

People...

ASK names Sameer Kamdar AMC chief

ASK Group, a company into equity research and portfolio management services, has announced the appointment of Sameer Kamdar as CEO of its proposed asset management company. Kamdar joins ASK from Mata Securities, where he was the country head for the mutual funds distribution business. Asit Koticha, chairman and promoter of the ASK group, will be the chairman of the AMC.

AMD India appoints Dasaradha Gude MD



AMD India has appointed Dasaradha Gude managing director. Gude will be responsible for AMD India's research and development and its overall operations. His

responsibilities will include development and management of AMD's consumer portfolio, commercial platforms and processors. Gude brings with him more than 25 years of experience in the very large scale integration (VLSI) domain.

Rajiv Nayyar joins Mauj Mobile



People Group's wireless arm Mauj Mobile has appointed Rajiv Nayyar senior vice-president, carrier sales and marketing. Nayyar joins Mauj Mobile from ACME Tele

Power, where he was the vice-president of international business. He has over 16 years of experience in the telecommunications industry.

Avantha appoints Ash Gupta president

Avantha Group has named Ash Gupta president — group strategy and business planning. Gupta joins from Honeywell India where he was the president and CEO. Gupta will devise corporate strategies and oversee the group's corporate initiatives.

Neeraj Kapoor is i-mint CMO



i-mint, a customer rewards programme founded by Loyalty Solutions and Research Ltd, has announced the appointment of Neeraj Kapoor as its chief market-

ing officer (CMO). Kapoor will report to the company's chief executive officer Vijay Bobba.

Brand buzz...

Olympics closing gets record viewership

The closing ceremony of the Beijing Olympics, which was aired on DD1 and DD sports, was watched by record 30 million viewers. According to Audience Measurement and Analytics (AMap) data, the viewership was way ahead of other big sports events in recent times. The IPL finals were viewed by about 24 million viewers and the T-20 World Cup finals had a viewership of 26 million. The event had a GRP of 5.1.

Emke to invest Rs 1,200 crore

The UAE-based Emke Group is planning to invest Rs 1,200 crore to set up a shopping mall in Kochi. The Lulu International Shopping Mall is expected to be operational by 2010. Yusufali, managing director, MA Emke group, said the mall would be spread over 17 acres.

'Overseas biz will contribute 20% to Marico's sales'



In the last 35 months, fast moving consumer goods (FMCG) major Marico Industries has notched up seven acquisitions.

Its fledgling international consumer products business now accounts for 16% of the group's turnover, or Rs 300 crore. International revenues are growing at 59%, thanks to recent acquisitions in Egypt and South Africa. Marico plans to use the beachheads in Egypt and South Africa to tap the neighbouring countries in Africa and West Asia.

Vijay Subramaniam, chief executive officer (international business), Marico Industries, talked about the group's international foray and other plans in a conversation with DNA Money's Satish John. Excerpts:

Marico recently acquired companies in Egypt and South Africa. How has your overseas business evolved over the years?

Internally, we call ourselves the international business group. It was conceived in the mid-90s, mainly as an export outfit. In our brand portfolio, we have Parachute and Saffola. These brands have a lot of equity in other countries that have Indians. We found that a lot of our products were being made available through the grey channel. The group was set up to counter this.

Over time, we have made three or four significant shifts in our strategy.

We have moved from a largely India-centric approach to products targeted at Indians in foreign countries.

Secondly, we moved from an export mindset to a local mindset and from a methodology that involved only organic growth to one with both organic and inorganic growth. Lastly, we have gone from being a company known for its oil-based products to one with many more products such as gels, creams lotions, cream gels and others. That's how we are moving across the curve.

That gives us an idea of how Marico has changed over time. Where is it placed now?

Today, we have four or five hubs that cater to 20-odd countries. Our Bangladesh operations are run 90% by people from that region. We have operations in the Gulf, which is headquartered in Dubai. Then we have presence in Egypt and South Africa, where we entered recently. In the US too, we have a small skincare business called Sundari. Plus, we do exports from India.

In the last couple of years, we have grown at 60% plus.

Today, we contribute 16% to the group's revenues. And we would like to see this contribution go up to 20%.

By when do you see overseas revenues contributing 20% to Marico's turnover?

I wouldn't want to put a deadline to it. Maybe in a couple of years.

Has growth come mainly from acquisitions?

From both, organic and inorganic routes. If you look at our business portfolio today, roughly 60% comes from organic growth and 40% from inorganic growth through our recent brand acquisitions.

But when you rely on inorganic growth, you also have to ensure your home-grown brands continue to grow. If you look at our topline growth, our organic growth is 20% plus, which is in line with our CAGR in the last 3 or 4 years. We will be growing at 20% plus and our overall growth will be 16%.

Where is this growth coming from?

Growth is coming both from existing geographies - Bangladesh and the Gulf - and newer markets such as South Africa and Egypt. We are growing much faster because we have a much smaller base.

