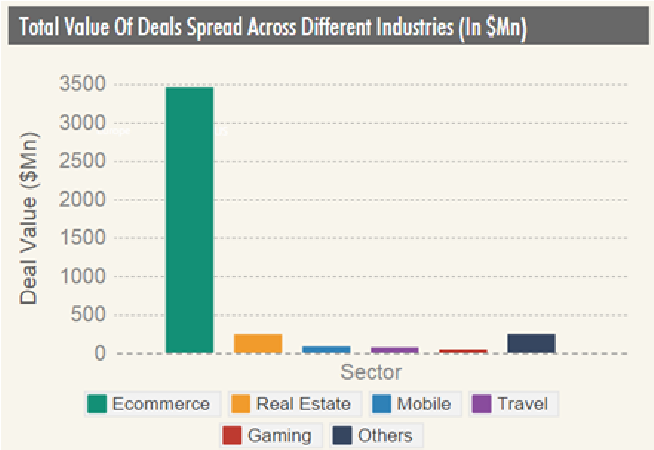

Image Source : http://inc42.com/datalab/2014-startup-funding-report/

Powered by this rapid growth of internet reach, the Ecommerce companies are aggressively out to seek funding by Angel Investors and Private Equity partners. Ecommerce companies, including start-ups and industry leaders such as Flipkart and Snapdeal have received a whopping $3454 million in 2014 alone! The E-retail or eTail, (online retail and online marketplaces) which is pegged at $6 billion in 2015, emerged as the fastest growing segment in the industry with a CAGR of around 56% in the period of 2009 – 2014. In 2014, online retail had a miniscule share of 0.4 per cent in Indian Retail and is expected to take a share of 3 per cent by 2020.

Consumers in action

This incredible development is brought about by online customers, specifically women, Generation Z and rural customers who have an ever-increasing access to the internet through various media. A survey conducted by the consulting firm Bain together with Google, in 2015 have highlighted the following trends:

1. Women who are significant contributors to the offline FMCG purchases in India, are still underrepresented with only 15 per cent women shopping online, as against 24 per cent of the entire population. Working women, are found to spend twice as much the time and 1.5 times more likely to buy FMCG products online, creating huge scope for apparel and beauty products market.
2. Generation Z, people born after 1995 in India, are essentially brought up in the digital-era and will be major consumers of this channel when they become financially independent in the coming years.
3. The rapid rural and Tier-2 cities' internet penetration and the convenience of shipping provided by the eTailers have led to a major growth in this segment of population,

contributing to over 70 per cent sales of FMCG products during the Grand Diwali Mela 2014. With the increasing disposable income, this segment is set to witness massive growth.

FMCGs join the bandwagon

With this huge potential unlocked by the spur in internet, traditional FMCG companies which have long ignored the competition from E-commerce players, realised the palpable threat and are devising strategies to compete and thrive in the industry. These companies are experimenting with various models to test the waters and gain from building online selling platforms.

1. Dabur India has reportedly launched four portals and is also selling its products through

Image Source : http://www.daburhoney.com/

arrangements on Flipkart and Amazon India.

2. Godrej Consumer Products have adopted a wait-and-watch policy, currently selling their products on Snapdeal, and announced that "will soon lookout for partner with e-commerce marketplaces, rather than launch our own portal."

3. ITC Foods, currently sells its premium brands such as *Dark Fantasy, Kitchens of India and Farmlite* through their website.

Image Source : http://www.kitchensofindiashopping.com

4. Marico is also reported to be working on their plans for the future, with sales of 7 – 8 per cent for their niche brands such as *Livon hair gain*, by selling through Flipkart and Snapdeal in 2014.

5. Hindustan Unilever Network (HULN), also currently selling its products through Flipkart and Snapdeal is reported to be working on plans to launch its own Ecommerce channel in India.

