

A Case Study on Creating Biscuit Segment Frontier ITC Limited

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Abstract: ITC is India's foremost multi-business enterprise with its robust portfolio of traditional and Greenfield businesses. ITC found opportunity and decided to enter the foods segment as there was a lot of scope for the branded player. Findings revealed that consumers wished to taste new and innovative products. That was precisely what the competition had not done in a big way. So ITC has taken a calculated risk. ITC stuck to category favorites like Glucose, Marie and Bourbon cream. Along with that, it also launched innovations such as orange-flavored Marie, Marie light and butterscotch-flavored cream biscuits, Sunfeast Milky Magic, Sunfeast Snacky and Sunfeast Golden Bakes. Now with the premium market showing enormous growth as disposable incomes increase and taste is improving. The competitors Britannia and Parle is up selling going for the premium products, ITC is shifting its focus to this segment. At present, ITC is looking to beef up the segments where they have lagged. It also launched a digestive biscuits product in Health category in the biscuit market. This Case Study is about ITC's successful launches in biscuit segment and becoming the largest player in creams segment. There is also a customer shift in food consumption. Customers growing premiumisation with increasing growth of cookies segment. Now with Britannia and Parle has planned launches with several brands in premium segment. Also there is a growing health segment in the biscuit category. The challenges are there for ITC in making marketing strategies for consolidation and taking lead in the biscuit segment.

Key Words: Marketing Strategy, Place, Positioning, Price, Product, Promotion, Segmentation, SWOT analysis, Targeting

1. INTRODUCTION:

ITC is the most diversified company in India with a market capitalization of US \$ 45 billion and sales turnover of US \$8 billion. It is employing strategy in wooing biscuit segment with improved new, innovative, quality, safety and hygiene standards products. The company's principal product was cigarette. As the time passed the company started growing and became a reputed brand in the cigarette division. Also the company diversified its business to other sector like FMCG, Hotels, Paper boards and Packaging, Agri business, and IT. Among the industries, ITC found immense opportunity in the Indian biscuit market for launching branded biscuits. It felt the consumers pulse for new, variety and innovative products. It has become strategically successful in cream and cookies segment overcoming the completion. For ITC there are many marketing challenges. Each tackling of different marketing situation has made ITC the top player in the biscuit segment.

2. OBJECTIVES OF THE STUDY

- The major objective of the research is to understand the significance of marketing strategy of ITC for its biscuit segment launch.
- To find out the benefits company is giving for a better customer value.
- To understand how the strategic components of marketing plan ITC is employed for its customers.
- To cognize the tactical marketing components of marketing plan ITC is employing for its customers.
- To know about competitiveness of ITC in countering the marketing challenges.

3. RESEARCH METHODOLOGY

Research methodology depends, to a large extent, on the information, and how easy or difficult to access it. This study is based on secondary data for findings and conclusion.

3.1 DATA SOURCES

- 1) Secondary Data is the relevant data collected from:
 - a. Journals and Business Magazines
 - b. Text books
 - c. World Wide Web
 - d. Company Brochures
 - e. Pamphlets etc.

4. SCOPE OF THE STUDY:

- Contribute towards achieving personal and organizational goals.
- A Company can use the study as a source of information for their marketing strategy.
- Retailers can use the study for updating their products in stores.
- A student may use the study for the help for their project.

5. About ITC:

ITC .Ltd was incorporated at Kolkata, India on Aug 24, 1910 under the name of “Imperial Tobacco Company limited”. The name changed from Imperial Tobacco Company limited to Indian Tobacco Company limited in the year 1970. Which then changed to I.T.C. limited in 1974. Finally, the dots present in between ITC were removed in 18th Sep 2001 since then it is known as ITC limited.

6. ITC Segments:

It has the presence in the following sectors

- FMCG
 - i) Foods
 - ii) Personal Care
 - iii) Cigarette
 - iv) Branded Apparels
 - v) Incense sticks and Safety matches
- 2. Hotels
- 3. Paper board and Specialty papers
- 4. Packaging
- 5. Agri – business
- 6. Information Technology

7. ITC Biscuit Launch:

Brands of ITC in packaged foods are Aashirvaad, Sunfeast, Bingo!, Yippee!, Kitchens of India, B Natural, Mint-O, Candyman and Gum bringing large chunk of volumes. Across segments ITC’s branded packaged food segment is fastest growing food segment in India. There are multiple categories in food segment like Staples, Spices, Ready-to-Eat, Snack Foods, Bakery, Confectionery and the newly introduced Juices and Beverages. ITC decided for entering through biscuit range in the foods segment. Food segment is aRs 550,000 crore market in India. But only 6 per cent of this is branded and packaged in a developing country like India. In developed markets, nearly 95 per cent of the food market is branded and packaged. So the scope is immense for ITC.

