

Business Development From Start to Scale
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Week - 02
Business Development Strategies
Lecture - 10
Case Study of Business Development Excellence

Hi friends, welcome to the NPTEL course Business Development from Start to Scale, we are in week 2 with the theme of Business Development Strategies. In this lecture the tenth in the series we have a Case Study of Business Development Excellence.

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Success in the Face of Adversity



A Case Study of Marico



The case studies with reference to Marico, I would term the case study as success in the face of adversity.

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Marico – Financials

Values in Rs. Crore

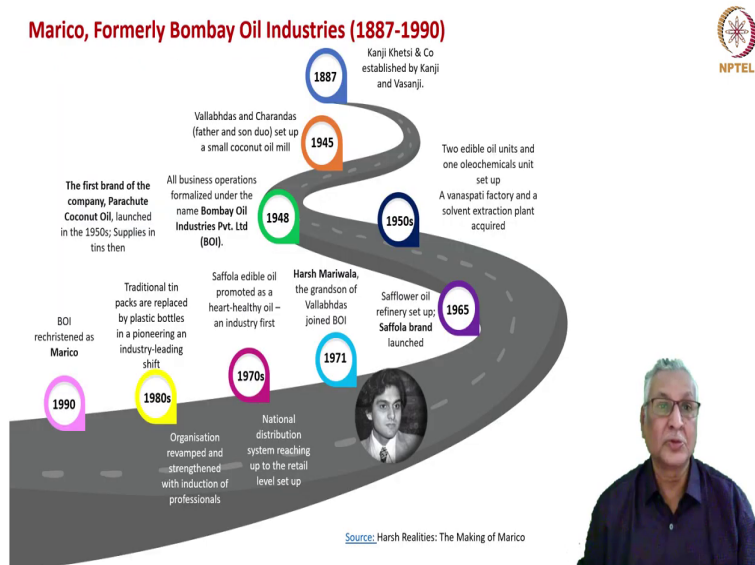
Year Ending	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Revenue From Operations	9,452.00	7,991.00	7,254.00	7,273.00	6,300.77
Total Operating Revenues	9,512.00	8,048.00	7,315.00	7,334.00	6,322.18
Total Expenses	8,009.00	6,630.00	6,036.00	6,179.00	5,289.67
Profit for The Period	1,255.00	1,201.00	1,043.00	1,132.00	827.57
Market Capitalisation	65,118	53,113	35,480	44,567	42,089

Source: Moneycontrol.com, Marico Annual Report



Marico is a well reputed and well-respected company in the Indian FMCG space, for the year ending March 31 2022 Marico clocked a revenue of 9452 crore and its market capitalisation stood at rupees 65118 crore.

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Marico started as a trading company established in 1887 by first generation entrepreneurs Kanji and Vasanji. In 1945 the father and son duo Vallabhdas and Charandas took over the operations and they set up a small coconut oil mill. In 1948 all the business operations of the company were formalized under the name Bombay Oil Industries Private Limited.

The 1950s were notable for further development of manufacturing infrastructure the company acquired two edible oil units and one oleochemicals unit, the company also set up through acquisition a vanaspati factory and a solvent extraction plant. In 1965 the company set up safflower oil refinery Saffola brand was launched.

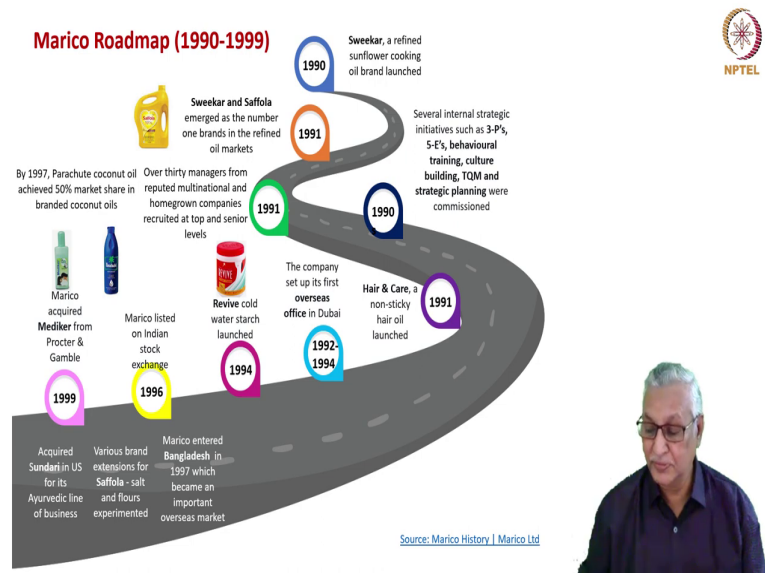
1971 has been a watershed year for Marico Harsh Mariwala the grandson of Vallabhdas and representing the third generation of entrepreneurship joined the company. In the 1970s the

company went all out to promote Saffola edible oil as a heart healthy oil which was an industry first.

But way back in 1948 and 1950s itself the company made its mark in the coconut oil industry the first brand of the company Parachute Coconut Oil was launched in the 1950s and the supplies were intense at that point of time. However, in the 1980s the company broke new ground by replacing the tin packs by plastic bottles it was a pioneering industry leading shift.

In 1990 the company was rechristened as Marico, during this process that is between the time Harsh joined and the company became public in 1990, Harsh Mariwala was behind several path breaking initiatives. In the 1970s he set up a national distribution system reaching up to the retail level. In the 1980s the organization was revamped and strengthened with the induction of professionals.

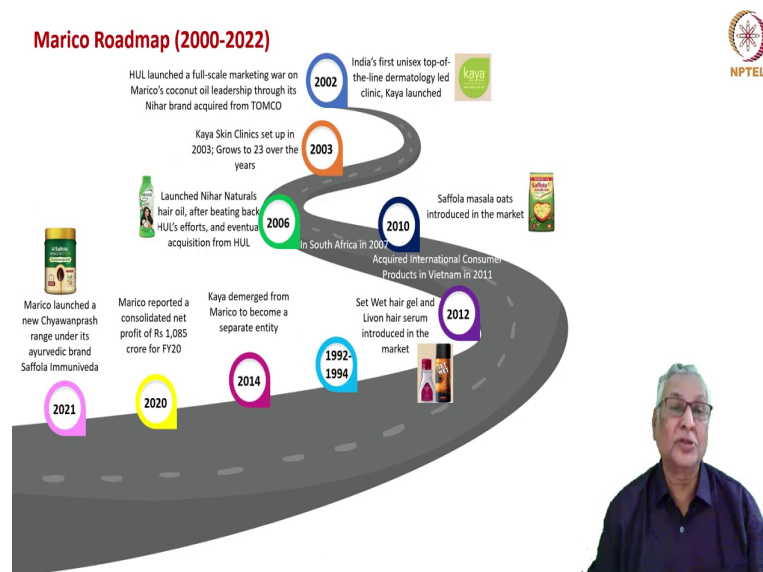
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The road map of Marico once it was re-established as Marico was impressive, there have been several product introductions and product line acquisitions on the way and the journey continued in terms of product portfolio expansion. However, what was extremely important at that point of time was that several internal strategic initiatives such as 3-P's, 5-E's, behavioural training, culture building, TQM and strategic planning were commissioned.

The company inducted several top-ranking leaders and managers from reputed multinational and home-grown companies. By 1997 Parachute coconut oil achieved 50 percentage market share in branded coconut oils.

