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# PARLE-G

R Chandrasekhar wrote this case under the supervision of Professor Miranda Goode solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In December 2009, Pravin Kulkarnii, general manager, Parle Products Pvt. Ltd. (Parle), a leading Indian biscuit manufacturer, faced a difficult decision involving the potential price increase of the company's flagship glucose biscuit brand, Parle-G. The input prices of two major raw materials, sugar and wheat flour, which comprised 55 per cent of manufacturing costs, had risen during the past 18 months. Consequently, the margins of Parle-G had decreased from 15 per cent of revenue to less than 10 per cent. The pressure to reinstate margins to 15 per cent led Kulkarnii to consider raising the price of Parle-G biscuits.

Since Parle-G's introduction in 1939, the biscuit brand had been strongly associated with offering value for money[1] (VFM), a marketplace perception that had remained unfaltering for more than 60 years. In fact, the VFM perception was associated not only with Parle-G biscuits but had come to define the entire glucose biscuit category. Parle-G was sold to consumers in 46 stock keeping units (SKUs) at 12 price points (see Exhibit 1). The average price of Parle-G was approximately US$1 per kilogram. For example, a packet of 15 biscuits weighing 82.5 grams (g) sold for a maximum retail price (MRP) of INR4.00 (US$0.08).[2] Worldwide, very few processed and ready-to-eat food items were available for US$1.00 per kilogram. Even the manufacturers of new glucose biscuit products were forced to tow this price line to be minimally competitive in the product category.

Parle had the distinction of having maintained the US$1.00 per kilogram price point for Parle-G since 1990.[3] In fact, VFM was the consumer perception that had led Parle-G to become the largest selling biscuit brand by volume in the world in 2002,[4] as validated by a study by global market research firm A C Nielsen. That top ranking had since been retained by the brand.

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[1] *Value for money referred to the consumer paying a minimum price for a product while gaining maximum utility. The term was frequently used in marketing consumer packaged goods, always with reference to the buyer and not the seller.*
[2] *On December 15, 2009, one U.S. dollar equaled 48.6 Indian rupees.*
[3] *Ranju Sarkar, "Price Warrior," Business Standard, May 4, 2009; available at http://www.business-standard.com/india/news/price-warrior/356973/, accessed October 4, 2010.*
[4] *Shweta Jain and Reeba Zachariah, "Parle G Largest Selling Biscuit Brand in World," Business Standard, March 14, 2002; available at http://www.rediff.com/money/2002/mar/14parle.htm, accessed December 21, 2009.*

In January 2004, in its first attempt in 13 years to offset rising costs, Parle had hiked the price of its 100-g packet of 16 biscuits, from INR4.00 to INR 4.50. The 100-g packet was Parle's best-selling SKU, contributing to 50 per cent of brand revenues every year. The idea was to test the waters with the leading SKU before increasing the prices of other SKUs. The company had to roll back the increase quickly, however, because sales of the 100-g packet dropped by more than 40 per cent within six months. The negative consumer reaction was spontaneous and nationwide, forcing Parle to reinstate the previous pricing of its Parle-G biscuits.

Four years later, management took remedial measures to deal once again with rising costs. This time, Parle focused specifically on reducing the weight, or grammage, of the 100-g package. This reduction was done in phases — first, from 100 g to 92.5 g in January 2008, then to 88 g in May 2008 and to 82.5 g in January 2009. The number of biscuits was also decreased from 16 to 15. Consumers noticed these changes; however, as long as the company did not tinker with the price, consumers seemed to go along with the grammage reduction.

Said Kulkarnii:

> Biscuit is a regular consumption item in the overall food basket which comprises 49 per cent of the budget of an Indian family. There is a general tendency among consumers everywhere to look for bargains while shopping for food categories. That explains the price elasticity of demand in India for biscuits in general.
>
> Price elasticity is particularly prevalent in the glucose category of biscuits. It prevails among all classes of both urban and rural consumers. Unlike the "indulgent" variety of biscuits consumed only occasionally, the "functional" variety of glucose biscuits is a staple diet among Indian urban consumers. Some classes of urban consumers use it as a supplement during both breakfast time and tea time. Some use it as a daily source of nutrition and calories. For all classes of rural consumers, glucose biscuits are a major source of energy and nourishment. Indian consumers don't mind the prices of premium biscuits going up. But, with glucose category, they are price sensitive. That is why I have to proceed with caution.[5]

In addition to reducing the grammage across SKUs, the company had undertaken cost-control measures to safeguard margins. For example, Parle had brought manufacturing centers closer to the wholesalers by franchising production so as to reduce distribution costs. The company had also consolidated buying and entered into forward contracts with vendors of raw materials to reduce supply chain costs. Additionally, wax-coated paper had been replaced by bi-axially oriented polypropylene (BOPP) paper to reduce packaging costs.