As biscuit and tea are the morning routine recipes. So the key market players have their favorite products in this category. The two major players Britannia and Parle are biting market shares in the Indian market compared with smaller brands. A lot of that has changed in the market segment. ITC chosen to enter with Sun feast range (Glucose, Marie, Cream) of biscuits in the market. Taking biscuit market in India it is estimated to be about 0.8 million tons, with a value of about Rs 45 billion. The share of the organized sector in the biscuit market 50%. Britannia and Parle held more than 82% of market share in value terms. Market is growing at the rate 5 to 8 %. The rest too was firmly held by smaller players like Priya Gold which had a strong presence in the north. So, in essence, the market already had strong well entrenched players. Three years down the line, however, things have changed a lot. It is a classic story of the hare and the tortoise. While it is far from winning the race, slowly and steadily, the tortoise is gaining ground.

8. ITC’s Market Research:

ITC’s Market Research had shown that Urban India comprises of about 27% of population, accounted for 85% of the biscuit consumption. Market Research also revealed that consumers are looking at innovation, variety and fun in all biscuit categories. ITC entered the branded biscuit market with inculcating gratifying aspect of the brand with good taste and quality to customers.

Before entering the biscuit segment, ITC dug into market research. Market research revealed that the category had gaps which ITC could settle into. Findings revealed that consumers wished to taste new and innovative products. That was precisely what the competition had not done in a big way.

9. ITC’s SWOT:

ITC’s SWOT analysis assists in establishing specific business offerings for developing strategic plan for the customers.

SWOT Analysis

- **Strengths**
 - i) **Provide economies of scale**
 - ii) **Promotional reach through good advertisement for target audiences**
 - iii) **Existing brand leverage through brand extension**
 - iv) **Continuance of quality products**
 - v) **Attractive packaging and levelling**
- **Weaknesses**
 - i) New in the product category of biscuits
 - ii) Negative association of brand with tobacco resulting in poor health and premature death
- **Opportunities**
 - i) **New growth avenue for the company**
 - ii) **Tie up with related portfolio of businesses**
- **Threats**
 - i) **Substitutes in wafer and salted snacks, chocolates**
 - ii) **Fierce competitors**

10. ITC's Marketing Strategy:

Marketing strategy of ITC foods combines the segmentation, targeting and positioning and marketing mix 4Ps (Product, Price, Place, and Promotion).

10.1 Segmentation, Targeting and Positioning

- **Tagline/ Slogan-** Escape into dark fantasy, Spread the smile
- **USP -** Thick, rich and delicious chocolate packed between two crunchy chocolate biscuits
- **Segment-**Quality conscious children and adults
- **Target Group -**Youth from middle and upper class people
- **Positioning -** It's a luxurious mix of aromatic cocoa and vanilla

10.2 Marketing Mix

i) Product

ITC's product innovation has introduced two new flavors Orange Marie and Butterscotch Cream Biscuits after 12 months of product research and development and extensive sampling across 14,000 consumers across all POP, first time in the Indian market. The entire range of "Sunfeast Biscuits" is packed in vibrant colours, distinctive graphics and fonts identifying sub categories at the same time maintaining a consistent look of the umbrella brand "Sunfeast".

ii) Price

"Sunfeast Biscuits" - Initial Offerings

Sunfeast Glucose Biscuits- The natural goodness of Wheat and is available in 100 gms, 75 gms and 19 gms priced at Rs 4/-, Rs 3/- and Re 1/- respectively targeting children between the age group 4-14 years and their mothers.

Sunfeast Orange Marie - A very differential offering is available in 200 gms, priced at Rs 13/- and **Sunfeast Marie Light-** Light & Crispy, available in 200 gms and 400 gms, priced at Rs 13/- and Rs 19/- respectively targeting housewives and families.

Sunfeast Orange Cream, Sunfeast Butterscotch Cream & Sunfeast Bourbon Cream - Smooth & Yummy cream biscuits, available in 100 gms, priced at Rs 10/-, Rs 10/- and Rs 12/- respectively. It is targeting children between the age group 4-14 years.