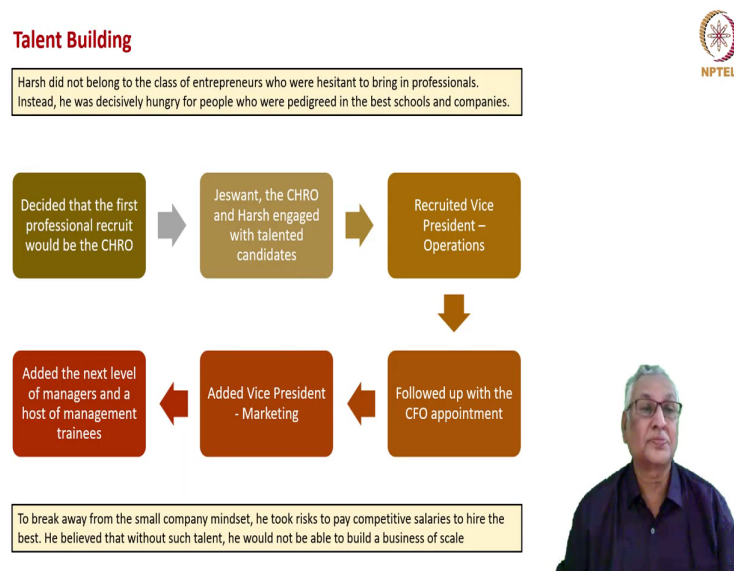
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During the period 2000 to 2022 the company continued its growth journey. However, the company also had to encounter a full-scale marketing war on Marico's coconut oil leadership from the dominant multinational company HUL; we will cover more about that later.

As you can see from this milestone chart the company continued on its growth journey by adding new products by merging businesses, demerging businesses as the journey moved on.

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As I said Harsh Mariwala coming into the company was a major turning point for the company, because Harsh did not belong to the class of entrepreneurs who were hesitant to bring in professionals. Instead, he was decisively hungry for people who were pedigreed in the best business schools and companies.

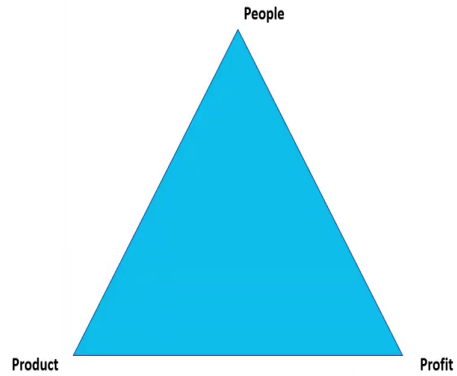
He decided that the first professional recruit for the company would be the CHRO he recognized so early on the importance of leadership in human resources. So, he recruited Jeswant, he and Harsh engaged with talented candidates, recruited first vice president operations followed up with the CFO appointment and added vice president marketing.

Subsequently, he and Jeswant added the next level of managers and a host of management trainees. To break away from the small company mind-set, he took risk to pay competitive salaries to hire the best from the industry. He believed sincerely that without such talent, he would not be able to build a business of scale.

I am talking about Harsh's leadership style mainly because business development owes a lot to the leadership style of the top man or top person at the helm of a company. Several of the initiatives which Harsh Mariwala took to strengthen the leadership bench to enhance the skill levels went a long way in making Marico the leading company that it is today.

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The 3 P's of Marico: The First Value Statement



He postulated the first value statement of Marico after several deliberations across the top leadership and top managers, it was the first value statement he said that the 3 P's of Marico would be people, product and profit.

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Management Style: Walking the Talk

Harsh took the lead in demonstrating to the new organisation the values he espoused for the people.



Harsh strove for work-life balance in his team as much as he strove for performance standards.



His management style was one of walking the talk he took the lead in demonstrating to the new organization the values he exposed for the people. How did you do that? You do it by demonstrating in actual practice the preaching's that are exposed at the higher levels of leadership.

As far as Harsh was concerned he had 6 drivers for demonstrating that he meant a solid and progressive management style. He focused on uncompromising product value for the customers, he made capital investments to upgrade manufacturing towards higher quality. In this process of product development and manufacturing upgradation the new leaders who joined the company contributed a lot.

He also brought in the concept of total quality management. There were cases when the company walked out of businesses when the quality parameters were not to the satisfaction.

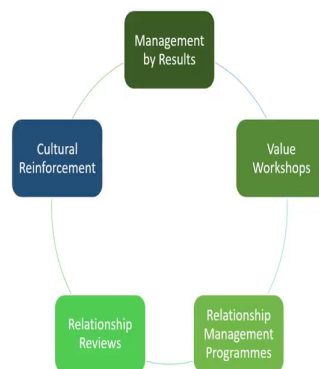
He also promoted the concept of boundary less collaboration and communication within the company.

He exposed participation, involvement and ownership in and by the teams, nobody was called an employee in the organization they were all referred to as members. Openness, risk-taking and trust enabled the company to take seemingly adventurous decisions, but forward looking in their thinking and execution so that the company could move on the growth journey, while he aimed at strong performance standards, he also strove for work life balance for his team members.

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Behavioural Training

To reinforce the value system, Marico unveiled a number of skill and behavioural training programmes



All newcomers were expected to undergo at least three training programmes in the first two years



The company also undertook behavioural training during those years. To reinforce the value system, Marico unveiled a number of skill and behavioural training programs. Some of these were management by results, value workshops, relationship management programs

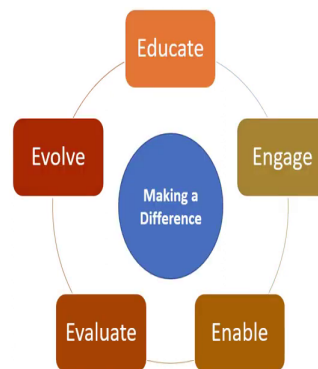
particularly at the leader and managerial levels both horizontally and vertically, relationship reviews and cultural reinforcement.

All newcomers were expected to undergo at least three training programmes in the first two years.

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Continuous Improvement: The 5E Model

To make a difference to the organization, each member was expected to follow the 5E Model



Marico believed that culture, unique to the organisation, delivers a competitive advantage to the firm.



He also brought out a 5 E model, to make a difference to the organization each member was expected to follow the 5 E model. The 5 E model Harsh postulated would make a difference to Marico, the 5 E's were educate, engage, enable, evaluate and evolve. Marico believed that culture is unique to the organization therefore, it would represent a sustainable competitive advantage for the firm.

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Brand Building Powers Growth: Early Campaigns



The journey of Marico was a journey of its products and the brands, you can see here the early campaigns undertaken by Bombay Oil Industries and to some extent Marico in the 1960s, 1970s and 1980s. Saffola was promoted aggressively, Parachute coconut oil was promoted, comparisons between Saffola oil and other oils were made and the health wise approach of Saffola was promoted, the bottle of revolution was also brought out significantly.

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Marico Brand Language: Intriguing, Competitive, and Health-wise



Thereafter the brand language became more intriguing competitive and health wise, when Marico was formed the advertisement said 200 employees walked out of Bombay Oil. It was an intriguing act, but it focused the attention and interest of people on formation of Marico, you can see the other advertisements that have been the hallmark of Marico.

But what was very competitive and what was intriguing was the advertisement for honey. It was the first company which tested by the sophisticated analytical equipment and the purity of honey and it said that it was better in purity compared to any other market brand particularly that of Dabur.

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NPTEL

Significant Strategic Actions taken by Harsh Mariwala – 1

Building Consumer Brand	<ul style="list-style-type: none">• Professional sales organisation• Branding and advertising	Establishing Competitive Plants	<ul style="list-style-type: none">• A modern plant in Kerala, close to copra• Creating new work and management processes
Establishing Marico	<ul style="list-style-type: none">• Creating a new ethos and value system• Inducting top talent	Family Separation and Emotional Toll	<ul style="list-style-type: none">• Weak financials did not support buyout• A premature but highly successful public issue helped
Diversifying Product Range	<ul style="list-style-type: none">• From coconut oils to edible oils and health foods• Reinforcing distribution and retail structure	Facing HUL Assault	<ul style="list-style-type: none">• Investing to reinforce brands• Marshalling funds to buy out Nihar



If we summarize the various actions taken by Harsh Mariwala in his regime particularly in the first half of his tenure they were many. The first was building consumer brands, he developed a professional sales organization and he resorted to branding and advertising. Even in the early years he brought in a famous branding and advertising company from France to design its brand positioning as well as repositioning.

Establishing Marico itself was his master stroke, because it helped him create a new ethos and value system and he was able to induct top talent. Diversifying product range was another step which he has taken. He moved from coconut oils to edible oils and health foods, thereafter he reinforced distribution and retail structure.

