



October 2012



**Thinking Aloud**

Coming soon to a new store near you: more options! - Jay

**Podium**

Interview with **A. Mahendran**, Managing Director, Godrej Consumer Products

**We Recommend**

**Book:** Buyology by Martin Lindstorm

**Standing Ovation**

Kutumba, Bangalore

Dear Reader,

The recent policy changes in multi-brand retail investment have attracted interest from a wide audience not only in India but also from across the globe. So in this month's newsletter, we decided to explore one of the most lively segment of retailing – Fast Moving Consumer Goods (FMCG) retailing. The FMCG retailing space is expected to witness a huge surge in activity and will be nothing less than a battleground. Global and domestic players will display their finest skills to grab market share in the world's second largest population. I hope you will find this issue to be an interesting read!

In **Thinking Aloud** this month, Jay writes about the FMCG sector in a more liberalised Indian policy scenario. He says that the opportunity is not just restricted to the global players alone as domestic players too have the skills to do a lot better. He shares with us an example of ITC, which was a Rs. 100 crores brand a decade ago, but is now worth more than Rs. 5,500 crores. While he agrees that the retail scene in India will no doubt undergo a makeover but he says that only time will reveal what's actually in store. What will be interesting is that more and more offerings and choices will somewhere converge with the rising income levels and rising expectations of the Indian consumers.

**Podium** this month features **A. Mahendran, Managing Director, Godrej Consumer Products**. Mahendran shares with us the critical success factors in FMCG retail and asserts that sustained advertising and promotion is a must. Being the key person behind the success of the 'Good Knight' brand, he tells us how 'Good Knight' was built into a 'Super Brand' and what role consumer centric innovation has played in this journey. In addition to this, he also has a piece of advice for companies, mainly FMCG retailers, looking to expand their horizons beyond the domestic boundaries. According to him, retailing in India is in for a paradigm shift as organisations will resort to sophisticated methods such as 'experiential marketing' and product 'premiumisation' to attract customer attention.

In **We Recommend** this month, we have reviewed the book, 'Buyology Truth and Lies About Why We Buy' by Martin Lindstorm. The book, a result of a neuro-scanning experiment conducted to study the effect of advertising and promotion on the human brain at a sub-conscious level throws up many interesting facts and throws out many traditional beliefs. For example, how does a smoker react to the warning sign on cigarette packs? What role do beliefs and superstitions play on consumer behavior?, and other such questions have been tried to be answered by referring to the brain scan results. In addition to this, the author being a well-known marketing



professional also writes some anecdotes from the world of marketing and some stories associated with global brands. Published in 2008, the book provides food for thought to people who want to sell as well as to those who buy/intend to buy the products.

**Standing Ovation** this month features Kutumba, a Bangalore based NGO which provides an integrated foster care program for destitute disabled girls. Kutumba realises the need of these children who are rejected by their families as they are seen as a drain on the already scarce resources and strives to make them able to live a life of dignity and respect. For the benign cause and its relentless efforts, Kutumba deserves a Standing Ovation!

In **Figures of Speech**, Vikram presents a consumer who is 'spoilt for choice'!

As always, we value your opinion, so do let us know how you liked this issue. To visit our previous issues you can visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [Twitter](#), [Linked In](#) & [Google+](#).

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## Thinking Aloud

**Coming soon to a new store near you:  
more options! - Jay**

The thought of 1 billion customers is a mouth-watering prospect for companies. In no sector is this more relevant than the Fast Moving Consumer Goods (FMCG) industry. While there are many product categories that fall under this sector, if there is one sector that truly touches the entire population of a nation, it is this one.

Coupled with this is the reality that this sector has some of the most well-known players in the business world, many of them characterized as global warriors fighting for vital percentages of market-share across geographies. The combat between P&G and Unilever is a case in point as also the battle of the beverage giants, Coke & Pepsi.

The story is not restricted to global players alone. Recent reports indicate that this is one sector where the rate of churn is very high. The manner in which the tobacco major, ITC, has muscled its way into the crowded Indian market place and shaken existing players is a case study in itself. Recent reports suggest that ITC has succeeded in building a business worth over Rs. 5,500 crores, whereas, a decade ago it was just above Rs. 100 crores. This spectacular growth is a tribute not only to the sales and marketing capability of the firm, but also an indication that this sector has yet to mine the true potential of the Indian market.

That's the interesting part: reports indicate that the FMCG sector is the fourth largest sector of the Indian economy, projected to grow to over USD 33 billion by 2015. Further, the sector is a crucial employer as more than three million people are engaged in it in various forms.