The company could go only so far by using such measures. A price hike seemed like a necessity to restore margin levels, particularly because the company had ramped up its own manufacturing capacity by 10 per cent on an investment of INR500 million in 2008.[6] A hike in price had the potential to increase the margin of Parle-G by 50 per cent and to perhaps restore it to the earlier level of 15 per cent. But, if the experience of 2004 was any indication, consumers would be extremely sensitive to a price hike. Kulkarnii was caught in a dilemma.

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*[5] Based on a personal interview on June 04, 2010*
*[6] Nishith Triveti, "Parle to Ramp Up Biscuit Manufacturing Capacity," Business Standard, August 13, 2008; available at http://www.business-standard.com/india/news/ /331229/, accessed February 22, 2010.*

## INDIAN BISCUIT INDUSTRY

India was the third largest producer of biscuits in the world, after the United States and China. Although 15 per cent of Indian biscuit production was exported, domestic demand for biscuits fueled industry growth.

Biscuit manufacturing was divided into two sectors — organized and unorganized. The former consisted of 60 per cent of the national market. The unorganized sector, comprising mom-and-pop establishments and catering to markets of the rural interior, did not have easy access to bank credit, technology and information systems. This sector was also largely outside the national statistical data pool. Growth in the Indian biscuit industry was largely organic because of the limited scope for consolidation in the organized sector.

Low-priced varieties ruled in the rural markets where players in the unorganized sector had put up entry barriers for branded biscuits. In comparison with most branded counterparts, several times a day, competitors in the rural market provided local stores with freshly baked biscuits that carried the aroma of newness, in an unbroken and powder-free form. These rural competitors and local retailers had developed long-standing relationships that branded players could not easily change.

In the organized sector, the five main categories of biscuits were glucose, marie, sweet, cream and milk. Glucose was a high-volume, low-margin biscuit category that represented 42 per cent of the biscuit market and was accompanied by strong consumer expectations of low price points. Sweet, cream and milk were "indulgent" categories that carried premium prices. Marie was an in-between category, used largely at tea time. Parle-G was part of the glucose category.

The growth strategy of all biscuit majors was to secure the migration from the entry-level glucose category to the indulgent categories. The latter were available at price points beginning at INR5.

The organized sector produced 1.7 million tons of biscuits per annum, valued at INR110 billion in 2008. The sector was growing at an average annual rate of 15 per cent.[7] The rate of growth of individual categories varied. Low-priced categories traditionally grew at a higher rate than premium categories. Of late, however, the premium categories, which historically had grown in the range of 8 to 10 per cent each year, were not only catching up to the rate of growth of the low-priced categories but were moving into a range just above the 20 per cent range. This upward growth was consistent with some positive factors in Indian economy.

A study by McKinsey Global Institute, released in May 2007, showed that the income levels of households in India were rising, as were the consumption levels of many goods and service categories. Focusing on nine major consumption categories (including food products) and 30 subcategories, the study concluded that the percentage of spending on discretionary items would grow dramatically, whereas the spending on basic necessities would grow more slowly.[8]

The study classified Indian consumers into five categories on the basis of individual annual incomes: globals (those earning above INR1 million per annum, nearing average international standards), strivers (those earning between INR500,000 and INR1 million per annum), seekers (those earning between INR200,000 and INR500,000 per annum), aspirers (those earning between INR90,000 and INR200,000

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[7] *Indian Biscuits' Manufacturers Association, "Biscuit Industry in India – Status Paper"; available at http://www.ibmabiscuits.in/industry-statistics.html, accessed September 17, 2010.*
[8] *www.mckinsey.com/mgi/publications/india "The Bird of Gold: The Rise of India's Consumer market," published by McKinsey Global Institute, McKinsey and Company ,May 2007 page 16 of 194 accessed September 2, 2010.*

per annum) and deprived (those earning less than INR90,000 per annum). The seekers and the aspirers together formed the middle class and were the backbone of consumption for a variety of products and services in India.