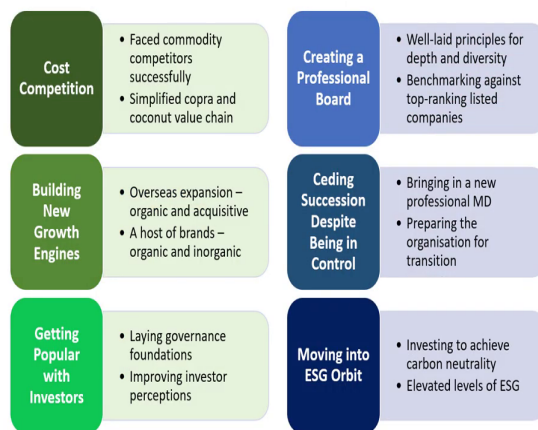
He also provided lot of attention to establishing competitive plants. He established a modern contemporary plant in Kerala close to copra. He also created new work and management

processes. However, the family separation took an emotional toll, yet despite the weak financials he went about buying out the stake of those who are willing to move out, a premature but highly successful public issue help the matters.

He also face the assault by HUL; however, instead of drawing back he invested to reinforce the brands he marshalled funds to buy out Nihar at the end of the six year battle with HUL.

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Significant Strategic Actions taken by Harsh Mariwala – 2



Similarly, on cost competitiveness he successfully faced commodity competitors successfully. He deployed two strategies for that one was to optimize the cost internally and 2 to establish the brand power to word of these commodity generic players successfully. He also simplified the copra and coconut value chain as we can know coconut value chain contributed to 50 percent of its costs and profits.

Therefore, it was important that copra and coconut value chain was simplified and made more optimal. He also built new growth engines, overseas expansion both organic and acquisitive and launch of a host of brands again both organic and inorganic were the hallmarks of the growth engine development.

He also took special steps to become popular with investors he laid the governance foundations and he improved investor perceptions. He created a professional board with well laid principles for depth and diversity, he benchmark the board against top ranking listed companies.

At a time when his going was very good, he decided to see its succession to provide greater edge to the professionalization in the company. He brought in a new professional MD who was groomed internally as head of marketing. He also prepared the organization for transition well.

Right now, the company is moving into the ESG orbit, environmental empathy, social responsibility and corporate governance. Company is investing to achieve carbon neutrality and accomplish elevated levels of ESG, these 12 factors demonstrate that Marico's leadership has been a principal driver for Marico becoming the kind of leading FMCG Company that it is today.

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Family Separation: Agony and Ecstasy

1990s, Post-Marico Launch

- Harsh's Marico grew admirably
- Businesses of the other branches of the family languished

1992-1994

- Intense and painful mediations and negotiations
- Mediation by Bipin Shah and valuation by YH Malegam

Employee Support

- Harsh's openness brought forth employee support
- The gamble of going public paid off – the listing was a huge success and certain promoters could exit

Dramatis Personae

- Kishore Mariwala – Stayed with Harsh
- Y H Malegam, Reputed Accounting Leader
- Harsh Mariwala – In Control of Own Destiny



Let me talk about two adversities which the leadership of Marico more particularly the founder and CEO Harsh Mariwala faced. In the 1990s Post-Marico launch Marico blazed strong growth trail. However, the other three businesses managed by the cousins languished that; obviously, set in place a feeling of angst amongst various members.

Because until then all the finances were pulled together, all the profits were pulled together and the costs were shared. Obviously, when one business grew very fast and very profitably and others languished the equation got upset very much. Between 1992 and 1994 there was a period of intense and painful mediations and negotiations.

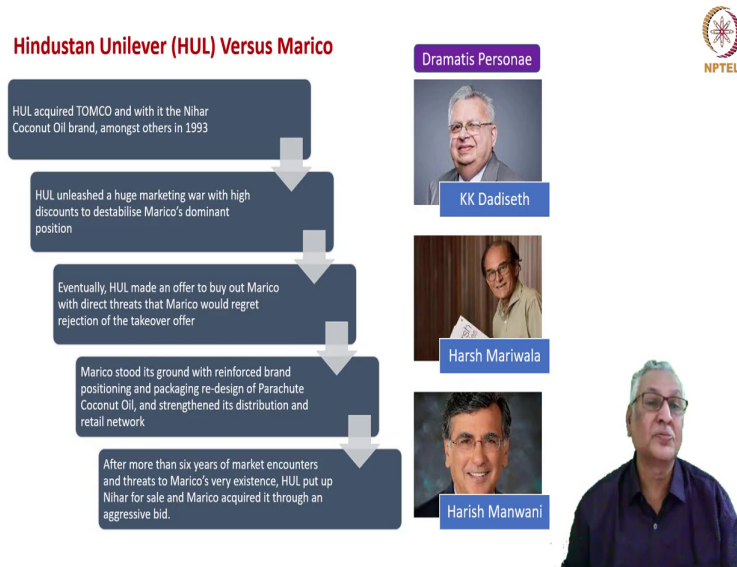
While Bipin shah ex-chairman of Lipton played a big role in trying to mediate. Finally, valuation by Y H Malegam helped the company go through the separation process with

fairness as well as equity. Y H Malegam was a reputed accounting later and he also chaired several committees for the government of India in the later times.

One of the things which made Harsh strong was that even during the periods of turmoil and stress he was very open with the employees, at times he showed the personal vulnerability as well by breaking down while talking about Marico. The employees rallied around him in togetherness and that gave him the strength to go for a public offer.

The gamble outgoing public paid off the listing was a huge success and certain promoters could exit with all fairness.

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The other crisis which Marico went through was the assault by Hindustan Unilever on the coconut oil franchise of Marico which was; obviously, very remunerative and it represented

the core of Marico. HUL acquired TOMCO from Tata group and with it the Nihar Coconut Oil brand, amongst others in 1993.

Hamam as we all know was also one of the products acquired by HUL from TOMCO. HUL recognized that to grow the Nihar brand it had to unsettle Marico. HUL unleashed a huge marketing war with high discounts to destabilize Marico's dominant position. Eventually, unable to dislodge Marico from its pedestal HUL made an offer to buy out Marico with direct threats that Marico would regret rejection of the takeover offer.

Marico stood its ground with reinforced brand positioning and packaging redesign of Parachute Coconut Oil and it strengthened its distribution and retail network. After more than six years of market encounters and threat to Marico's very existence HUL put up Nihar for sale and through an auction process and Marico acquired it through an aggressive bid.

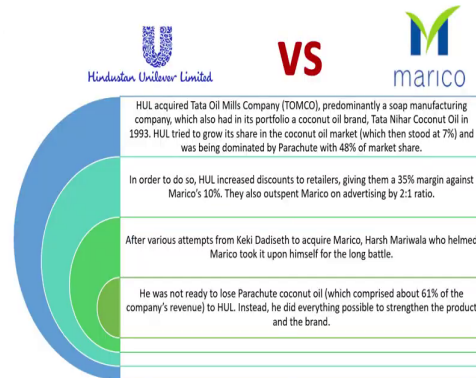
In this situation the dramatist person were K. K. Dadiseth Chairman of Unilever Hindustan Unilever that is who started the war with Marico and Harish Manwani the Chairman of Hindustan Unilever six years later who owned who own down the warfare. And in between was Harsh Mariwala who stood as a rock as a leader who provided guidance and strength to the overall organization.

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Marico vs Hindustan Unilever Limited (HUL) – 1 of 2



Keki Dadiseth, who became the chairman of Hindustan Lever in 1996 was keen on strengthening HUL's position by acquiring promising companies. One of his prime targets was Marico.



Source: Harsh Realities: The Making of Marico by Harsh Mariwala and Prof. Ram Charan, published by Penguin Portfolio, Livemint.com



Some of the more interesting details are as follows; Keki Dadiseth who became the chairman of Hindustan Unilever in 1996 was keen on strengthening HUL's position by acquiring promising companies. One of his prime targets was Marico, the battle between Hindustan Unilever Limited and Marico is a case worthy of business school study.