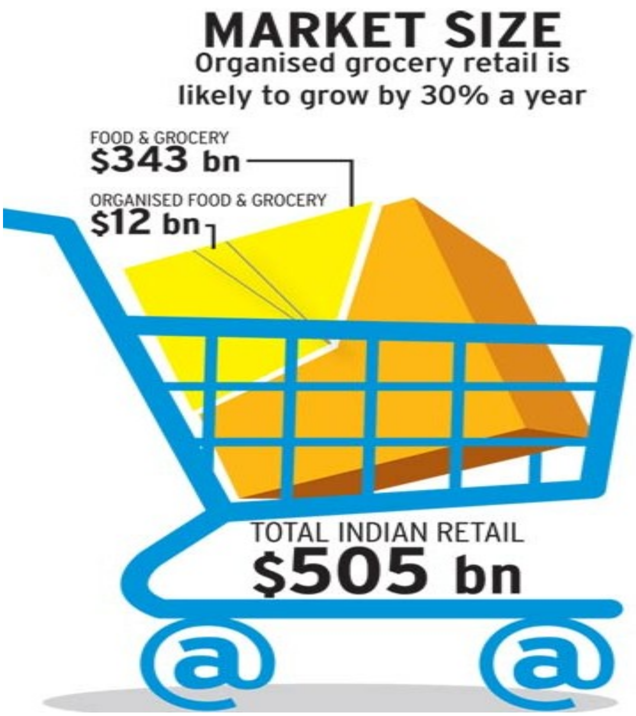

Image Source : Technopak

Barriers to overcome

Although online market presents a lucrative prospect for FMCG companies, there are challenges that need to be dealt with to attain success.

Distribution and logistics is perhaps the most important concern which the companies face. Experts studies have suggested that delivery costs under Rs. 70 is required to make the economics of Ecommerce sustainable.

Lack of legacy data from the point-of-sale, limits the analysis of data to design predictive models which would improve forecasting thus hinder the design of distribution networks.

Customers' reluctance in purchase for categories such as beverages, confectionary

Areas to focus

With the opportunities presented and challenges to face, the industry presents different segments which can offer a profitable and positive profit proposition.

Products with cyclical buying patterns present a reasonably predictable demand for online selling. Goods such as groceries, and infant care can be attractive segments, which can be coupled with Analytics to predict buying incidences to provide convenience of delivery. Infant care category is expected to grow at a rate of 25 – 30 per cent by 2020, according to the Bain report.

Segments such as hair and skin care, largely swayed by fashion are influenced by the digital media campaigns. If done right, these can enhance the sales in both online and offline channels. Beauty products category is expected to grow at a rate of 8 – 10 per cent by 2020.

Future clearly present rich opportunities, which will play in the favour of the players who understand the changing landscape and adopt the online-mantra. FMCG companies need to set their priorities right, and enter the fray to claim their share of the increasing Ecommerce pie. Smart selection of categories to compete, coupled with efficient marketing and distribution strategies to thwart the barriers would ensure companies to deliver value to customers and sustain in the online ecosystem.

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Rebranding in FMCG

By: Ashish Baruah & Naveen L, PGDM(2014-16), T. A. Pai Management Institute, Manipal

Introduction

American Marketing Association (AMA) defines brand as a name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or a group of sellers and to differentiate them from those of competition. So what essentially a brand does is create a position of the product in the cognitive dimension of potential consumers. But what if, we want to redefine the imprint of a particular brand or we want to leverage upon the success of a particular brand; it's in situations as this that rebranding can prove to be hugely instrumental.

Model for FMCG rebranding exercise

Based on the several instances of rebranding of FMCG products we can map the methodology of rebranding onto the below model. This model consists of three phrases:

1. Motives
2. Communication
3. Rebranding

In the motives phrase the firm recognizes a need to bring in modification to the existing brand of its product. The reason for this can be manifold. Some of the common motives may be:

Brand Extension: One of the ways of rebranding a product is to associate it with an already popular brand. This is in particular true for the large FMCG companies which have a huge product assortment in their kitty and can use any of their successful brands to reposition a spin-off product.

Brand Revival

Many a times, firms try and re-introduce a brand (in most cases a failed brand) with a different name, packaging or logo, while the basic components or ingredients of the product remains the same.

Co-branding / Conditional Operant

We considered co-branding and use of conditional operant in the same platform because often firms try to leverage existing brands of partner companies or even celebrities to stimulate a lucrative image in the minds of the consumers.

Focus of a new Point Of Differentiation

Today's FMCG industry is highly competitive and with most products being low involvement in nature, companies are putting in a lot of efforts to create a competitive advantage for their products. In case a firm manages to get one, its uses rebranding exercise to re-position it amidst the consumers.