Egypt has a free trade agreement with the Middle East and North African countries. Will Egypt become a manufacturing hub to tap countries in those regions?

We were already in the Gulf before we entered Egypt. We are looking at this region very closely. The Middle East and North African regions are good markets with a lot of potential. In GCC countries, we are the market leaders with Parachute cream in the UAE, ahead of international brands such as Bristlecream.

In Egypt, with the brands we have acquired, we are number one and two. Put together, we have 60% market share. Our plan is to extend some of these brands to neighbouring geographies. We're also looking at launching some of our home-grown brands there.

When will this expansion into neighbouring countries happen?

Our first priority is stabilising our op-

erations before we introduce other brands. So, a couple of years will go into that.

How is integration different in, say Bangladesh or Egypt?

It is quite different. In an overseas acquisition, the challenges tend to be more than a local one because of sheer newness in terms of the market, terrain and culture. To that extent, there is a lot of integration that needs to be done to absorb the acquisition. At times, the teams involved in the negotiations agree to get the two sides aligned so that the business momentum is not lost.

We have followed different types of integration models. For the acquisition in Egypt, we acquired a company that was owned and controlled by the father and run by the son. But in South Africa, we retained the same management.

Typically when we acquire a company, we try to imbibe their culture. In Egypt, when we built a new office, we built a prayer room. Chairs in our office in Egypt are placed sideways instead of facing the host, keeping in the mind the country's culture. There, eye-to-eye contact is considered rude. During Ramadan, we change the office timings to accommodate fasting and prayers. We hold Marico *iftaar*. So, we make course corrections wherever required.

Some companies are facing trouble with acquisitions. Have you been lucky so far?

So far, so good. It is a bit like my son's toy car. When it hits a hurdle or a wall, the car reverses and moves on. When we acquired the Egyptian brands, their combined market share was 58%. Now, it is 61%. We are clocking double-digit growth and we are tracking well.

Are consumers in Bangladesh, Egypt and South Africa very different from the average Indian customer?

The consumers there are like con-

sumer anywhere else. There is greater stress on value for money. If you look at, say the UAE, organised retail controls 55% of the FMCG market. There, you are dealing with bigger chains such as Carrefour. In South Africa, the organised retail control 40-45% of the market. South African consumers prefer larger packs. But in Bangladesh, like in India, consumers gravitate towards smaller packs. In Egypt, where modern trade is evolving, the FMCG business mirrors the Indian market as it is driven by wholesalers.

Any learnings from your overseas exposure?

When we entered the Gulf region, we actually went with our traditional oil format. Then we realised it is not a large enough playing field and if we need a large playing field, we need to introduce cream-based products for haircare etc. We now have market leadership in creams in the UAE. We actually introduced the cream pack in India, fairly quickly. One of the formats we acquired in Egypt is in a unique category called gel cream. We are experimenting with it and prototyping the product in India. There could be some lessons in handling modern trade from the experience gained in South Africa.

Will the overseas strategy revolve around acquisitions?

In Bangladesh, we started out in the organic mode. Parachute is among the top 20 trusted brands there and is the market leader with a dominant share. We acquired regional brands only later. The operation per se is organic.

In the UAE, we built from scratch. Then we acquired brands in Egypt and South Africa. We are looking at certain geographies for growth, a couple being the MENA region and the African belt. This would explain our acquisitions in Egypt and South Africa. If you look at the population, South Africa has 45-50 million people and Egypt 70 million. The sizes are much smaller than India. We will try for leadership in these markets and will look at growing in Morocco and Libya through Egypt.

How soon do you plan to enter Libya and Morocco?

We are trying to make Egypt the manufacturing hub. Through our acquisitions there, we have bought two manufacturing plants. We are in the process of setting up a third manufacturing plant for Rs 10-12 crore and it will be commissioned by year-end. We will market our current brands as well as new brands in MENA regions from there.

But Marico is still seen as an edible oil manufacturer and a conservative company when it comes to growth?

Marico was identified by Standard & Poor's as one of the global challengers last year. Our approach is focussed on depth. We typically enter a geography, invest in a brand and make it strong. We try and build a clutch of markets from scratch. Our business is not very exports-led. We are catering to a niche market. We look at the best way to cater to that market and invest in those brands accordingly. The brands wouldn't have grown without sustained investments.

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Britannia biscuits could cost more

Rising costs of raw materials have increasingly put the company's margins under pressure

Vivek Seal, New Delhi

Biscuit maker Britannia Industries Ltd is likely to raise product prices in a bid to boost margins, which have been under pressure due to soaring inflation.

Neeraj Chandra, vice-president, sales and marketing, Britannia, said the company will try to rein in prices as much as possible. "But, beyond that, we need to up prices. With inflation soaring, we are not ruling out price increases."

Chandra, however, did not specify the quantum of hike being considered.

Britannia, which makes bakery items and dairy products beside biscuits such as Good Day, Tiger and Nutrichoice, has seen costs of inputs such as wheat,

sugar and oil going up by 20-25%.