HUL acquired TOMCO predominantly a soap manufacturing company, it also had in its portfolio a coconut oil brand, Tata Nihar Coconut Oil. HUL tried its best to grow the share in the coconut oil market it was immensely 7 percentage at that point of time and Parachute had 48 percent of the market share.

In order to achieve higher market share HUL increased the discounts to retailers, gave them a 35 percent margin against Marico's prevailing industry standard of 10 percentage, which will also outspend Marico on advertising by 2 is to 1 ratio. After various attempts from Keki

Dadiset to acquire Marico, Harsh Mariwala who helped Marico took it upon himself for a long battle.

He was not ready to lose Parachute coconut oil because it contributed to 61 percent of the company's revenue. Instead, he did everything possible to strengthen the product and the brand. This was a classic case of adversity bringing out the best in an individual and in an organization.

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Marico vs Hindustan Unilever Limited (HUL) 2 of 2

Harsh Mariwala had the advantage of having in-depth knowledge of the branded coconut oil: consumer insights, sourcing expertise, a well-established distribution and marketing set-up, and the significant cost optimisation while for HUL, Nihar coconut oil was one among the many product categories and it was far from being a significant product in the HUL portfolio.



Source: Harsh Realities: The Making of Marico by Harsh Mariwala and Prof. Ram Charan, published by Penguin Portfolio, Livemint.com

- Harsh launched a new rejuvenated Parachute brand backed by big ticket advertising.
- He focussed on massive TV campaigning focusing on the relevance of the sacred coconut in Hindu religion and tradition.
- The brand reached 18 million households and increased its market share to 52% during the period of 2002 to 2006, while HUL's Nihar got its market share reduced to 8%.
- Marico strategized a rural distribution thrust by appointing around 250 super-distributors who would sell, only to retail, in the rural markets and compensated them for the additional costs.
- After about six years of trying, HUL stopped investing in the coconut oil business
- In 2006, Marico acquired the brand Nihar from HUL for about Rs. 240 crores. The deal marked HLL's exit from the hair oil category.



There was one thing certain; however, Harsh Mariwala had the advantage of having built up the coconut oil brand from the inception of the brand from the 1960s and in the 1970s. He had therefore, in-depth knowledge of the branded coconut oil business; consumer insights, sourcing expertise, a well-established distribution and marketing setup and the significant cost optimisation.

However, for HUL, Nihar coconut oil was just one among the many product categories and it was far from being a significant product in the HUL portfolio despite the various efforts. What did Marico do to counter Hindustan Unilever? First of all it launched a new rejuvenated Parachute brand backed by big ticket advertising.

He also focused on the uniqueness of coconut in the Indian religious as well as whole tradition. The coconut was positioned as the sacred coconut. The brand reached 18 million households and increased its market share to 52 percent during the period of 2002 to 2006 while HUL's Nihar after the initial improvement got the share reduced to 8 percent.

Marico also strategized a rural distribution thrust by appointing around 250 super distributors who would sell, only to retail, in the rural markets and compensated them for the additional cost. After about six years of trying, HUL stopped investing in the coconut oil business.

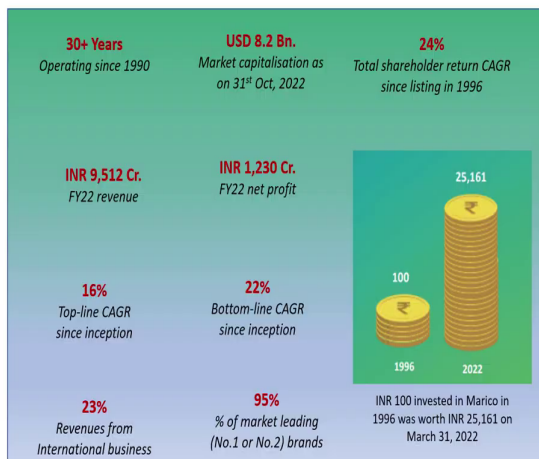
In 2006, Marico acquired the brand Nihar from HUL for about rupees 240 crores. The deal also marked HUL's exit from the hair oil category. This was a typical David versus Goliath story we have several lessons of business development from this case study one whenever a brand is under threat the brand has to be repositioned, relaunched and strengthened.

Second the importance of advertising in reaching out to the customers can never be under emphasized in FMCG. If TV is the modern means of communication which had the widest range the company has to utilize that. You also need to have a very unique theme to strike the emotional cart with the customers in FMCG distribution and retailing is of paramount importance having set up initially the national distribution and retailing system.

Harsh was on the top of the goal he strategized a new rural distribution thrust by appointing supers stocks and retailers. So, there are several lessons of business development which underline the fact that the leadership must have the feet on the ground, but also the vision to stay aloft against crisis.

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Marico at a Glance



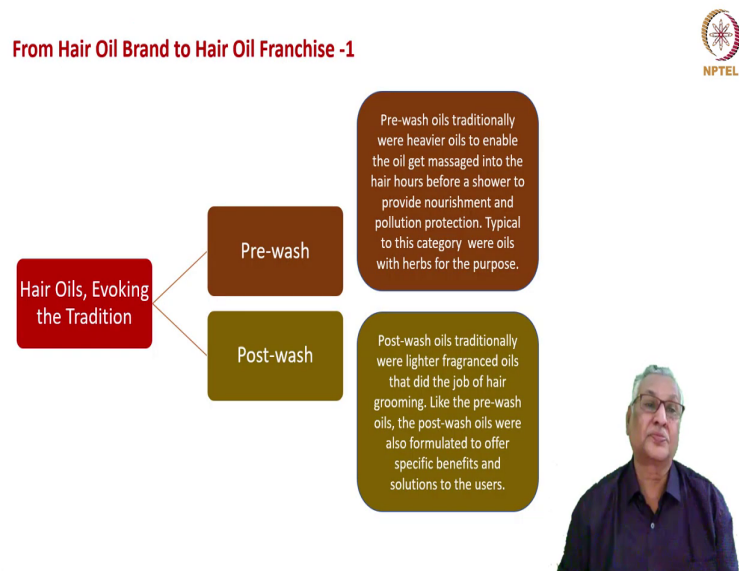
As a result of the various initiatives and overcoming the adversities Marico continued to grow. 30 plus years has been its operational span from the time it was constituted as Marico. As on 31st October 2022 it achieved a capitalisation in the market of USD 8.2 billion. The shareholder return showed a compounded annual growth rate CAGR of 24 percentage since listing in 1996.

As I said in FY 22 the revenue exceeded 9500 crore and the net profit exceeded 1230 crore. 16 percent has been the top line CAGR since inception and bottom-line growth was 22 percent CAGR, these are all impressive numbers, these are not just double digit numbers they were very high double digit numbers.

Importantly, the international business started yielding results it has achieved 23 percent of its revenues from international business, most importantly 95 percent of the brands were market

leading number 1 or number 2 as a matter of interest 100 rupees invested in 1996 grew to 25161 in 2022.

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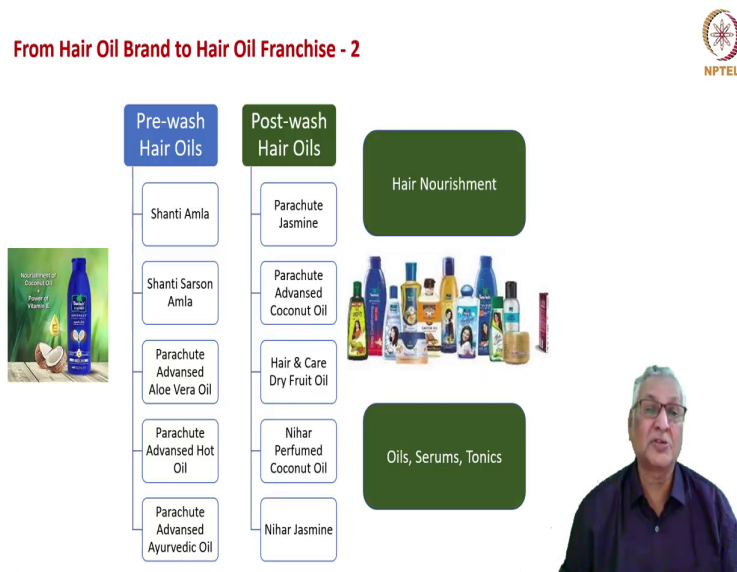


Some of the strategic marketing initiatives that Harsh has taken or Marico has taken are as follows. 1, it moved hair oil brand to hair oil franchise itself, after great deal of study the hair oils which were seen to evoke the tradition were classified under pre-wash and post-wash categories.