Mere changing a brand elements is not going to have its desired effects unless one communicates the what, why and how of the change. Hence, the communication stage wherein the firms strive to present the right build-up to the re-introduction of an old product with a new brand identity.

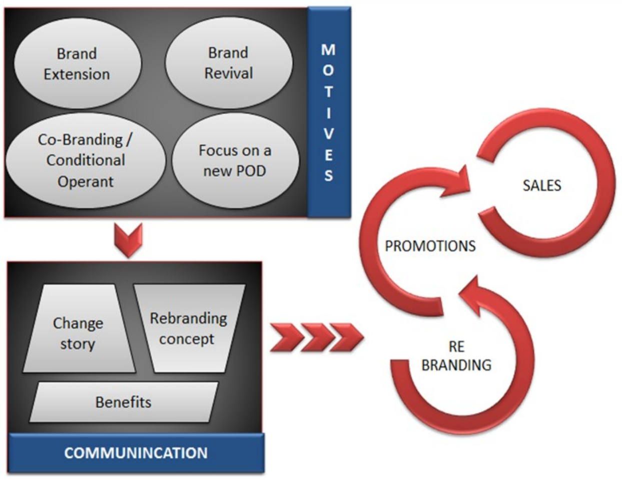
Some aspects to be communicated during this stage are-

Change Story

A change story will cover why the firm exercised the rebranding. It will try to bring in the lineage of the firm and map this to its commitment towards innovation, fulfilling customer needs etc.

Rebranding concept

This shall cover what the new brand elements stands for and how these changed brand elements enhance the mission and goals of the firm.



Rebranding Model

Image Source: tech.firstpost.com

Benefits

A product rebranding is usually on the basis of adding new attributes to the product or re-emphasising on certain existing ones. The firm needs to make sure that these are clearly communicated so as to create PODs in the minds of the consumers.

When a firm has clear motives for rebranding its products and is able to communicate the same to the consumers in an effective manner, this has higher probabilities of leading to a successful rebranding exercise and this backed by extensive promotions has the potential to trigger leaps in sales figures.

Instance of Rebranding of FMCG products

In this section, we will bring forth certain (non-exhaustive) instances with respect to FMCG products/companies when rebranding has resulted in effective brand positioning and brand mantra.

Global Expansion

The change in brand identity so as to accommodate a growing and geographically expanding company can be discussed taking the case of Hindustan Unilever Limited (HUL).

Hindustan Lever Limited to Hindustan Unilever Limited

Hindustan Lever Limited or HLL in 2007 got themselves a new brand name and brand identity. The new brand name reflected more strongly the association of HLL with its famous British-Dutch partner Unilever, basically capturing the essence of the company's growing global footprint. Furthermore the logo symbolized the product assortment that HLL offered during that time. With a motto of 'Adding Vitality to Life' the 'U' in the icon was loaded with 25 vitality symbols. This move was in line to portray HUL as a truly global corporation with a wide range of products, capable of giving global giants as P&G a run for their money.

Image Source: http://www.smartfish.co.in/

Co-branding

KitKat provides the perfect example of rebranding in terms of going into a brand partnership with an existing popular product.

KitKat to YouTube Break

To mark the 80th anniversary of KitKat and 10th anniversary of YouTube, Google and KitKat came together with a campaign of replacing the word KitKat with YouTube for 600,000 wrappers across UK. This event showed huge response- for a month's window the campaign had garnered 13.1 million viewers with 14,000 subscribers (data referred from Tubular Labs observations). Although not a permanent brand identity transformation, yet the engagement amongst the audience that this activity created as depicted in the statistics shows the power of rebranding.

Rebranding KitKat to YouTube Break

Image Source: www.geeky-gadgets.com

Conclusion

Rebranding of a failed product doesn't necessarily mean subsequent success. Several instances of rebranding have ended in disasters prompting FMCG companies to voraciously defend their stand or in some cases revert back to their original brand identity viz. Tropicana, Pepsi, Kraft-Foods etc. Hence, before jumping onto the bandwagon of rebranding, firms need to understand the needs and wants of the consumers and then work on bridging this gap by enhancing their products attributes. If rebranding is done in line with highlighting the strengths of the firm's products and how they can fulfil the consumer's needs, we are sure it will yield stupendous benefits.