The study showed that the number of consumers in the deprived category would decline, while the aggregate income levels of the Indian middle class would increase, together leading to a four-fold hike in aggregate consumption (see Exhibit 2).

## COMPANY BACKGROUND

In 1929, Parle had started its operations as a manufacturer of candies in suburban Mumbai in western India. A decade later, it diversified into making biscuits. The company deployed state-of-the-art machinery that provided automatic printing and packaging, and its biscuit baking oven was the largest in Asia. Parle had 10 manufacturing sites of its own, in addition to 60 contract manufacturing facilities, located across India. In terms of managerial focus, the biscuit market was gaining ground at Parle, in part because it was a larger market than confectionery.[9]

The company had 40 per cent share of the total biscuit market in India and 15 per cent share of the total confectionary market in India. Many of Parle's products were perceived as offering good value for money and were market leaders in their respective categories. Parle recorded a compound annual growth rate of 15 per cent. It had a research and development (R&D) wing focused on new product development. Its role was to use the customer insights, received from the field sales force, in developing new brand extensions and also new product categories, in both candies and biscuits.

Parle produced approximately 650,000 tons of biscuits per annum, of which Parle-G, the flagship brand, comprised 500,000 tons. The company recorded sales revenue of INR35 billion in 2008/09, of which Parle-G's contribution alone was 68 per cent. Even within the Parle-G brand, the single largest contribution came from the INR4.00 SKU, which was contributing to 50 per cent of the brand's annual sales revenue.

The biscuit portfolio included not only Parle-G in the glucose category but also Marie in the tea time category and Hide n Seek, Monaco, Krack Jack, Cheeslings, Jeffs, Sixer and Fun Centre in the premium category. The margin of premium brands typically ranged between 25 and 30 per cent. Parle-G, Monaco and Krack Jack were considered to be the core brands because of their individual contribution to the top line. Although Parle clearly had a broad biscuit portfolio with product offerings in each of the major biscuit categories, there was room to grow Parle's presence in the premium category, which registered a growth rate of approximately 20 per cent per annum.

Exports formed five per cent of Parle's revenues. The company had adopted a "follow the customer" strategy of targeting the Indian diaspora,[10] whereby the potential customers were already aware of the Parle-G brand in their home country. Parle had three contract manufacturing facilities outside India — one in Bangladesh and two in South Africa. All the facilities catered to local demand; however, the bulk of exports were manufactured in India.

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[9] *Parle, "Smart Cookie," press release, November 2004; available at http://www.parleproducts.com/media/media_press7.asp, accessed February 22, 2010.*
[10] *Disapora refers to persons of Indian origin working and living outside India. An estimated 20 million Indians comprised the diaspora. The single largest majority of 3.5 million diaspora lived in the countries of the Middle East.*

Said Kulkarnii:

> It is the domestic demand which drives Parle-G. The opportunities for moving the tonnage are greater in the home market than in any of the overseas markets. Exports are less of a priority for us, relatively speaking, because we believe that our resources are better spent on meeting local demand. Home market is also a market we know best.[11]

Parle prized — and was keen on retaining — Parle G's ranking as the largest selling biscuit brand in the world, by tonnage. Closely linked to this ranking were two other rankings that were also valuable to Parle: the company's share of the domestic biscuits market at 40 per cent and Parle-G's share of the domestic glucose category at 74 per cent. The latter rankings were based on sales revenue.

## CONSUMERS

The most widely used consumer classification system in India was known as socio-economic classification (SEC), which was developed by the Market Research Society of India in the early 1980s. SEC was uniquely suited to the Indian market. The basis of classification was not the individual consumer but the consumer's household. In 2005/06, India had 207.1 million households[12] (see Exhibit 3), of which Parle-G had penetrated 96.8 million households (see Exhibit 4). Its penetration rate of the glucose category of the Indian biscuits industry was 84 per cent.

The company segmented its customers for Parle-G into two types: retail consumers and institutional consumers. Children and mothers comprised the first segment. Children formed 60 per cent of the target audience for the company. The 5- to 14-year-old age group was considered to represent both users and influencers. This group, which formed approximately 20 per cent of the population (see Exhibit 5), had the potential to generate lifelong revenues for the brand. The brand association started early because biscuits were among the first ready-to-eat foods offered to children.

The second segment, the institutional consumers, included hospitals, factories, railway stations, schools, government offices and corporate offices, which usually received a discount of 3 to 4 per cent on bulk purchases. The institutional segment contributed to approximately 10 per cent of Parle's sales revenue. Several Indian companies, even in the organized sector, focused exclusively on the institutional segment. Some of these companies regularly bid for official tenders to set up kiosks at railway stations across the country to sell a range of processed agro-products, including biscuits.