I said earlier that this is one sector which has been the playground of Multinational companies (MNCs). But data reveals that this sector is not their prerogative alone by far. Current reports have indicated that while global giants (Global 50 as they are called) have a combined turnover of USD 1.15 trillion (up from USD 675 billion in 2002, a cumulative growth rate of 6.1%), the rate of growth of smaller players has been much higher at 7.3% for the same decade. Clearly, that indicates that the skills of local (read Indian) players

can meet the fabled strength of the big giants who straddle the world.

This is particularly good news at a time when there is general misinformation being spread about the change in retail policy in India. Clearly, the picture of the marketplace in India is expected to change even more now that the regulatory authorities have finally made up their mind to allow Foreign Direct Investments (FDI) in the Retail sector. By all accounts no one is sure what the future has in store. However, what we have instead is speculative stories – all suspect – from votaries of different lobbies.

I am sure I am not alone with a feeling of deja vu when the ‘foreign hand’ argument is brought up again! Who will decide what is best for the Indian consumer? The politician who protects his vote banks? The traders who worry that their days of profiteering from artificially created market shortages will soon end? Or, the consumer who is seeking the world’s best products, at competitive rates and with an assurance of excellence in quality?

At a time when it is easy to undermine the confidence of Indian protagonists that they cannot face the might of the well-heeled and deep pocketed retail MNCs, it is useful to note that in other sectors, Indian firms have tackled the presence of new and foreign firms well. We seem to miss the potential that truly lies in the Indian companies who have made their presence felt over the years by holding their own (and one may argue, even outshone foreign firms) in crowded and deeply competitive market segments. In the last few years we have seen Indian brands rise higher in the market rankings and, Indian firms have gone overseas not just to launch their products (think Dabur, Godrej, Marico) but also to acquire local brands to widen their portfolio.

In my view there is an exciting game waiting to be played! The early spell of liberalisation opened the consumer to new realities and over the last decade, companies in India also awakened to the potential of the rural markets of our country. The term ‘nano-marketing’ was coined to indicate that unlike the super-sizes that rule American markets, Indian consumers would be willing to first try smaller sized units of new products and then, operating with limited budgets, continue to use them. Thus was born the quick realization in the smarter marketers that smaller packaging could be the way to the consumer’s home, without making a major dent in their family budgets.

But, as we keep stressing, there are many Indias rolled into one country: the aspirational classes are willing to seek premium products too, be it in food, personal care, or household goods. However, the quest for luxury is not limited to the uber class. The numbers of the upwardly mobile is also rising appreciably in today’s India and companies are keeping a watchful eye to fulfill the latent desires that are beginning to surface. In short, this is one sector where growth has no limits. And, with new formats of retailing coming soon, well, let’s watch this space.

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## Podium

**A. Mahendran, Managing Director, Godrej Consumer Products**



A. Mahendran is the Managing Director, Godrej Consumer Products, and also a Director of Godrej Hershey. In addition to his current profile, he is the Director for the Godrej group's FMCG portfolio and, as part of the group's leadership team, plays a key role in the areas of M&A, Leadership Development, Strategy, Channel Development and Finance.

In his earlier role as the Managing Director of Godrej Sara Lee, Mahendran has played a pivotal role in nurturing the Good Knight brand into an acknowledged 'Super Brand' every year. He was the architect of the merger between Godrej Tea and Godrej Industries Foods Division which created Godrej Beverages & Foods (GBFL) in 2006 (since renamed as Godrej Hershey).

Prior to his association with the Godrej Group, Mahendran was a partner with M/s R G N Price & Co before joining Transelektra Domestic Products Limited, as an Executive Director in 1987. On Transelektra's takeover by the Godrej Group in 1994, he was nominated as Managing Director of the Company.

He is a founder member and President of the Home Insect Control Association (HICA) and an acknowledged authority on household pest control. He is also a Promoter-Director of Harvey Heart Hospitals, Chennai, a super-specialty hospital in cardiac care, and a founder member of the Great Lakes Institute of Management. Mahendran served on the board of the Multi Commodity Exchange (MCX) and is on several industry forums such as FICCI, CII, Crop Care Federation of India and the Pest Control Association of India.

Mahendran graduated from Loyola College, Madras, in 1976 and proceeded to complete his Chartered Accountancy in 1979.