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FMCG: Steady increase in outbound deals

By: Swaraj Kishore, MBA (2014-16), FMS, Delhi & Preksha, PGPM (2014-16), MDI, Gurgaon

After a two-year hiatus, it seems that the M&A activity in the fast-moving-consumer-goods (FMCG) sector is picking up again. The low profit margin, high volume growth industry has been off to a good start with Godrej Consumer Products acquisition of South Africa's Frika Hair for an estimated ₹75-80croresin January 2015 and Emami's acquisition of a controlling stake in Australia's Fravin For 50 crores in April amidst reports that suggest that Dabur and Marico are on a lookout for such inorganic growth prospects in both India and abroad as well.

The last year that saw any activity in terms of outbound FMCG deals was 2012 with Wipro's acquisition of LD Waxon in Singapore and VLCC's acquisition of Wynn International in Malaysia.

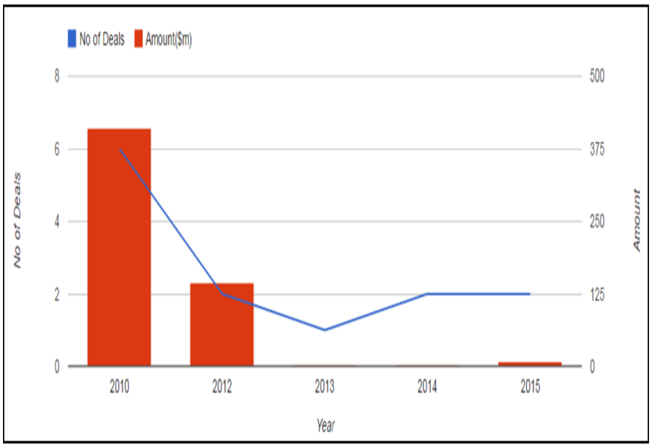


Image source : Capitaline

If we look at the M&A trend over the past five years (as in the figure) , a general reason for the acquisitions has been to enter growing markets such as Africa, Nigeria and Malaysia in order to diversify the customer base served.

The idea is to ride a rising trend in these emerging countries where FMCG growth is picking up fast as the standard of living of general public rise. A number of factors can be attributed for this sudden surge:

High cash reserves:

2011 - 2012 was the last period that saw any significant activity in mergers and acquisitions area. According to Grant Thorton, the total value of FMCG deals rose from $47.94 million in 2009 to $947.43 million in 2010, and fell to $366.85 million in 2011, the result wasa hefty rise in companies' cash reserves. As of FY2014, the FMCG companies in India were sitting on a combined cash reserve of more than ₹52,000crores.

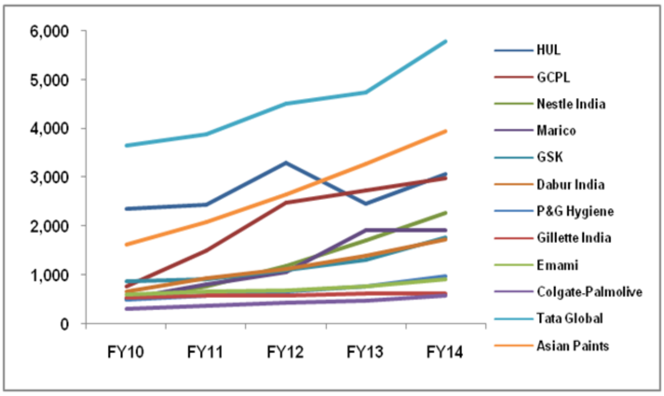


Image Source : Capitaline

Additionally, most of these companies are debt-free (e.g. Emami, P&G India, Colgate-Palmolive) while the remaining have taken steps to reduce their net debt by a significant amount. This improves the market credibility of these companies and they can, subsequently, take debt from market at more attractive interest rates.

Rebounding economy:

The global growth rate is picking up, estimated to be 3.5% for 2015. This is being driven by both the advanced economies, as well as the emerging ones. An important corollary to this fact is the two-pronged growth opportunity for the FMCG sector that exists in :

The developing economies of South - East Asia, Latin America, Africa and China where the young demography and constant increase in disposable income is bringing in more and more value-conscious consumer into the category of 'potential customers'. From the figure, it can be seen that in Africa alone, consumer spending (indicated in red) as a percentage of GDP is expected to go up the most in the next fifteen years.

