

A DECADE OF

ITC Foods, since its inception 10 years ago, has become a ₹ 3,000 crore unit. How it used its distribution strength and ideas from Welcome Group to overcome the numerous challenges

By **Dhaleta Surender Kumar**

Ten years ago, when ITC forayed into the foods business, for a company well known for tobacco and hospitality, foods as a business proposition seemed an unnatural fit. While regulations certainly have put a tab on how one can promote tobacco products, today, ITC is better known for its food brands – Kitchens of India, Sunfeast, Aashirvaad, Bingo, Yippee, Mint-O and Candyman, which today make ITC Foods an over ₹ 3,000 crore division. The decade, while has been challenging, it's been fun too – leveraging its traditional distribution strength and some little help from whacky branding.

Few know that ITC had been for long

in the food sector, even before the launch of Kitchens of India in 2001, with its sunflower oil Sundrop. The company sold the brand and its distribution to ConAgra's subsidiary Agro Tech Foods in 1996. So retailing and marketing foods wasn't much of a challenge. The talent mostly was home-grown. The challenge of course was manufacturing, technology and product development. In spite of the challenges, the division was a result from synergies drawn from within the organisation. The baby step was the ready-to-eat Kitchens of India range, which drew inspiration from ITC's restaurants – Dal Bukhara and Dum Pukht. And entering the commodity

market in 2002, with wheat flour too isn't a 'for the heck of it' product.

Riding on distribution

While a pillar of any business its product, ITC's strength was its distribution and procurement capability.

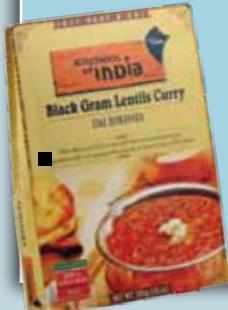
Chitrangan Dar, Divisional Chief Executive, ITC Foods, says, "ITC has e-Choupal, which are something like interactive business villages; and with e-Choupal, we have a great ability to surf very differentiated products with differentiated quality rather than just *mandi* products."

The thought of Aashirvaad germinated from this surfing expertise of ITC, which

A FUN FILLED DECADE

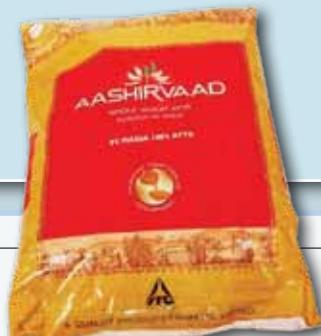
2001

Launches ready-to-eat range, Kitchens of India, with the launch of 'Dal Bukhara'



2002

- Acquires Mint-O (compressed mint tablets) from Candico
- Enters the staples market with wheat flour, under the Aashirvaad brand



2003

- Launches Candyman
- Extends Aashirvaad to salt
- Enters biscuits market with Sunfeast, with three varieties of biscuits - glucose, marie (Orang Marie), and cream (Butter-scotch Cream)

2004

- Launches cooking pastes - chicken curry, butter chicken curry, mutton curry, fish curry and vegetable biryani
- Extends Mint-O to Mint-O Fresh, a hard boiled candy



FUN

was utilised to procure and create an extremely standardised and branded product. "We said – let's experiment whether we can give something differentiated to our consumer. Theoretically, if you add wheat with this much hard work, with this much hectoliter density, which if you mix it up consistently, it should bring you better quality wheat, which will not only be determined by taste but also when you're making it. So that was how the genesis of

"With e-Choupal, we have a great ability to surf products and procure them to create branded products"

Chitranjan Dar

Divisional Chief Executive, ITC Foods



2005

- Ropes in Shah Rukh Khan as brand ambassador for Sunfeast
- Launches Sunfeast Pasta Treat to create the instant pasta category
- Forays into cookies segment in the biscuits market with the launch of Sunfeast Golden Bakes and Sunfeast Snacky