The biscuits industry now has two clear models. Parle products play the high volume and low price game at all varieties of biscuits from glucose to cream. But Britannia and Sunfeast look at a two-pronged strategy. High margins in cream variants and volumes from the Marie and Glucose segments. For instance, cream biscuits from both Britannia and ITC cost Rs 10 for 100 grams. Parle, however, only charges Rs 5 for its cream variants. Except for Hide & Seek, all of Parle's products lie in the price range between Rs 4 and Rs 6 for 100 gram packs.

iii) Place

Sunfeast has been fortunate, thanks to its tobacco business, ITC has already had a good understanding of distribution channels. The company used its existing network of convenience stores -- the company's name for the hole-in-the-wall pan-beedi shops -- for Sunfeast. Not content with the existing resources, the company also looked at

grocery stores and other retail formats. The company says the brand is now available in nearly 1.8 million outlets. Britannia claims it has a superior distribution clout with its presence in nearly 3.3 million outlets. Parle, the seasoned player itself, says it is available in 1.5 million outlets.

iv) Promotion

In April 2005, Sunfeast launched its major campaign. It has done celebrity endorsement when it signed on Hindi film actor, Shah RukhKhan as its brand ambassador. In the same year, as the official sponsor of the WTA tennis championship titled the Sunfeast Open the company had teenage sensations SaniaMirza and Mahesh Bhupathi campaigning for it. For promotions in southern states, Sunfeast has signed Tamil super star Surya as brand ambassador. The company claims that it has been spending 35-40 per cent of its turnover from the biscuits segment on advertising and promotions. Going by that number, ITCs annual marketing spends are estimated to be in the region of about Rs115-120 crore .Until 2005, Priya Gold spent close to Rs 45-50 crore, that is nearly 10 per cent of its turnover on marketing. Even market leader Britannia with spends of Rs 100 crore in 2004-05 spends about 10 per cent of sales on marketing. By 2007, Sunfeast had become an Rs 5 billion brand and growing at about 15% per year.

11. ITC's Branding of Biscuits:

"Sunfeast" - the umbrella brand name introduced in the Glucose, Marie and Cream segments

"Sun" mascot - the brand ambassador reinforcing the positioning of the brand "Spread the Smile"

Product Innovation - two unique and new flavors for the first time in the India market that is Orange Marie and Butterscotch Cream biscuit

"Sunfeast" - to be launched nationally in phases in over **one million** retail outlets across the country.

A mascot Sunny was chosen to convey these aspects of ITC's biscuit brand. ITC's different offerings for target customers are Sunfeast Glucose biscuits targeting children and their mothers. Sunfeast Orange Cream, Butterscotch Cream, Bourbon Cream targeting children in the age group between 4 and 14 years. Last few years expanded with Sunfeast Dark fantasy range in the premium segment. ITC entered nutritional biscuit segment with Sunfeast Sachin's Fit Kit a range of healthy products. It has brands Sunfeast Mom's Magic , Delishus, Farmlite cookies ,and Sunfeast Farmlite Digestive All Good for premium segment.

12. FINDINGS:

Consumer preference are for better variety of biscuits making market competitive. Top three players Britania, Parle and ITC are taking different routes in rapidly adding their products in premium ranges. According to industry sources, Britannia is the leading player in cookies segment with market share of 30%. ITC is on the other hand is a leading player in the cream segment with market share of 26%. Parle products are number two with 22% in cream and 27% in cookies segment. It is having the top spot with a share of 25% when two segments are combined. Cookies, the new growing segment, looking for a big corporate battle between Britannia, Parle and ITC for leadership in the Indian biscuit . This segment is of Rs 6,800 crore is the fastest-growing in the biscuit industry unseated glucose as the biggest segment.

With a premiumerisation journey few years ago, Britania is the first of the three companies who has taken the challenge and has launched three cookies in the last three months Tiger Butter Krunch, Nutrichoice ,and Good Day Chunkies. Britannia test-launched the brand Good Day Chunkies on Amazon.com, in a first for a biscuit company, before taking it to physical stores to increase the buzz.

Parle is always a mass market player in biscuits. With growth of premium market, as customer's disposable income increase and taste improves, it made ample sense for Parle to shift its focus. Parle has made 18 launches in 1 year ramping up its premium brands portfolio marking a volume presence in the segment. Recently, Parle has launched products such as Mini Milano, a smaller variant of the premium Milano chocolate chip cookie, Milano centre-filled biscuits, Golden Arcs (also centre-filled), Monaco Cream, a variant of the popular Monaco snacks biscuit, Happy Cream, another cream variant of Parle's Happy Happy brand and Black Bourbon, a premium variant of the traditional bourbon biscuits.