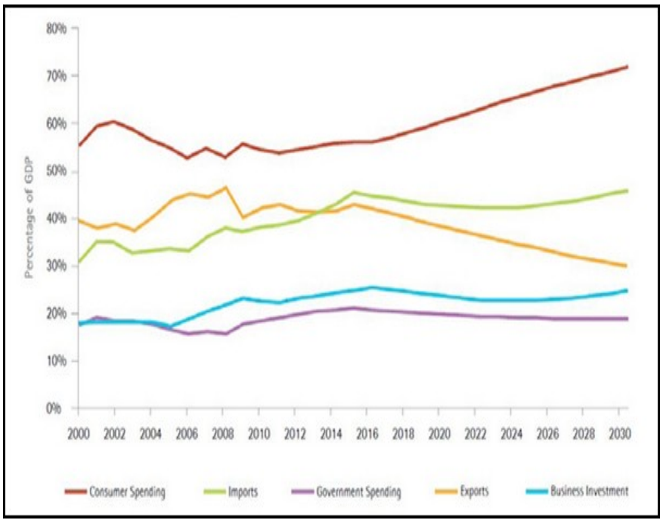
Overall, the FMCG revenues for emerging countries are expected to grow at a CAGR of 7.8% between 2015 and 2020.

Outbound FMCG Deals

Source : Venture Intelligence

Emami Group	Fravin	Godrej Consumer	Frika Hair
Personal Care	Jan-15	Hair Care	Jan-15
Marks Emami's entry into organic personal care products		Strong complimentary addition to the Darling masstige portfolio	
DS Group	Winnington	Eudora Enterprise	Mitchell
Tobacco Products	Nov-14	Skin care	Aug-14
50% stake. Aimed at coming out with next-gen tobacco products (healthier and safer)		Intends to increase stake in Mitchell from 33% to 50% and float subsidiary in India	
Godrej Consumer	(Colgate Pal. UK)	Wipro	(LD WaxsonGp.)
Deodorants	Jan-13	Skin care	Dec-12
Acquisition of Soft & Gentle brand to scale up profitability of UK business		Expand acquirer's presence in China, and enhance market position in Asian markets.	
Wipro Consumer	(Yardley)	Dabur India	Hobi Group
Personal Care	Jul-12	Hair/Skin Care	Jul-10
Acquire Yardley in the UK and the rest of Europe (excl. Germany and Austria), owns Yardley for Asia, North Africa & Australasia.		Further enable consolidating and expanding Dabur's substantial presence in the Middle East & North African region.	
Godrej Consumer	Argencos	Godrej Consumer	Issue Group
Hair Care	Jun-10	Hair Care	May-10
Perfect complementary add-on to earlier acquisition of Issue Group. Targeted at setting up in Latin America.		Establish strong presence in the fast growing hair colour markets in Latin America (Market leader in many countries)	
Godrej Consumer	PT MegasariMakmur-Group	Godrej Consumer	Tura
Household Products	Apr-10	Diversified	Mar-10
Strong platform to establish in India - among largest consumer markets in Asia		Strong platform to introduce portfolio into Nigeria & other Western African countries	

- The developed economies where the consumer is willing to spend on higher-end quality food and other packaged products. The fast-paced lifestyle in these countries requires the population to be always on their toes. These consumers' consumption pattern has been observed to be shifting towards take-outs and ready-to-eat packaged food that requires little or no effort on their part. This market is expected to grow at a CAGR of 4.36% between 2015 and 2020.