2006

- Launches Aashirvaad instant mixes - Rice Idli, Rava Idli, Rice Dosa, Gulab Jamun and Khaman Dhokla
- Signs a co-creation deal with Sachin Tendulkar to launch "Sunfeast Sachin's Fit Kit" range of high quality health range of food products

2007

- Forays into the snacks category with launch of Bingo in both potato chips (Masala, Salted and Tomato) and finger snacks segment (Live Wires, Mad Angles and Tedhe Medhe)
- Launches organic spices (chilli, turmeric and coriander powders) under the Aashirvaad Select Organic Spices range

2010

- Launches Kitchens of India Masala Mixes - Paneer Makhani, Vegetable Biryani Mix, Chicken Curry Mix, Butter Chicken Mix, Hyderabad Biryani Mix and Mutton Kolhapuri Mix
- Forays into the instant noodles market with Sunfeast Yippee



COVER STORY ITC FOODS

Aashirvaad started and the success of the brand is actually due to the ability of our sourcing team," says Dar.

Today, Aashirvaad is a ₹ 1,000 crore brand with products ranging from flour, spices and instant mixes. A major share of course comes from the flour business.

In 2002 itself, the company entered the confectionery market too, with the acquisition of Mint-O (a compressed mint tablet) from Candico. ITC Foods however, improvised the product to make it a candy targeted at the youth. For the kids, it launched Candyman in 2003. So what exactly was the need for ITC to get into a market, which works on low margins and sells at about 50 paise per unit? The fact was equally true for the parent company's tobacco business. ITC's traditional distribution strengths have been convenience outlets that sell, among other things, tobacco products. This gave ITC a great leverage in terms of its distribution strength. Since confectionery is an impulse purchase category, largely sold out of convenience outlets, ITC drew synergy for its confectionery business from its distribution strength.

Today, Mint-O (with its extensions – Mint-O Fresh and Mint-O Gol) and Candyman are valued at around ₹ 350 crore in the ₹ 8,000 crore confectionery category (which includes sugar based confectionery, chocolates and gum as well), and is competing with the likes of Perfetti, Godrej Hershey, Wrigley, Nestle and Cadbury among others. While Perfetti is the leader in the sugar based confectionery market with around 25 per cent share, ITC comes close behind with about 10 per cent share. So what prevents it from becoming the No 1 in the category? The absence from the chewing gum segment, says Dar. The ab-

CONFECTIONERY

Category size:
₹ 8,000 crore

Mint-O & Candyman
₹ 350 crore

Figures based on market estimations

BISCUITS

Category size:
₹ 11,000 crore

Sunfeast
₹ 1,300 crore

Figures based on market estimations



"We are ambitious definitely. But, we are not looking at the No 1 position as a goal"

VL Rajesh

Head, Marketing, ITC Foods

sence really wouldn't be for long as ITC has plans to foray into the market by the end of this year and is busy developing the gum base indigenously. An import of the gum base could shoot up production costs and affect margins.

A well segmented audience

Meanwhile, Dar is quite upbeat about the confectionery business. "We have very well segmented the market. While Mint-



Most of the ITC products in the confectionery category are me-too products. The tough challenge comes from Perfetti, the leader. More so, ITC doesn't have a gum yet in its portfolio

About 30 per cent of Sunfeast biscuits are in the glucose segment. The challenge to Sunfeast comes from Parle, the market leader, which controls the prices and the wholesale market



Sunfeast

O is targeted at the youth, Candyman is largely kids. The whole thing is giving us a different experience and the challenge is how we can innovate around. In the next couple of years, you could see a lot of innovations," he says.

He feels that both segmentation and innovation are an important factor for any marketer to succeed. "The consumer today is becoming more and more segmented and anybody who can exploit that segmentation will be the winner. Secondly, the aspirations and the wallet of the Indian consumer today is able to afford a degree of premiumisation. If you are still approaching the Indian consumer saying that he will be a glucose biscuit eater, you are doomed. He is expecting you to innovate, and he is expecting you to premiumise, and at a fairly rapid rate."