Pre-wash oils traditionally were heavier oils and they enable the oil get massaged into the hair hours before a shower to provide nourishment and pollution protection this has been the traditional practice in the Indian households. Typical to this category were oils with herbs for the purpose.

Post-wash oils traditionally were lighter fragranced oil that did the job of hair grooming. Like the pre-wash oils the post-wash oils were also formulated to offer specific benefits and solutions to the users. Once this pre-wash and post-wash distinction was made the company began developing a number of products besides whatever was available at that point of time.

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So, pre-wash hair oils were Shanti Amla, Shanti Sarson Amla, Parachute Advanced Aloe Vera Oil, Parachute Advanced Hot Oil and Parachute Advanced Ayurvedic Oil. Post-wash hair oils were Parachute Jasmine, Parachute Advanced Coconut Oil, Hair and Care Dry Fruit Oil, Nihar Perfumed Coconut Oil and Nihar Jasmine. In addition, several specialist oils, serums and tonics were brought in for hair nourishment.

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As a result of the marketing activity and business development activity Marico got 4 core brands that were established beyond any competition. Parachute in the coconut oil field, Saffola in the health oil and health foods field, Livon in hair grooming field and Set Wet for male grooming.

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Niche Brands: Some Examples



It also had several Niche brands some examples are Hair and care, Revive, Sil and Mediker.

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Diversification – Broaden and Scale-up in Healthy Foods

Aim to reach Rs. 850 - 1000 cr. Top-line in FY24



True Elements



The diversification was aimed at broadening and scaling up in health foods. The company aim to reach rupees 850 to 1000 crore top-line in financial year 2024. Saffola Honey, Saffola Mealmaker Soya Chunks, Saffola Immuniveda Chyawanprash, Saffola Oodles, Saffola Peanut Butter, Saffola Mayonnaise were all the new products which came under the health food category.

So, one thing must be born in mind in business development even if one product is very strong and is unassailable in the marketplace the company should never rest on its laurels, it should keep adding new products which would be future core products otherwise imagine the situation of Marico if it never added these kinds of products, it would have been vulnerable as a single product company focusing only on the coconut oils.

So, the strategy of business diversification more importantly the strategy of business line diversification is something which any strategic marketing and business development executive must do properly and with foresight.

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Diversification – Premiumise Within Core Hair Oils



Once there is competition the only way in which you can be profitable is through premiumization. So, the company began premiumising core hair oils for example, Aloe Vera Enriched Coconut Hair Oil or Onion Enriched Coconut Oil. So, in all these cases the basic power of coconut was combined with certain herbs and certain traditional Indian products which could add to the strengthen the depth of the products.

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Poor Investor Perceptions in the 1990s

- Although Marico had strong brands, the perception was that it was a commodity business with low margins. Fluctuations in raw material prices would lead to unpredictability of profits.
- Marico was over-dependent on a single brand, Parachute, for growth and profits. It had a large share of revenue and profit in its financials
- The hair oil category was likely to stagnate, impacting the long-term prospects of the business
- Since it was a promoter-led family business, it would be less professional in its approach to management, corporate governance and related party transactions
- The brands Parachute and Saffola were not owned by Marico but by its parent, Bombay Oil. The brand appreciation would therefore accrue to Bombay Oil and not Marico's shareholders
- Kaya Clinics was a retail service-oriented business and a Marico subsidiary. The business model was different from the FMCG model of Marico's consumer business. It was not in the interests of the shareholders who were invested in Marico purely on the basis of its FMCG business. To them, it was value-limiting.
- The company was incremental in approach and did not take bold business calls
- Since the promoters held substantial majority holdings, the Marico scrip was low in volume



Even though Marico was a successful company there were poor investor perceptions in the 1990s. Marico had certainly strong brands, but the perception was that it was a commodity business with low margins. Fluctuations in raw material prices would lead to unpredictability of profits.

Although, Harsh did much to disabuse such a thought or such a perception and created powerful brands the perception still was the perception still was that the industry as a whole was a commodities generics industry. The second point that was made by investors was that Marico was over dependent on a single brand that is Parachute coconut oil for growth and profits.

It has certainly a large share of revenue and profits in its financials, but that strength also marked the company's vulnerability. The hair oil category was likely to stagnate, impacting

the long-term prospects of the business, mainly because alternate methods of hair grooming that would be coming and the shift of the generations from strong oil application to minor oil application.

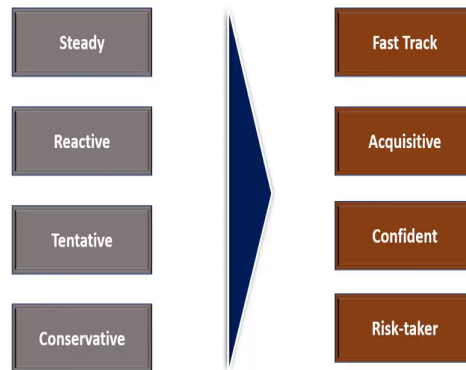
Since it was a promoter led family business, the company was perceived to be less professional in its approach to management, corporate governance and related party transactions. The brands Parachute and Saffola were not owned by Marico they were left with the parent Bombay Oil as part of the separation deal.

The brand appreciation would therefore, accrue to Bombay Oil and not to Marico shareholders. Kaya Clinics was a retail service-oriented business and a Marico subsidiary, investors perceive that its business did not align itself with the FMCG business of Marico therefore, they were seeing this as a value-limiting subsidiary.

The company was incremental in its approach and did not take bold business calls. And since the promoters held major shareholding, the Marico script was low in volume, unless there was liquidity in the stock markets you would not see the response of the stock price to the developments that are taking place in the business.

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Mindset Shifts in Marico from the 1990s



In order to combat this the company embarked upon a mind shift change across 4 factors one instead of trying to be a steady and conservative company the company decided to go on the fast track. Instead of being reactive to industry trends it wanted to be proactive and even go acquisitive in its growth journey.

Instead of being tentative on the business decisions it decided to be confident and future looking in its business strategy, from a conservative mind-set the company moved into a risk-taking mind-set. This change in the mind-sets has led to a transformation in Marico's business profile.

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Business Transformation from the 1990s



From the 1990s the business profile of the company changed dramatically what was an intensely local company became a global company. A low margin business was made high margin particularly with premiumization which I discussed earlier. A low value-added business has been converted into high value-added business by adding more enriching products to the line-up.

Oils which were the mainstay were supplemented with more FMCG products including health foods. Health foods were diversified over a period of time into multiple categories, FMCG line itself was supplemented by beauty and wellness solutions. So, while retaining the core strengths the company kept on adding new businesses and within new businesses new product lines as a continuous transformation.

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Marico Organised Itself into 3 Business Groups



<p>The Nature Care Business would offer products and brands that enhanced the appeal and nourishment of hair and skin through distinctive products, largely based on coconut and other natural materials</p>	<p>The Health Care Business would make available a variety of branded foods needed for healthy living, drawn from agriculture and offered both in their natural and processed forms</p>	<p>The International Business was tasked with building and franchising of company brands in other countries in the Indian subcontinent, the Middle East and other parts of the world, where significant Indian diaspora lived</p>
		<p>Exports at Rs 1279 crore contributing 23% of total revenue (FY 2021-22)</p>



At that point of time Marico organized itself into 3 business groups. The Nature Care Business would offer products and brands that enhance the appeal and nourishment of hair and skin through distinctive products, largely based on coconut and other natural materials that was the co-business of Marico from its inception.