Source : World Bank Data

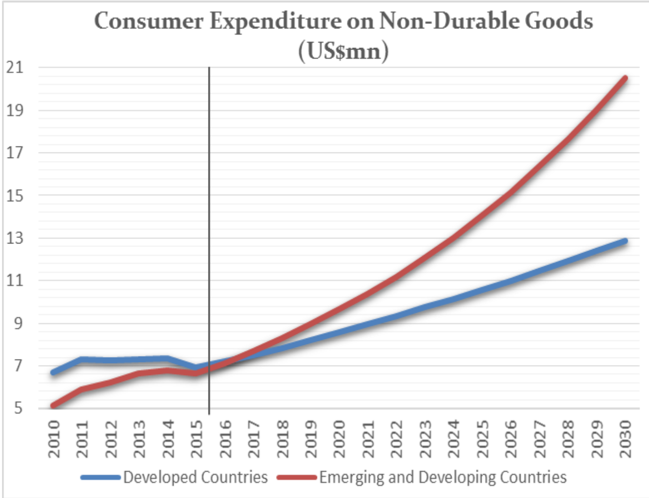
An acquisition made in these potential markets can also be used to leverage the target's existing distribution systems to push in products that are tailor-made to the demographic needs. A huge outlay in terms of infrastructure investment and time could be avoided.

Attractive valuations:

The highly populated developing nations offer attractive valuations for companies looking to expand their geographical footprint. India itself is an attractive market for M&A activity on account of its high growth potential and attracts many takers, domestic as well as global, as a result of which the domestic acquisitions are valued higher.

The global players have an additional advantage of zero cash constraint and can easily cover the acquisition costs.

In such a scenario, an abroad acquisition makes more sense for the home-grown players as it not only costs less on account of low competition, but also strengthens the acquirer's risk profile by enhancing their geographical reach.



Source : Euromonitor International Data

Conclusion

The graph here indicates the growth forecast of FMCG market in the next fifteen years for the developing and the developed countries. Given the trend, it would be a good strategy for the Indian FMCG companies to diversify now and gain a strong foothold in the emerging markets so as to be able to reap benefits of the profits from FMCG segment as they culminate in the coming years.

The macroeconomic indicators for the Indian economy also seem to be stabilizing now with the outlook appearing bright in 2015. According to the IBEF report 2015, the FMCG revenues in India alone are expected to grow at a CAGR of 15.3% till 2020 with the consumer durables market expected to reach a size of $12.5bn in 2015.Therefore, it would be good for these companies to simultaneously focus on domestic prospective targets as well so as to partake of the growth opportunities being offered in our economy as well.

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High Attrition Rate in FMCG and Counter strategies

By: Nishant Shrivastava & Prasham Gupta, MBA-HR (2015-17), SCMHRD, Pune

With the Launch of the National Skill Development Corporation on the world's first Youth Skill Day, the hopes of the youth of India have gone berserk over making India a hub for skilled manpower. But unveiling the new policies for skill development is not the only problem solver. The young working population of India, after getting skilled, tends to look for better job opportunities. Every employee - skilled or unskilled - wants to live with 'dignity and pride', 'value and respect' and a vision to achieve all of it. Employees don't get into an organization to make a switch but they want to stay within it for a longer period of time and keep on climbing up the corporate ladder.

What they look for in an organization are career opportunities and growth prospects. When they don't find them, they start looking for a change and that's when attrition comes into the picture. In spite of making huge profits and being the fourth largest sector, the FMCG (Fast Moving Consumer Goods) sector is highly fragmented, volume-driven and is usually characterized by high attrition rates.

Since the past decade, FMCG is witnessing a grisly war pertaining to acquire more talent which is fit for the organization. But the problem doesn't end here. After acquiring the right talent, organizations fight to retain it. With each passing year in an organization, employees today lose interest in their work and therefore, we see a mass exodus. Reasons can be anything – from a tenuous work environment to a substandard compensation structure. On comparing this year's attrition rates in different sectors, we find that the FMCG sector will experience lesser impact as compared to IT/ITES, which can go as high as 20%. Even a stronger economy can be a reason for a higher attrition rate this year, as more exciting opportunities will be available in market for employees who seek substantial career growth.

As per a survey conducted by job portal Wisdom, fresher level attrition can be around 12-14% while senior level attrition rate can be as high as 8-10% in the FMCG Sector. People sometimes even move from FMCG to non-FMCG sectors like banking, retail, insurance and telecommunication for not only the specific roles but also diversified roles, which further add fuel to the fire.

Image Source : www.dreamstime.com

A higher attrition rate not only increases the cost to organization through recruitment and training new resources but it also creates the possibility of leakage of confidential information to one's competitor. It also leads to several complications in the smooth working of the organization, which can act as a Pandora's Box for its success.