"It is very difficult to predict prices of commodities. The situation has been inflationary over the last 18 months... in the coming months, signs of flattening up are not fully there," Chandra said.

An analyst who tracks Britannia said the company now has no other option but to raise prices to tackle inflationary pressures.

In the past, the company has jacked up prices by 8-12% whenever it needed to pass on the burden of rising input costs to consumers.

Analysts Anand Rathi and Shirish Pardeshi in a note said, "Excise duty reduction, weight reduction, price hikes and change in product mix have helped



Cookies count

Analysts say Britannia may announce price hikes in FY09

In the past, the company has jacked up prices by 8%-12% whenever it needed to pass on the burden of rising input costs to consumers

In the previous quarter prices of key raw materials such as wheat, sugar milk and vegetable oil also shot up in the range of 10% and 30%

shot up by 10% and 30%.

"We are seeing pressures on margins, we have to stay away from inflationary pressures... it's not that our margins have dipped, but it's a lot of hard work to fight inflation. Going forward, we will try to improve margins by way of price hikes and better execution," Chandra said.

Britannia joins the league of other fast moving consumer goods firms such as Nestle India who resorted to price hikes to pass on input cost burdens to consumers.

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Aims to build skill sets for improving returns from its media buying business

Percept Retail guns for unorganised mobile, pharma players

Madhumita Mookerji, Kolkata

Percept Retail, part of the integrated media company's out-of-home (OOH) business, aims to streamline its retail marketing communications business in the unorganised sector.

This is part of its efforts to focus on building appropriate skill sets for improving the returns on objectives from its media buying business.

The division has rolled out a pilot retail store, The Best of Deals & Offers, that has brought several standalone telecom handset and accessories brands under one roof. The retail chain will be rolled out across the country in 3-4 months.

Percept Retail will offer these brands the benefits of combined advertising and steeper discounts on inventories.

Prashant Gunthay, head of retail business and strategic initiatives, Percept

Out Of Home, told DNA Money, "These stores will also give discounts over and above what the companies offer."

In yet another move, the company is targeting unorganised pharmacy outlets for setting up kiosks for wellness products.

In a study, Percept Retail found that shoppers were willing to spend a bit more on premium healthcare products and that a conducive environment did matter when it came to shopping for wellness products.

It also learnt that unlike beverages, customers were also willing to spend more time in shopping for wellness products.

Thus, Percept Retail decided to rope in standalone pharmacies for creating kiosks or category organisers (rack) for displaying wellness products with the unique selling proposition of 'Shop healthy, live healthy.'

Changing tack

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In another initiative, Percept Retail will rope in standalone pharmacies for creating kiosks or category organisers (rack) for displaying wellness products with the unique selling proposition — 'Shop healthy, live healthy'

"We did some general health-related communication inside the stores as well as outside using signages, etc."

Gunthay said.

Percept Retail now plans to take this initiative to 7,500 stores across India

within a year.

The revenue would be shared between Percept Retail, which will be the principal asset deployer, and store owners.

An analyst tracking the sector said: "There is a huge clutter. So, there's an utter need for effective retail marketing in the unorganised sector, especially since these outlets are facing competition from large-format stores."

There are said to be 13.5 million standalone food and grocery stores (*kiranas*) in the country.

The retail marketing services business is pegged at Rs 450 crore and the OOH industry is said to be worth Rs 1,200 crore.

Percept Retail, which was started around 18 months back, is aiming to contribute about 35% to Percept's out-of-home media business in two years.

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Mallya may move Deccan hub to Mumbai

Praveena Sharma, Bangalore

Vijay Mallya-owned Kingfisher Airlines, which renamed Air Deccan to Simplify Deccan, is now moving the entire operations of the budget carrier from Bangalore to Mumbai.

Sources said this move is part of Mallya's efforts to integrate the premium carrier with the low-cost Deccan Aviation Ltd. His aim is to overhaul the Air Deccan brand to bring it on par with Kingfisher's standards.

"Deccan's marketing operations have been already moved to Mumbai. Gradually, we may see other divisions moving to Mumbai," the source said.

He added that though Mallya plans to slowly obliterate the Deccan brand, the billionaire would, however, retain the original business model of providing value flying options to its customers. "Mallya is essentially trying to tackle the problems of Simplify Deccan, which is mostly associated with its image," he said.

In 2007, when Mallya acquired the loss-ridden budget airline, he delved deeper into the reasons for its unpopularity. He found that Deccan's image had taken a beating due to the service vendors who were in charge of the security, check-in and ground handling services for the airline. Unlike in the past, when Air Deccan had outsourced all these services, Kingfisher Airline's now has its in-house teams providing these services.

These exercises are not only to change Deccan's image, but Mallya also wants to derive greater synergies between the two airlines.

Sources said the re-branding process will be completed within three months.

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Vijay Mallya