## COMPETITORS

It was not until 1996, when Britannia Industries Ltd. (BIL), a British multinational, launched its Tiger Glucose brand of biscuits, that Parle faced nationwide competition in the domestic market in the glucose category. In 2003, a new competitor, ITC Ltd. (ITC), an Indian conglomerate with interests in hotels, agri-businesses, paper products and retailing, launched Sunfeast Glucose. Both new entrants were backed by high-powered budgets. Parle-G continued, however, to rule the mass market (see Exhibit 6).

Hindustan Unilever, a multinational consumer packaged goods (CPG) company, had also entered the glucose category in 2003. Its foray was an extension of its faltering breads business. The company was

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*[11] Based on a personal interview on June 04, 2010.*
*[12] These data are from the last decennial national census held in 2001.*

subcontracting manufacturing of its products at two locations. It exited the biscuits business two years later due, among other reasons, to a mismatch between costs and margins. Parle also faced a few regional players, whose impact was minimal at the national level.

Similar to Parle-G, both Tiger Glucose and Sunfeast Glucose were being retailed at several SKUs, and both had price points that averaged US$1 per kilogram. Rising costs had affected the two new brands more sharply because they were relatively new entrants. Their experience with SEC penetration was similar to Parle-G. Both had extensive retail network, built over years of operations in Indian CPG business. Both had built up brand equity with children in a short time, led by strong advertising campaigns (see Exhibit 7).

Overseas majors, such as Nabisco in the United States, United Biscuits in the United Kingdom and Campbell Arnott's of Australia, were eyeing the Indian biscuits market, attracted by the potential of the larger Indian foods market. Their focus was likely to be on the premium category of biscuits for three reasons: it was set to grow in future years, it was amenable to brand building and it ensured higher margins.

## PRICING

Launched in 1939, Parle-G was targeted, from the beginning, at the Indian mass market. Parle had generally refrained from increasing the price of Parle-G, even when it had no competition. In holding to the price line, Parle had brought a disciplining factor to the Indian market. The new entrants, BIL and ITC, were under compulsion to keep prices low. When Parle opted for reducing the weight of the biscuit, BIL and ITC followed the leader.

Parle-G was priced at US$1.00 a kilogram. For decades, the company had used a low price to build the glucose category in India. Parle's dominance in the category was so strong that competitors such as BIL (which entered the glucose category in 1996) and ITC (which entered in 2003) did not adopt higher pricing. They simply stayed the course of the market leader.

Decisions related to the margins for trade channels were decentralized at the local level, whereas decisions related to the end prices that the consumer paid were centralized at the corporate office in Mumbai.

## POSITIONING

Traditionally, Indian consumers had viewed all biscuits, including glucose biscuits, more as a commodity than as a brand. Prior to 1980, Parle glucose biscuits had been called Parle Gluco. The name was changed to Parle-G so that consumers could differentiate it from the prevailing competition, which at the time was restricted to the unorganized sector. A series of innovative campaigns, in print and TV, were also developed to drive home the health benefit of the brand. However, the prevailing consumer perception was that Parle-G, and the glucose biscuit category in general, offered "value for money." This perception was reinforced by the price points of Parle-G's SKUs.

Strength was a generic attribute to the glucose category. Physical fitness carried an appeal for the young. Boys, in particular, were drawn to evidence of muscular strength. All glucose brands used the attribute of strength in some form in their communications. Parle added a new emotional layer to the core attribute to arrive at a positioning that was unoccupied, competitive, sustainable and contemporary. The new campaign incorporated values such as honesty, sharing and caring to bring home the product's "goodness." Riding on the equity of goodness, the brand was established as enabling people to be true to who they were and to be able to go on achieve their innate goals and aspirations.

The company started focusing on kids during the late 1990s, with a campaign that identified the brand with the mind of a "genius." The next campaign tapped into a key marketing insight — that mothers wanted their sons and daughters to be an "all-rounders" rather than brilliant in studies alone. The tag line — "Smart kids grow up on a daily diet of Parle-G" — worked for the brand.

In this context, Parle-G acquired the image of an affordable and wholesome meal. Parle-G was positioned on a combination of energy and taste — as a food item that could be used as a "charger" when low on energy and a "tasty" accompaniment for a cup of tea or coffee. Although priced at the low end, the brand was straddling all SEC classifications. Parle-G was a leveler of social and economic strata in a vast country such as India.