The whirlpool among the employees regarding organization policies must be felt from time to time and HR managers need to address them to keep the right talent within the organization.

HR managers must constantly keep motivating employees and engage them in constructive work. An employee needs to be valued by the organization and should strongly believe that his goal is in alignment with that of the organization. It is hard to measure happiness of employees but creating a healthy work environment, invigorating working policies and encouraging regular feedback from the employees would definitely benefit the organization to combat higher attrition rates.

Moreover, focusing on internal hiring within the organization can be a welcome strategy to cross swords with high attrition rate. Internal hiring in FMCG will not only reduce the recruitment and training cost of an organization but an internally-hired employee will be more loyal to the organization. Also, the risk of not under-standing the business by such an employee is quite low as compared to an external resource. Britannia Industries have reduced their attrition rate by many folds using this strategy in the past. Most of their product managers for brands had grown internally and many of the management trainees have remained with the organization for decades now.

More than unpalatable salary structure and job benefits, not getting appreciation for their con-tribution is also one of the prime reasons for high attrition rate. Appreciation of the employees' contribution by their managers will not just make them feel valuable but will also help in retaining their services. Awards, appreciation certificates, appraisals, perks, paid leaves and even a pat on a back is enough to motivate an employee and make him feel valuable.

Conducting an exit interview will also benefit the organization as an employee can provide valuable insights related to the working environment and what measures can be taken to improve it. ITC has significantly achieved zero attrition rates at the senior management level since the past fifteen years. The Remuneration and Reward strategy is cited as the main reason for keeping attrition rate at zero. Employees are encouraged to pursue long-term career options from time to time. Even loyalty bonuses reward veteran employees handsomely.

In HUL, leadership is valued as having right people around you and giving them suitable respect. This leads to a low attrition rate in HUL as compared to their competitors. Procter and Gamble too has opted for exceptional retention policies like providing enough global and diverse exposure to employees, healthy and transparent work culture and performance recognition. All these big guns in the FMCG sector care for their employees and strongly believe in the motto of 'Dearth of Talent is the Death of Productivity.'

For any organization, people are its greatest asset. To get the right people for the right jobs and to retain these people is very crucial for the growth of an organization. The FMCG sector is a highly volatile and competitive sector and should consider retention policies seriously for its longer productivity. Attrition rates can be challenged if more strategic decisions are taken to retain the talent within the organization. It is high time that an organization needs to be employee-oriented rather than just being client-oriented and implement these strategic decisions.

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The First Step: Entry barriers in the Indian FMCG sector

By: Devansh Rohatgi, PGDHRM(2015-17), XLRI, Jamshedpur & Ankita Qanungo, PGDM(2014-16), IIM Kozhikode

Since the time you woke up to this moment, when you sat down to read this article, you must have used at least 10 products that are produced by FMCG companies. These essential products are used day in and day out, multiple times per consumer, which gives these quick-selling products their rightful name, Fast Moving Consumer goods. In India, a nation of 1.22 billion people, FMCG is expectedly one of the fastest growing sectors with revenues growing at a CAGR of 15.3%(see Figure 1).

Figure 1

Image Source : http://www.ibef.org/industry

Due to the nature and range of products that FMCG sector offers, it has the maximum reach, not only in urban markets but also in rural markets. It has a plethora of opportunities to tap in vast rural markets of India. With new initiatives like Model Village Scheme by Indian Government, the rural areas are becoming more reachable and attractive target areas for most sectors. Consequently, Indian FMCG industry is expected to grow at 10% in 2015 and approximately at 12% in 2016 with expected sales in 2016 reaching US$49bn. FMCG companies aim at the huge demographic dividend of India, of which 20% are middle class households and are expected to grow by more than double by 2025-26. The growth in industrial and services sector has led to a significant increase in income levels of households (see Figure 2).