As looking for lucrative premium segment , ITC is now planning launch into the cookies segment. The FMCG to tobacco to hospitality conglomerate is introducing Sunfeast Mom's Magic in the premium cookies segment. The industry insiders feel that the move by the FMCG giant is aimed at garnering a sizeable share. Mom's Magic is available in two variants in Rich Butter and Cashew & Almond, which is also available in Good Day stable. The range is priced at Rs 10, Rs 15, Rs 20 & Rs 30. Sunfeast is already the third largest player in the cookies segment in India and offers differentiated products across price segments.

ITC has set the ball rolling with the launch of its Farmlite cookies, eight months ago, signalling its intent to grab a larger share of the cookie market. It already has brands such as Delishus and Mom's Magic operating in the space. Health category in the biscuit market that includes digestive biscuits is pegged at around Rs 400 crore at present

and growing by 15-16% every year. ITC Foods has forayed into digestive biscuit segment to take on rivals Britannia, McVities and Parle with the launch of Sunfeast Farmlite Digestive All Good. It's food division, meanwhile, has been beefing up its Sunfeast brand Dark Fantasy Choco Fills in cookies and Dark Fantasy cream biscuits. ITC wanted to enter the digestive biscuit segment with a product that completely resonates with needs of a health conscious consumer. It believed that Sunfeast Farmlite Digestive All Good satisfies the consumer's desire of 'No maida and no added sugar' in their lifestyle.

13. CONCLUSION:

ITC's successful branded biscuit market launch taken final strides in knowing consumer behavior of branding attributes in good taste and quality, and gratification. It launched biscuit product line with butterscotch cream with actual granules in the cream, strawberry cream with flavor enhancers and orange flavored Marie. Portfolio of distributionis gained an edge from the well established distribution network of its tobacco business. Gaining through celebrity endorsement it has signed up big film stars like Shah Rukh Khan and southern star Surya as brand ambassadors for Sunfeast. Brand building through advertisement in the WTA tennis tournament with promos starring tennis stars, Mahesh Bhupathi and Sania Mirza. As food business is a low margin business, company has taken time to get profit. Cookie segment in terms of consumer spend has overtaken the glucose segment. Customer desire is having increasing propensity to premiumise tendency at a brand level. Their preference over food consumption increasingly at an emotional level. ITC is catering to a health conscious consumer with brand Sunfeast Farmlite in the niche segment. Urban customers are increasing their usage level but still there is large base of rural customers. Challenges to building brands in biscuit business are investment of a large sum of money. Government's prioritized initiative in this sector bringing positive growth rate. Sunfeast biscuits are revenue earners of 2500 crore annually. ITC will focus on its strengths in firming its grip on Sunfeast brand. Existing competencies of the firm utilized further in large and challenging segments. As per company release, ITC will focus on premium, and value driven products. Seeing that food industry is a sunrise industry in India in terms of value, ITC will be interested in expanding rapidly.

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Author's Biography:



Prof. Situn Krushna Sahu (b. 1975) MBA, PGDM, BE, DME is a distinguished professional in the field of marketing. His superior academic credential has made him in a position exemplary and role model in management. Prior to this he has served 15 years as Centre Head, in Imperial Institutions, Berhampur, Lecturer in Gandhi Institute of Management Studies, Gunupur, Manager in ICICI Bank, Hyderabad, Consultant in March Market Research, Hyderabad, Marketing Manager, Pawan Power Telecom Ltd, Hyderabad. A committed person towards teaching is a hallmark in his career. Zeal towards work and unflinching wish for doing well in the profession is well known. His Curiosity for tracking progress happening in the field of management and industry is distinctive. He specializes in areas of Marketing, Operation, Human Resources and Strategic Management. His area of interest includes Marketing Management, Retail Management, Sales and Distribution Management, Strategic Management, Operation Management and Organization Behavior. He has guided various students in completing their projects in MBA. He has participated and presented 23 different books, research papers, projects, training programmes, case studies, articles and conferences. At present Prof. Sahu is working as Assistant Professor in PG Dept. of Business Administration at Kalam Institute of Technology in Berhampur in Odisha.