Then it added a new business vertical called the Health Care Business it would make available a variety of branded foods needed for healthy living, drawn from agriculture and offered both in their natural and processed forms. In this business vertical the Saffola oils were the initial core, but they got supplemented by a number of Saffola branded health foods.

The third business vertical was the International Business, which was tasked with building and franchising of company brands in other countries in the Indian subcontinent, the Middle East and other parts of the world wherever significant Indian diaspora lived Marico wanted to

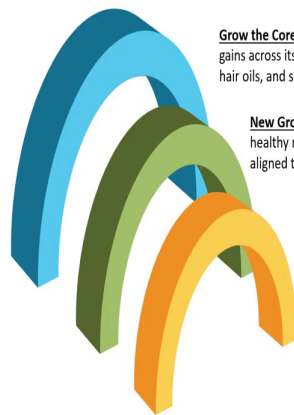
have a presence in such overseas markets. Exports came to rupees 1279 crore for the financial year 2021- 22 which represented a contribution of 23 percent of the total revenue.

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Marico's Strategy that Enables Sustainable Growth



Strategic Themes:



Grow the Core: Leadership position, with market share gains across its core segments: coconut oil, value-added hair oils, and super-premium refined edible oils.

New Growth Engines: Portfolio diversification with a healthy mix of core portfolio and future growth engines aligned to the changing consumer trends.

Create Shared Value: Six long-term sustainability focus areas of Marico are: responsible resource consumption, climate change, circular economy, sustainable supply chain, product responsibility, and community development.




Marico strategy had three strategic themes, first grow the core Marico never forgotten about its core it wanted to defend and grow its leadership position with market share gains across the core segments; coconut oil, value added hair oils, super-premium refined edible oils.

It created new growth engines, portfolio diversification a healthy mix of core portfolio and future growth engines. It created shared value by having six long-term sustainability focus areas which related Marico better with the investors and the society at large these have been responsible resource consumption, climate change, circular economy, sustainable supply chain, product responsibility and community development.

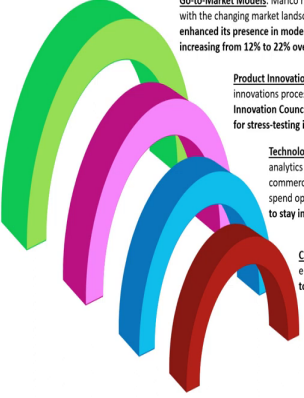
These core shared values were articulated in 2013 with a futuristic target of meeting most of the targets by 2022.

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Marico's Strategy that Enables Sustainable Growth



Strategic Enablers:




Go-to-Market Models: Marico has adapted its business and go-to-market models in line with the changing market landscape and business realities. Marico has significantly enhanced its presence in modern trade and e-commerce, with the share of these channels increasing from 12% to 22% over 2020-22.

Product Innovations: Well-defined stage-gate structure guides Marico's product innovations process right from conceptualisation till product launch. The Innovation Council (led by the MD & CEO) is the central cross-functional forum for stress-testing ideas.

Technology and Automation: Marico Miner League is the front-end analytics team working on predictive modelling using digital and e-commerce platforms data, enabling the business with right decisions and spend optimisation. Marico has also built up social listening capabilities to stay in line with changing consumer needs and preferences.

Cost Management: Marico focusses on cost consciousness to ensure the company maintains healthy profitability and is able to fund strategic initiatives for future growth



Source: Marico.com, Digital Report

It also thought about certain strategic enablers the first was go to market modelling, Marico significantly enhanced its presence in modern trade and e-commerce, the share of these channels increased from 12 percent to 22 percent over 2020 to 2022. When we talk about modern trade, we talk about large format superstores such as Reliance Trends, Big Basket, More, Big Bazaar and stores like that.

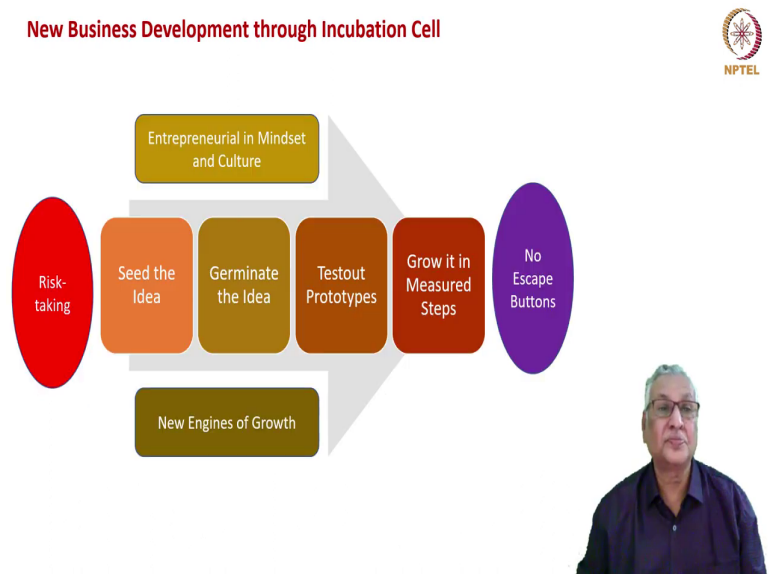
Product innovations were accelerated there has been a stage gate structure that guided Marico's product innovations from conceptualisation till product launch. He constituted an

innovation council led by the MD and CEO as the central cross functional forum for stress testing ideas.

Technology and automation were given the pride of the place, data analysts worked on predictive modelling utilizing the ocean of data generated as part of the regular operations and specific data captures, but Marico also built its socialising capabilities significantly to stay in line with changing consumer needs and preferences.

Marico also focused on cost management, I talked about simplification of the coconut value chain as well as setting up the plants near the areas where copra was getting generated and cost management help the company save its moneys, so that future initiatives could be invested for.

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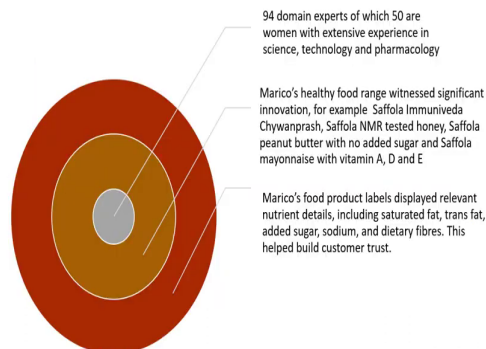
The new business development through incubation cell has been an entrepreneurial initiative it had its mindset and culture of a startup, these helped in having new engines of growth for the company. So, the fundamental philosophy of the incubation cell was that it should be taking risks and you should not try to wriggle out of risk taken that is there are no escape buttons, once you seed the idea you got to make sure that it succeeds.

So, seeding the idea, germinating the idea, testing out the prototypes and finally, growing it in measured steps were entrusted to the incubation cell.

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Consumer Centric R&D

Marico has invested significantly in R&D activities over the years and also could secure patents.



Source: Marico Annual Report FY22

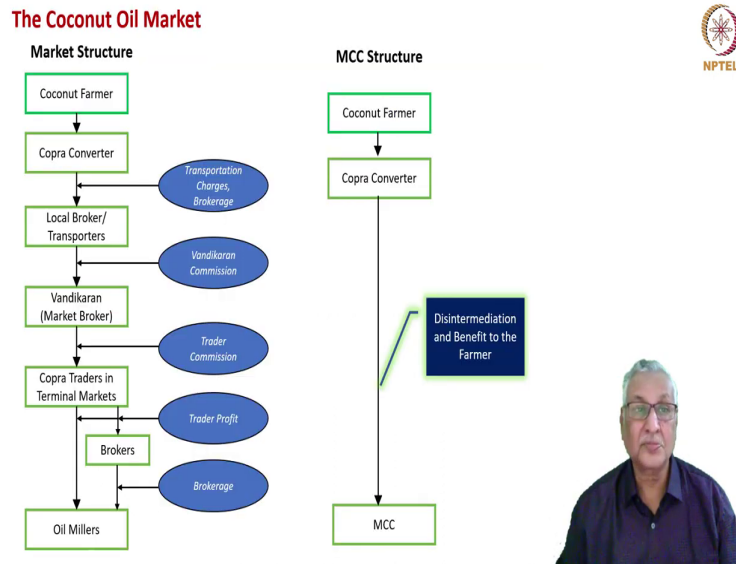


The company invested significantly in consumer centric R and D it had 94 domain experts of which 50 were women with extensive experience in science technology and pharmacology. As a result of the R and D efforts there were innovations as I said Saffola NMR tested honey

was the first of its kind, Saffola immuniveda Chyawanprash was also a modern product with time tested herbs.