He feels that there is a huge expectation from the company that it will be able to do new things every time and bring in different products, catering to different classes, at different price points.

The next big step was in 2003, when ITC Foods entered the biscuits market with Sunfeast, with three varieties – glucose, marie (Orange Marie), and cream (Butterscotch Cream). Procuring flour wasn't difficult and the rest was left to innovation, which the company feels was brought in by giving a new orange flavour to the classic marie biscuits. The butterscotch cream was a first in India. And so were chilli flakes and honey being added to biscuits. Today, the company has about 12 per cent share in the ₹ 11,000 crore biscuits category.

The next big move and innovation came in 2007, when the company forayed into

the snacks category with Bingo potato chips and finger snacks. Not wanting to directly play on competitor's turf, innovation required new flavours and results were products like pakora inspired Live Wires, khakra inspired Mad Angles and direct me-too Tedhe Medhe, which was inspired from Kurkure of PepsiCo.

Today, Bingo has over 16 flavours across its range, and commands about eight per cent share in the ₹3,500 crore snacks market lead by Lay's and Parle. In spite of being a me-too in the category, and with a little bit of help from innovation, largely, Bingo was helped by ITC's distribution strength to gain market share. "We had a trust, we had a relation with the distributors that the company would not run away with my money. If that wouldn't have been the case, why would we get into the business? What is the difference between you and me?" he asks, to answer it himself in the same breath, "You have the same ideas as me, but you don't have a distribution channel."

ITC Foods simply had to look into the recipes of Welcome group (ITC's hospitality business) for flavours for its snacks and biscuits range

An in-house idea bank

So where does ITC look for ideas for innovation. Much of it has come from in-house. Ideas, according to Dar, were never a challenge for the group. The challenges, to begin with, was the lack of robust product development and the right manufacturing processes "like baking of the biscuits."

ITC simply had to look into the recipes of Welcome Group (ITC's hospitality business) for flavours for its snacks and biscuits range or for that matter Aashirvaad spices, preserves and pastes. "We went to them (Welcome Group), asked them how we could bring out differentiations, and they always would come up with 50 ideas." And that certainly was a problem of plenty. "Ideally, it should have been two to three ideas and we would have worked on them. But there were always 10-15 ideas and we were think-

ing in all directions. I think it was a great initiator," Dar adds.

And Welcome Group had a lesson to give to ITC Foods to take direct feedback from the consumers. "I might get on Twitter or use the digital platform to catch hold of the consumer, but a hotelier will seldom do that. He is creating a consumer response there and then, and I see chefs interacting with people. You tell the chef that 'the dish is really good,' he won't be happy. He goes a step ahead to ask what really is good in this and how he can improve it. I see this day in and day out and have learnt a lot from chefs at Welcome Group to get a valid feedback. These things are intuitive and you don't need Facebook and Twitter for that," says Dar.

ITC Foods has tried to emulate the model by asking its distribution team to talk to as many people they can, and which according to Dar "has become a standard operating procedure".

Similarly, Yippee, which is targeted at the kids, rides on insight driven from

the target audience itself. Firstly, the word – Yippee – is "so often" used by the kids. However, while the communication still has a fun quotient to it, it talks more about its functional benefits rather than build an emotional connect. These functional benefits too are driven from consumer insight – that kids find fun in eating long noodles. Hence, ITC Foods got rid of a square block, which needs to be broken down to fit in a round vessel, and instead came up with a round block. Secondly, noodles tend to cake and get lumpy when they get cold; hence, Sunfeast came up with a product that would remain smooth after getting cold. Yippee claims to have snatched the second place – behind Maggi, which ITC says has 80 per cent share – with a 10 per cent market share in the instant noodles market.