**ET: FMCG retail is a very different and dynamic industry; please share with us your 'insider' views on the industry. What are the key parameters which increase the probability of success?**

**AM:** The critical success factors in FMCG retail are as follows:

- a. **Disruptive Innovation:** Businesses must practice disruptive innovation, a practice which encourages and results in a new product/service which not only creates a new market and value network, but also in the long run leads to a disruption in an existing market and value network by essentially displacing an existing technology. Disruptive innovation in essence can be used to describe new products/services that improve an offering in ways that the market does not expect, i.e. first by being designed for a different customer segment in a new/different market and later being introduced in the existing market at lower prices. Some examples of disruptive innovation are:
  - i. **Skype:** The low cost telecommunication service allows individuals to call and message using the same interface more conveniently and for a fraction of the price as compared to traditional services.
  - ii. **TATA Nano:** The \$2,000 car made the world to sit up and take notice as the TATA group aimed at providing affordable cars for emerging countries.
  - iii. **Apple I Pad:** This hand-held computing slate has challenged the idea of portable computer and the attractive price range is already ruffling feathers elsewhere.
- b. **Sustained Advertisement and Promotion:** Companies must aim to sustain their advertising and promotion budgets. The image of the brand/service maybe severely compromised due to a sudden break or a slowdown in this effort.
- c. **Establish a Highly Motivated / Passionate Human Capital:** It is very essential for every organisation to ensure that its human capital is motivated and has a passion towards the company. People should be encouraged so that they contribute at every level of the organisation. For example a Field Sales Executive may stumble upon a unique use of a product or a factory personnel may have an idea to cut manufacturing costs. It is essential to create an ecosystem which helps people in contributing to organisational enhancement.

**ET: The story of Good Knight's success has become part of Indian marketing folklore. As a founder of the firm, could you please share the three key reasons for its success when many other products have failed to succeed in the tough Indian market?**

**AM:** Good Knight's three key success factors are:

- a. Focus on Brand Building activities in a sustained manner: As mentioned by me earlier, sustained brand building is one of the most important factors. These efforts have helped Good Knight in building a strong equity in the minds of the consumers. Our promotional efforts have evolved over time, from 'great nights begin with Good Knight' to 'protecting happy moments'. But this brand building was also coupled with a product and delivery enhancement aimed at meeting the rising expectations of the consumers.
- b. Continuous Innovation addressing the Felt and Latent needs of Consumers: Our products have evolved over time to meet consumers' expectations. Some of our innovations include the 12-hour coil for the bottom segment and the Good Knight Advanced Active+ system for the upper end. Also, after having identified a need at the extreme top end, Good Knight introduced the aerosol format, a product that offers instant protection from mosquitoes.
- c. Aggressive Placements thereby building rapid Distribution Equity maximising Household & Retail penetration: We have promoted and distributed our products in a slightly different manner. We believed in reaching to the consumer in a manner so that she/he could view our product as a safety net against the impending menace of mosquitoes. One such step was to have a brand ambassador who stood for dynamism, warmth and caring - values that the modern Indian housewife could connect with. This helped us differentiate from competitor's products.

**ET: You have also played a key role in the global M&A strategies of the Godrej Group. Which are the markets where Indian FMCG players can succeed and what factors will enable this success?**

**AM:** Indian FMCG players should focus on Emerging Markets through the organic or the inorganic route. Global players have acknowledged the potential of the emerging markets and this should more than comfort domestic players. But it is also essential to understand the macro and micro factors in the target market so that negative surprises are kept to the minimum. In the case of an acquired business, it should be managed in a decentralised model.

**ET: With FDI in multi-brand retailing being an impending reality, what paradigm shifts do you envisage for the FMCG industry?**

**AM:** With bigger and more mature players entering the multi-brand retailing segment, the efforts to grab consumer attention will drive FMCG players to practice extensive Experiential Marketing as a paradigm shift. In addition to the traditional ways of reaching out to the consumers, players will increase the experiential efforts so that consumers 'experience' the actual product before buying it. For example, a vehicle's test drive is the best traditional example of experiential marketing, but the increasing number of kiosks, stalls, free sampling and methods are just the beginning.

Along with this, we will also see rapid 'premiumisation' of products which will also be a game changer. As disposable incomes rise, more people will be willing to pay that extra bit for a premium variety of a product for a better and perceived exclusivity element. FMCG players could tap this potential by 'premiumising' most of the variety of their products.