A single pack of Parle-G offered 450 calories, which was the value proposition Parle used effectively when promoting to the government, the benefits of using Parle-G as a meal substitute in primary schools. The federal government had mandated that every child attending school would receive a mid-day meal containing 300 calories and 8 to 12 g of protein per day for a minimum of 200 days a year. Parle-G had replaced cooked meals. It was positioned as "fortified nourishment" that nurtured an overall development of mind and body and enabled both mental and physical agility among children (see Exhibit 8).

## PACKAGING

Small packages were the norm in India for attracting what was widely known as the bottom of pyramid (BOP) market. Several multinationals operating in India were customizing their unit packages to unlock local demand. Coca-Cola, for example, began selling 200-milliliter bottles of Coke in India in 2003. Also, 80 per cent of shampoo sales in India, from companies such as Hindustan Lever, derived from 8-ml and 16-ml sachets, costing INR0.50 and INR1.00 respectively.

Small packages helped attract non-users, one-time users and new users. They were convenient and affordable for customers and translated into volumes for large companies. Single-serve packages were particularly useful in creating demand for low-penetration categories such as health food. The smallest SKU of Parle-G was a 16.5-g package containing four biscuits and priced at INR1 (US$0.023 cents).

Small packages synergized with the Indian habit of top-up shopping, as opposed to the North American habit of buying large quantities in a single visit to the store.[13]

## ADVERTISING AND PROMOTION

Every year since 2004, Parle had spent between INR600 million and INR700 million on advertising and sales promotion. The ad spend was approximately two per cent of annual revenues. Of late, the company had begun to rely on celebrity endorsements, a promotions tactic popular with some of Parle-G's competitors. Parle was airing commercials in which Aamir Khan, a popular Indian film actor, became entangled in humorous situations, which supported the tagline "G for genius."

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[13] *Atul Tandon, "Small Is Big"; available at 220.225.146.34/Open/MICA/Faculty/PAT/Small_Big/Small.ppt, accessed February 21, 2010.*

In its advertising, ITC Ltd. was using, among others, Sachin Tendulkar, an Indian cricketer, to endorse its Sunfeast Glucose brand. Focusing on the attributes of health and wellness, which were becoming popular among Indian consumers, ITC had launched a sub-brand it called Sunfeast Sachin's FitKit in March 2007. Based on the cricketer's own dietary regimen, FitKit came in two varieties — Sunfeast Sachin's Vitamin & Protein Enriched (VPE) biscuits and Sunfeast Sachin's Multigrain (MG) biscuits.

BIL was targeting its Tiger brand of glucose biscuits almost exclusively at children. Focusing on the attributes of intelligence and physical fitness, which appealed to school-aged children, the advertisements also played on the brand name that symbolized strength.

## DISTRIBUTION

India had 15 million retail outlets spread across the country. Parle-G was sold in 2.5 million outlets. It was available in every village with a population of 500 people, on a par with pre-paid mobile cards. The company had 8,000 wholesalers who had their own sales force. The company's sales organization structure was based on geographies and included zonal sales managers, divisional sales managers, area managers, sales executives and sales officers. The logistics were handled by depots, which also served as clearing and forwarding agents.

## ISSUES IN DECEMBER 2009

Pricing was a larger issue that had spawned two other dilemmas for Kulkarnii.

First, Parle-G had, no doubt, remained relevant and contemporary as a brand over the years. However, consumer perception was rooted so strongly in Parle-G's low price that it was undermining other product attributes such as quality and taste.

Said a marketing manager of a rival firm:

> Companies build brand equity in order to deflect the focus of customers from price. Customers don't mind paying a premium when a brand delivers value on a dimension as perceived by them. They also don't mind loosening their wallets when prices are increased. They, in fact, expect periodic upward revisions.
>
> Parle-G has formidable equity in the Indian biscuits industry. But the paradox is that company cannot increase its price. The brand is caught in a warp of its own making. Its equity is built on VFM positioning. VFM is the only value dimension consumers seem to be plugged into with Parle-G. It is also the only value dimension they are plugged into with the glucose category which Parle-G leads. The situation is forcing peers, some with strong equity of their own, to hold the price line. It is compelling them to cope, like Parle-G, cope with lower margins.[14]

Parle needed a big idea to overcome the entrenched VFM perception, which could make a huge difference in Parle-G's handling the current pricing dilemma. The right big idea could help customers loosen up and revive Parle-G's marketing strategy. Kulkarnii wondered: "What would that big idea be?"