Ad Agencies

Ogilvy & Mather Advertising

Bingo, Sunfeast Yippee



FCB ULKA

Sunfeast biscuits/cookies, Mint-O, Candyman



McCANN ERICKSON

Aashirvaad



GREY WORLDWIDE

Kitchens of India



Media Agency

MADISON

COVER STORY ITC FOODS

BRANDED FLOUR

Category size:
₹ 4,500 crore

Aashirvaad (flour)
₹ 1,000 crore

Figures based on market estimations



Aashirvaad has about 50 per cent market share in the branded flour market. The other players being Annapurna (HUL), Pillsbury (General Mills) and Shakti Bhog (Shakti Bhog Foods)

Pricing controlled by leaders

While the recipes of Welcome Group, according to Dar, "were inspirational", the challenge was to bring down the prices, and that's why the company always went back to the chefs to come with differentiated ideas. And ITC Foods couldn't charge a premium. While snacks is largely an urban phenomenon, biscuits are largely consumed in the rural, and much of Sunfeast biscuits business comes from rural and from glucose variants. The challenge came from Parle, the leaders in the space.

Dar elucidates, "Our entire breakfast cookies, glucose, have very large rural penetration. Having said that, I would say we were late entrants. Rural penetration is not as good as many others. Rural is a little more difficult to penetrate for a simple reason that it thrives a lot on the wholesale channel and wholesale channel rides a lot on leaders. So, it takes a while, it takes a few years before your wholesale channels for rural start accepting challenger brands."

So couldn't ITC Foods leverage its e-Choupal network in the six states it is present in? Dar explains, "I am talking about rest of India also. That said, the wholesale channel is a different ball game altogether. They really gear up to support the leader because that's the name they hear. They have heard of Parle and believe that the consumer will buy Parle."

While ITC Foods is working to build its wholesale channel, it feels that it still cannot command prices, an economy Dar feels is "dictated" by Parle. "About 30 per cent of Sunfeast is still glucose. And Parle is the market leader in this segment. If Parle

keeps the prices at ₹ 10, we will have to follow. There is very little you can do when you're a me-too product," he says.

From functional to fun

Barring Aashirvaad and Kitchens of India – the latter (ready-to-eat) is a small category in India, and is hardly ₹ 50 crore – ITC Foods



"Madness is very integral to Bingo's personality. All these messages are wrapped in the language of madness"

Simmi Sbhaney

President, Management, Ogilvy & Mather, Bangalore

SNACKS

Category size:
₹ 3,500 crore

Bingo
₹ 250 crore

Figures based on market estimations

has tried to bring in a fun quotient within the products and their communication.

In an impulse category like confectionery and with a me-too product like Mint-O, which is quite similar to Chlormint of Perfetti, ITC has left it to its creative team at Draftfcb Ulka to create a distinction. Indira Das, Creative Director, Draftfcb Ulka, Bangalore feels that the products may be me-too but the communication isn't – so far! "The creative platform for Mint-O Fresh has been differentiated right from the beginning. Mint-O Fresh has been and continues to be about the unlikely hero getting the girl thanks to the confidence of 'Mint-O Fresh' breath. Our tone and style has a certain small town earthiness that further serves to differentiate the brand," she says.

The same is true for Bingo, which not only has whacky sub-brands like Mad Angles and Tedhe Medhe but equally 'mad' communication. Add to that Yippee.

Though Dar would like us to believe that most of the names have not been by choice. Dar tells, "It's very difficult to get a brand name. Virtually, anything you like has already been registered. Usually we have 100 names and, our research team tells us that we cannot take 96 of them."

VL Rajesh, Head, Marketing, ITC Foods, adds, "Our larger brands - Aashirvaad or Sunfeast - are not whacky. We do not get whacky names by design. We think of names that are relevant for that segment and are phonetically easy to pronounce."

However, Simmi Sbhaney, President, Management, Ogilvy & Mather, Bangalore (the agency on record for Bingo) tells a different story. "If you look at snacking, it is such a mindless activity but yet people try



For Bingo, ITC Foods has taken inspiration from recipes from the Indian kitchen - like khakra and pakora. Helped by some whacky names and bringing some 'madness' to communication, the brand has left an impression in the market

COVER STORY ITC FOODS

to communicate it so seriously. So we tried to create a personality around the brand, which is all about being very deliberately mad. It's almost like when you're trying to plant sense into non-sense," she says.