Saffola peanut butter with no added sugar and Saffola mayonnaise with vitamins A, D and E were also significant add-ons. Marico was the first to display product labels having nutrient details, including saturated fat, trans fat, added sugar, sodium and dietary fibres. This help build customer trust.

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This is an example of how the coconut oil market was operating prior to Marico simplifying the chain. The coconut farmer would give the coconuts to the copra converter, the converter would convert it into copra and then he would send it to the local broker and transporters there would be transportation charges and brokerage.

And the local broker and transporters would take it to the market broker and there would be a vandikaran and commission, from there it would go to the copra traders in terminal markets which will entail trader commission and depending upon how the copra is sold to the oil millers directly or through the brokers there would be additional trader profits and brokerage.

Marico created a market system by which the coconut farmer could convert the coconuts into copra and then take it to disintermediation stage directly benefiting the farmer.


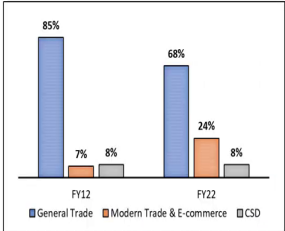
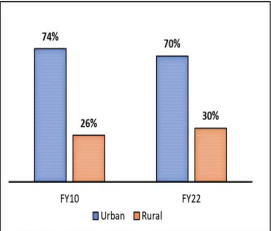
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
Strong Distribution Network


Overall Reach: 5.6 Million Outlets out Of 11.3 Million Outlets – Huge Headroom For Growth

Channel Split: Modern Trade (includes E-Commerce) has outpaced the other channels.

Urban – Rural Split : Rural sales up from 26% in FY10 to 30% in FY22. Ex-Saffola (largely urban), rural share of sales is ~39%.

-  Direct Reach: ~1 mn. Outlets, Initiatives in place to increase the reach
-  Increased by ~0.3 mn. outlets over the last 9 years
-  Segmented GTM to drive premium and NPD portfolio
-  Leveraged technology coupled with robust IT Infrastructure to drive impact



The distribution network has been a core facet of Marico’s growth. The channel split has been discussed already modern trade was surpassing in its growth rate, in FY 12 the modern trade had 7 percent share and defence was having 8 percent share, but in FY 22 modern trade share increased to 24 percent and this has been a great Philip to volume selling of products.

Secondly, the urban rural split also marginally increased the 74 26 split has improved to 70 30 split, the direct reach of Marico increased by 1 million outlets segmented the trade market that is the general trade market to drive premium and new product portfolio, increased outlets over the last 9 years by 0.3 million and leverage technology coupled with robust it infrastructure to drive impact.

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Geographical Presence

Marico aspires to be a leading emerging market MNC with a leadership position in the categories of leave-in-hair nourishment, food, skin care and male grooming in a few chosen markets in Asia and Africa



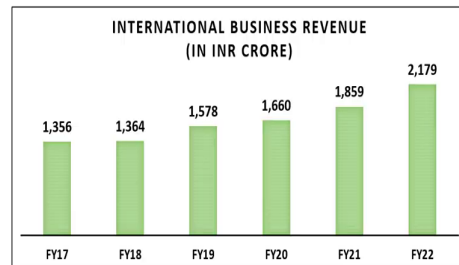
The company also exports its products to markets in the Indian sub-continent such as Nepal, Bhutan and Sri Lanka as well as Indian diaspora markets across the globe



The geographical presence was in terms of South Africa, Middle East and North Africa, India, Bangladesh and South East Asia, it also exports to the Indian subcontinent countries such as Nepal, Bhutan and Sri Lanka.

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Marico International



Share of Group Revenues
23%

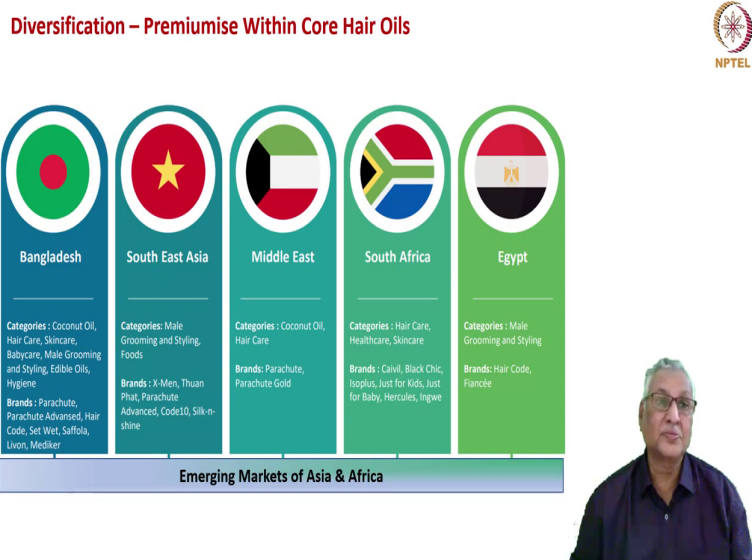
Operates in geographic hubs leading to supply chain and media synergies

Medium Term Expectations
Organic Constant Currency Growth : Double Digit
Maintain operating margins at 20%+



Marico international business is depicted here; from 1356 crores it has gone up to 2179 crores in FY 22. The medium-term expectations are in terms of organic constant currency growth double digit and operating margins at healthy 20 percent.

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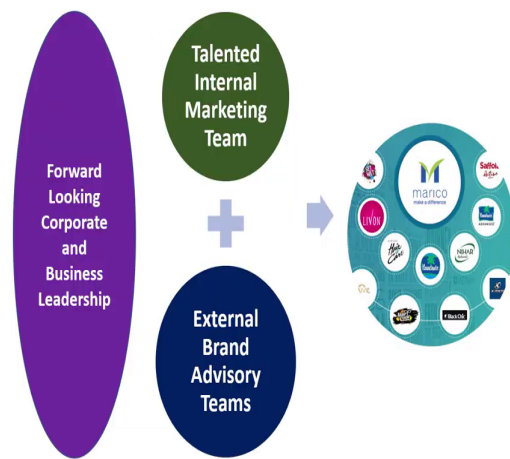


The diversification even in the international market was with premiumisation while the core hair oils took the thrust equation, but each of the core hair oil was premiumised. In Bangladesh certain categories were offered, in South East Asia certain other categories were offered.

So, coconut oil was common across many countries, but hair care also started assuming big importance in certain countries similarly healthcare became important in certain other countries. So, for each cluster of countries or for each region the company came up with appropriate category planning as well as brand planning.

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Behind the Brand Power



So, what was behind the brand power? You would have seen from whatever I have discussed so far that the growth of Marico has been the growth of its brands and the growth of its brands has been the growth of its products, at the core has been it is forward looking corporate and business leadership talented internal marketing team combined with external brand advisory teams and that led Marico to develop its brands in a highly skilful and highly dominant fashion.