**ET: What would be your advice to young professionals considering a career in the FMCG sector?**

**AM:** Young professionals considering a career in the FMCG sector must have:

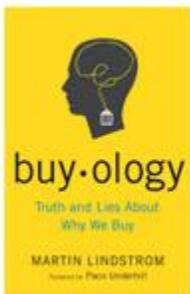
- a. Professional entrepreneurialism: an employee must not only stick to his job duties but should also view herself/himself as an entrepreneur within the organisation. She/he should be willing to take decisions and must also be capable to take ownership of those decisions.
- b. Agility and speed of decision making: Consumer and competitive scenarios in the FMCG space are dynamic and need a constant surveillance. It is not only essential to observe the right trend, but it is also essential to take the right steps at the right time.
- c. Consumer Centricity: The FMCG professional should always keep his antennae tuned towards the consumer. Consumer needs or expectations can be gauged at all points where the product/service comes in contact with the consumer/potential consumer. By being consumer centric and thinking wearing the consumer's hat, useful ideas and innovations may occur out of simple modifications.

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## We Recommend

### Book: Buyology Truth and Lies About Why We Buy by Martin Lindstrom



Buyology Truth and Lies About Why We Buy, by Martin Lindstrom is the outcome of his multimillion Dollar neuromarketing study which spanned 2,000 volunteers across the globe. The study based on fMRI and EEG technologies, aimed at reflecting upon the reasons of consumers' buying decisions, comes out with more than just that. One of the key messages driven is that buying decisions happen at a sub-conscious level and that traditional promotional activities may be missing the goalpost by a wide margin.

Lindstrom is now widely respected for his marketing & consumer acumen, and even acknowledged by TIME as amongst the 100 most influential people in the world. Through the research, Lindstrom provides adequate insights to the reader, more particularly marketers, on how selling - a direct result of consumer buying, works. What roles do product placements, religion or sex play? This and other questions are what Lindstrom explores, illustrating what clicks and what flops. From an experiment conducted among cigarette smokers, the study shows that health warnings on cigarette packs actually stimulate the craving spot in the brain and hence entirely fail to discourage smoking. According to the findings of the study, in addition to the visual aspect, the other sensory organs too play an important role in consumers' buying decisions. Smell, touch and sound arouse the human mind when the body actually feels the product.

The study reveals that in general, product placements do not bring about the desired effect unless the product placement is an integral part of the context of the content. For e.g. people showed a much higher propensity to remember the Aston Martin brand in the James Bond movie, Casino Royale, (most likely due to the long standing brand association with the James Bond franchise), but not FedEx or Louis Vuitton whose placements were not in a strong context to the plot of the movie. Some other revelations include – sex in advertising grabs attention but fails to sell and we tend to copy what others do due the existence of mirror neurons.

In addition to the study results, Lindstrom who is a well-known advertising and marketing guru, also shares some anecdotes from the

real marketing space. He says that despite the ban imposed by government, subliminal advertising is a reality and very much in existence and no action is taken against it as there are no direct proven results of such advertising. The book is replete with examples from the real world, and marketing and advertising strategies, whether successful or not and probable reasons for the same have been discussed. There are interesting stories about brands such as Marlboro, Coca Cola, Ford and Nokia among others.

Though dated (it was published in 2008), this is a well-paced book with lots of data (including from other researches) Buyology is effective and engages the reader. It is a must read for marketers and anyone who wants to know (especially buyers) what effect do marketing and promotions have at a sub-conscious level.

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## Standing Ovation

### Kutumba



Kutumba was established in 1991 by Mary Paul to provide an integrated foster care program for destitute disabled girls. Kutumba provides a home for children, who have been rejected by their families and by the society.

Kutumba believes that the needs of children who are differently abled are unique. While institutions are able to provide training and other facilities to enable them to cope with day-to-day activities, their emotional needs tend to be overlooked. In poor families these children are seen as a drain on scarce resources since they can't contribute in terms of income or manpower. A poor rural household is ill equipped to handle disability; lacking the basic understanding, leave alone the finances or motivation. The tragedy is that due to a lack of proper nourishment and medical facilities, a large percentage of disabled children are in rural areas where there are no facilities for them at all. The children are encouraged to interact with one another and help with simple household chores to the best of their abilities. Thus they develop basic life skills, which will help them to live independently.

These children in the age group of eight to sixteen years are sent to Kutumba by NGO's working in Bangalore and in other rural areas of Karnataka. Kutumba sends them to school or to a vocational training at various centers in the city. After training, the children are encouraged to find suitable jobs or are placed in various organisations through Kutumba's networks. When they are financially stable they move out and are encouraged to bring in a family member to stay with them.

Kutumba's mission is to have an integrated and inclusive program where the disabled and differently-abled children can stay together as a family in a caring and nurturing environment.

For its purpose and the efforts, Kutumba deserves a **Standing Ovation!**

If you want to get more information and support Kutumba, you can visit the website <http://www.kutumba.org/> or write an email at [info@kutumba.org](mailto:info@kutumba.org).



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