Das of Draftfcb, wouldn't want to move beyond fun. "Why move beyond fun?" she questions, adding, "Both brands have propositions that are deep enough to allow several new explorations and expressions."

Like Das, Sabhaney too wouldn't like to deviate from the fun quotient. "Madness is very integral to Bingo's personality. So, madness would not go. But, yes from time to time we will like to have new messages to communicate. Of late we have been focusing on new flavours and formats. The category thrives on newness and buzz. And all these messages are wrapped in the language of madness," she says.

And working on Bingo at Ogilvy has been fun. "While we were working on Bingo, we all were really having fun. There was a lot of laughter. Each time you crossed the room with the creative, the servicing and the planning guys, you could always hear laughter and this laughter got transferred to ITC's conference room as well. And we want this laughter to get transferred to consumers as well," adds Sabhaney.

Whether one likes the Bingo campaigns or not, they manage to get a reaction and in return create a buzz around, and that works wonderfully for the product.

ITC Foods, while has leveraged TV and print well enough, it hasn't jumped the digital bandwagon as yet. But digital is a platform, which ITC cannot afford to miss and the brand is aware of it. Rajesh says, "Digital marketing can get word of mouth going on for the brands. It helps build some level of support for the brand, which I think is also what a consumer looks out for."

So, digital will be used in conjunction with traditional mainstream media. "We are already on it and we will be working towards it. It'll be a part of our overall brand strategy and marketing plan," he adds.

Bumpy rides

While it's been fun so far, it certainly has not been a smooth ride for ITC Foods. It too has had its shares of hiccups. To recap, the chal-

NOODLES

Category size:
₹ 1,400 crore
Sunfeast Yipee
₹ 100 crore

Figures based on market estimations

ITC Foods claims to have gained 10 per cent market share in the instant noodles category, beating Top Ramen of Nissin Foods to put itself in the No 2 position, behind Maggi of Nestle



lenges range from product development know-how to technology, dealing with aggressive competitors who control prices and the pushy wholesale channels. There have been product failures too – Hatke Jhatke under the Bingo brand, and Bischips – the company's first snack brand that was launched as early as 2002. The latter was withdrawn from the market in 2004.

Dar feels that it was a lesson well learnt. The company was in a rush to have too much in the market too soon. "When you have too many products in a portfolio, the ability to distinguish between them becomes diminished, and the consumer starts seeing less and less difference. A product must be calibrated in groups," he says.

Another big concern for ITC Foods is that being a me-too player in most of the categories, barring the flour business, it is not a leader in any of the categories it is

in. As pointed out earlier, being a No 2 or No 3 in these categories doesn't help the company much in commanding a premium in pricing, while it fights out directly with players like Perfetti, Parle, Britannia, PepsiCo and Nestle; and add to that other significant players – Haldiram, MTR, and Dabur – who too are vying for the share of the market.

Rajesh doesn't feel that being the No 1 player is important yet for the company. "We are ambitious definitely. The No 1 or No 2 or No 3 position will keep happening, but for us what is important is how we get there. We are focusing at growing as a sustainable and profitable franchise. We are not looking at it as a goal that we'll make possible at any cost," he says.

And there's a fear lurking of a possible slowdown ahead. Rajesh wards off any such pessimism. "We are in the FMCG business and the important thing here is that India as an economy is growing at a pretty decent rate. As far as we are concerned, I think our growth is pretty healthy and the packaged foods business is growing pretty healthy too. We really have no cause to complain. And I don't see any slowdown in this particular industry," he says.



"Mint-O Fresh has been and continues to be about the unlikely hero getting the girl"

Indira Das

Creative Director, Draftfcb Ulka, Bangalore

The road gets wider ahead

So what's more from the group? "More products, line extensions, flavour extension, field extensions..." says Dar, adding, "Our chairman has also talked about some new categories too, and we have a lot of work to do," he says without getting into the specifics of it.

So let the fun continue. ■

surender@pitchonnet.com