Figure 2

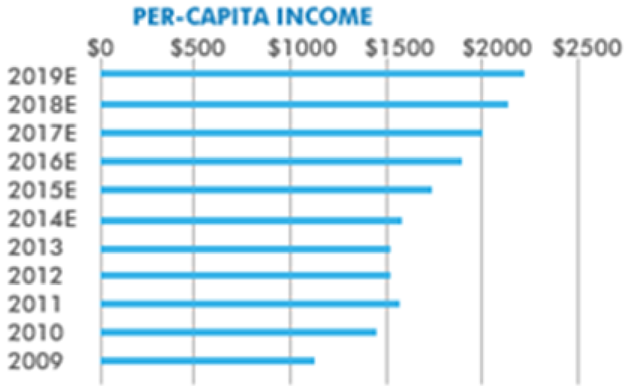

Image Source : http://www.ibef.org/industry

According to a BRIC's report, the disposable income of Indian citizens is likely to more than double from US$556 per annum in 2010 to US $1150 per annum by 2015. This income provides the boost to the industry to show and materialize high revenues and growth rates.

All these factors provide the impetus to existing market leaders to innovate and new players to enter in the market. The numbers show that the cake is large enough for everyone to have a fair share, but the FMCG sector does not offer as level playing a field to new entrants as it seems. FMCG sector is marred by a few challenges which are faced by new entrants and established players alike. The foremost is the threat of counterfeits and pass-offs in products where small manufacturers produce spurious products like Bittorania, Lifeboy etc., which have similar packaging as top brands.

This counterfeiting accounts for 10 to 15% of sector revenue and hurts the companies which make huge investments in R&D. Another major threat is of Infrastructure bottlenecks and it is primarily faced by companies that depend upon agricultural outputs. The high power rates in India, absence of modern farming techniques, high dependence on monsoon, poor rural connectivity and infrastructure; all reduces the efficiency of an otherwise developing sector.

When a new entrant plans to enter this sector, it is greeted with numerous potent threats, in which competition from the established giants is an absolute no-brainer. Besides that, it costs INR2-3 crore on an average, in order to launch an FMCG product. These costs mostly consist of market research, product development, test marketing and launch activities and may go upto 50-100% of first year's revenue. Many entrants are thus filtered out owing to the high initial launch costs. The only way out of this capital intensive entry is economies of scale, where the production has to be volume based, i.e., huge in numbers in order to break even.

If the entrant manages to cross the first hurdle, next in line comes the market challenges. The attractive rural targets are difficult to capture as consumers from semi-urban and rural areas have strong preferences in purchasing from the local unorganized retailers or the mom-and-pop stores. One among the many reasons for this is on-credit sales made by the local stores, which is not a feasible option in organized retail as it caters to a multitude of products and customers and involves huge capital spending, thereby rendering this market difficult to lure and capture. Even if a firm manages to position its product successfully in these markets, the extremely low switching cost in FMCG sector causes a continuous threat to new entrants and they have to continuously invest in innovation and branding as a response to counter marketing and pricing campaigns by other players.

When the novice entrant out-braves all these hurdles and when it seems that it has made its place in the sector, it is greeted with the most obvious threat, that is from its established counterparts. The most effective use that big players make of their positions is to out price the new entrant. They can adopt a low cost leadership strategy to move entrants out, while entrants cannot reduce prices to that extent in the beginning of their operations due to the huge capital expenditure on infrastructure and logistics. Once an entrant is out, the prices can be raised again to initial levels. In an industry where prices cannot be lowered significantly, established firms make use of their extensive distribution networks with massive reach in all markets, making it extremely difficult for an entrant to gain access to industry distribution channels.

To say the least, all hope is not lost with the sector. This article just highlights a few major obstacles that an aspirant FMCG company faces before becoming one of the known names in the industry. FMCG is a very dynamic sector which is constantly changing and evolving. All the future growth trends, technology and infrastructure developments like internet coverage and Industrial corridors, augur well for new initiatives and offer great opportunities. Almost 50% of the top brands are replaced by new brands in the BrandZ Top 100 Most Valuable Global Brands 2014. This is an indication that there are many entrants that not only cross all the hurdles but also go that extra mile to create a place in the top charts of the sector.

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Call for Articles

We invite articles for the August 2015 Issue of Samvad.

The Theme for the next month: August 2015 - **"Mergers & Acquisitions"**

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com. Deadline for submission of articles : 29th August, 2015**
- Please name your file as: <YourName>_<title>_<section name e.g. Marketing/Finance>
- Subject line: <YourName>_<Course>_<Year>_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
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Samvad Blog

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