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Market Leadership: Key to Category Choice



Brands	Category	Indicative Market Share (%) #	Rank
Parachute/Nihar Naturals/Oil of Malabar	Coconut Oil (India)	~ 61%	1
Parachute	Coconut Oil (Bangladesh)	~ 82%	1
Saffola	Super Premium Refined Edible Oils (India)	~ 76%	1
Saffola	Oats (India)	~ 32%*	2
Parachute Advanced/Nihar Naturals/ Hair & Care	Hair Oils (India)	~ 35%	1
Parachute Advanced/ Nihar Naturals	Hair Oils (Bangladesh)	~ 20%	1
X-Men	Male Shampoo (Vietnam)	~ 37%	1
Set Wet / Parachute Advanced	Hair Gels, Waxes & Creams (India)	~ 59%*	1
Livon / Hair & Care Silk & Shine	Leave In Hair Conditioning (India)	~ 65%	1
X-Men	Male Deodorants (Vietnam)	~ 31%*	2
Revive	Fabric Starch (India)	~ 64%*	1
Mediker	Anti-Lice Hair Oil (India)	~ 57%*	1

Over 90% of Marico's turnover comes from market leader brands (No.1 or 2 position in respective categories)

Sep '19/Dec '19 rolling 12 month volume market share data sourced from AC Nielsen
* Value Market Share



So, if you see this chart market leadership is reflected in each of the categories that the company has brands such as Parachute, Nihar naturals, oil of Malabar were in the coconut oil category they have a market share of 61 percent ranked number 1. Parachute is the number 1 brand with 82 percent market share in Bangladesh.

Saffola the super-premium refined edible oils have 76 market share in their category again rank number 1. In oats Saffola oats are 32 percent market share, but are number 2. Parachute advanced, Nihar naturals hair and care became 35 percent market share products, but they have the number 1 market share.

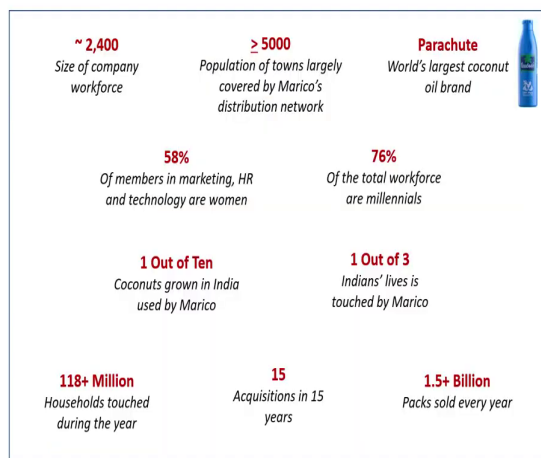
Same applies to various other products and the dominance in terms of both absolute market share as well as relative ranking implies that Marico had all its essentials that I described in

the previous slide that is forward looking, emboldened corporated business leadership, strong talent in internal marketing teams.

And choice of appropriate external brand advisory teams and advertising companies all of this resulted in the kind of market share position that the company enjoyed and continues to enjoy. And these were supported by the initial value system that was put in place that focused on uncompromising position on product value, strong manufacturing capabilities, total quality management and an organizational mind-set that emphasized customer connect.

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Interesting Facts



In today's situation the facts relating to Marico are really dominant 2400 is the size of company workforce, but that this company workforce is standing out nearly 10000 crore of revenue talks about strong physical and financial productivity. The company covers as many as 5000 towns and there is still headroom to cover.

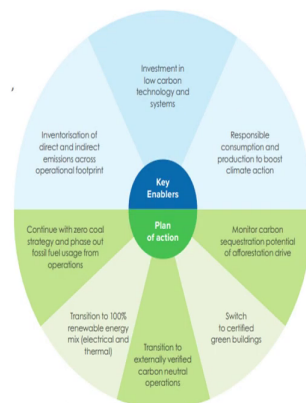
Parachute is the world's largest coconut oil brand and one out of every 10 coconuts grown in India is used by Marico. 58 percent of the members are in marketing HR and technology as women folk, 70 percent of the total workforce are billions, 1 out of 3 Indian lives is touched by Marico directly or indirectly through its products or services 118 plus million households are touched during the year.

The company made 15 acquisitions in 15 years, 1.5 plus billion packs are sold every year indicating the kind of productivity and production throughput that occurs in the various plants of Marico.

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2040 Net Zero Goal in Operation

Marico has taken up the target of achieving net-zero emissions across global operations by 2040



Source: Marico Annual Report FY2022



Harsh Mariwala,
Chairman, Marico



Saugata Gupta, Managing
Director & CEO, Marico

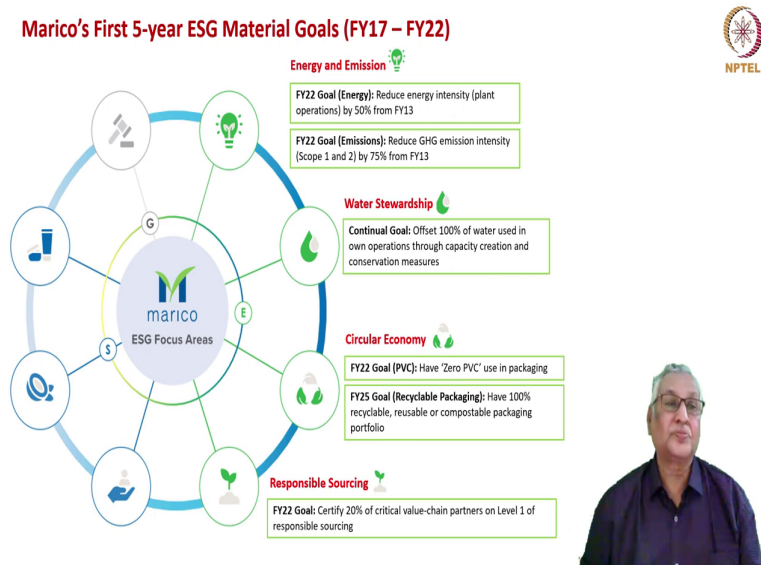


By 2040 the company wants to be net zero in terms of carbon usage and emission. Marico has taken up this target of net-zero emissions across global operations by 2040. Harsh Mariwala Chairman Marico and Saugata Gupta managing director and CEO Marico drive this initiative.

This basically compresses of three key enablers; inventorisation of direct and indirect emissions across operational footprint, investment in low carbon technology and systems, responsible consumption and production to boost climate action and the plan of action covers zero coal strategy phase out of fossil fuels.

Transition to 100 percent renewable energy electrical and thermal, transition to externally verified carbon neutral operations, switch to certified green buildings and monitoring of carbon sequestration potential of afforestation drive. So, with these three enablers and five plans of action Marico is confident of being net zero.

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The first 5-year ESG material goals were substantially achieved. FY 22 goal of energy reducing energy intensity at plant operations has been achieved. Reducing GHG emission intensity scope 1 and 2 was also achieved. Water stewardship continual goal that continues, circular economy 'Zero PVC' used in packaging has been achieved.

Recyclable packaging has already been achieved with 100 percent recyclable, reusable or compostable packaging portfolio. Currently 20 percent of critical value chain partners are on level 1 of responsible sourcing. The reason why Marico is going ahead with it is strong ESG focus is that this would be one principal differentiator in the marketplace.

As new climate control regulations step in, they would also provide strong entry barriers for the company in a field that may continue to be generic. So, apart from the various strategies

which are carried out and executed at the product and brand level to add more value in the products and to enhance the brand power.

The company is also raising the corporate brand power and the robustness of its operations in the global benchmarking of its ESG practices and that would be a great source of strength for the company as it tries to move towards even further growth in 2025 and also by 2030.

So, I hope through this case study I have been able to illustrate how business development excellent can be achieved, it can be achieved through leadership, it can be achieved through organization, it can be achieved through culture, it can be achieved through product development, manufacturing, integration, marketing capability and above all a unique organizational culture which is collaborative and entrepreneurial.

And the company has to be continuously adding products, adding businesses that would serve as future goals while retaining the current course defending their leadership position and enhancing wherever it is required. So, a comprehensive 360 degree strategy and execution covering all the functions is required for successful business development, this is illustrated by Marico and in this process definitely there would be adversities.

The adversities faced by Marico in terms of the family separation and also in terms of the six year marketing war launched by Hindustan Unilever are not simple adversities they were very dangerous adversities for the company's existence. However, as a leader Harsh Mariwala stood the ground and as an organization the entire team of employees stood their ground rallying around the leader to make Marico an even more strong company an even more innovative company.

That is the lesson which we get out of this case study and that is why I term this case study as success through the adversity, success in the face of adversity, success despite adversity. So, adversity should bring in the best of us as individuals, as organizations and as companies.

Thank you very much and I hope to see you in the next weeks lectures.