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[14] *Based on a personal interview July 03, 2010.*

Second, the dependence on a single brand and a single SKU within it a brand seemed perilous. Parle-G was contributing 68 per cent of the company's annual sales revenue, and the INR4.00 SKU was contributing to 50 per cent of Parle-G's annual sales revenue. It was a vulnerable position. The company risked Parle-G being unseated from its leadership position by an upstart with deep pockets. The glucose category was already competitive and likely to become more competitive in future.

Furthermore, customers were migrating to high-end biscuits belonging to the sweet, cream and milk categories. The migration was happening both in the biscuits industry and within Parle's own portfolio. The contribution of Parle-G to the company's sales revenue was expected to reduce to 62 per cent in 2010 and settle at approximately 50 per cent in a few years. Forecasts for 2010, streaming in from the field staff in a month, would likely point to an upward swing in the demand for brands other than Parle-G. Cannibalization of Parle-G seemed imminent without immediate action. A decline in the sales of Parle-G would invariably lead to a decline in market share.

Said Kulkarnii:

> A flagship brand should be generating a margin of 15 to 20 per cent of revenue. A margin of less than 10 per cent is unacceptable for Parle-G. I have to bite the bullet at some time on pricing. The concerns are several. Should I make tactical moves like launching new SKUs and new price points? Should I continue to tinker with the grammage? Is there a strategic move?[15]

[15] *Based on a personal interview July 04, 2010.*

### Exhibit 1

### PARLE-G –SKU HISTORY, 2006–2009

| Maximum Retail Price | Stock Keeping Unit (in grams) | Duration | Maximum Retail Price | Stock Keeping Unit (in grams) | Duration |
|---|---|---|---|---|---|
| INR1 | 19.0 | Jan 08 – Jan 09 | INR6 | 150.0 | Jan 06 – Feb 07 |
| | 16.0 | Dec 05 – May 06 | INR10 | 250.0 | Jan 06 – Jan 07 |
| | 17.5 | Jun 07 – Dec 07 | | 220.0 | Jan 07 – Jan 09 |
| | 16.5 | Dec 08 – Dec 09 | | 231.0 | Sep 09 – Dec 09 |
| INR2 | 50.0 | Jun 06 – Dec 06 | | 192.0 | Jan 08 – Dec 08 |
| | 44.0 | Jan 07 –Dec 08 | | 178.5 | Dec 08 – Dec 09 |
| | 38.5 | Jan 09 – Dec 09 | | 209.0 | Dec 08 – Dec 09 |
| INR3 | 75.0 | Jan 06 – Jan 07 | | 210.5 | Nov 09 – Dec 09 |
| | 66.0 | Jan 07 – Dec 08 | | 212.0 | Aug 09 – Sep 09 |
| | 77.0 | Jan 07 – Jul 07 | INR12 | 300.0 | Jan 06 – Mar 07 |
| | 79.2 | Jul 07– Jan 09 | INR15 | 330.0 | Jan 07 – Jun 07 |
| | 66.5 | Dec 08 – Dec 09 | | 313.0 | May 07 – Jun 08 |
| | 60.5 | Dec 08 – Dec 09 | INR20 | 500.0 | Jan 06 – Feb 07 |
| | 72.6 | Dec 08 – Dec 09 | | 440.0 | Nov 07 – Jan 09 |
| INR4 | 100.0 | Jan 06 – Feb 07 | | 462.0 | May 07 – Apr 08 |
| | 88.0 | Jan 07 – Dec 08 | | 418.0 | Dec 08 – Dec 09 |
| | 99.0 | Jan 07 – May 07 | INR25 | 550.0 | Apr 08 – Nov 08 |
| | 93.5 | May 07– Apr 08 | | 577.5 | Jun 07 – Apr 08 |
| | 82.5 | Dec 08- Dec 09 | INR40 | 1,000.0 | Jan 06 – Jan 07 |
| INR5 | 110.0 | Jan 08 – Feb 08 | | 880.0 | Jan 08 – Jan 09 |
| | 99.0 | Dec 08 – Dec 09 | | 935.0 | May 07 – Jan 08 |
| | 88.0 | Dec 08 – Dec 09 | | 825.0 | Dec 08 – Dec 09 |

*Source: Company files.*

**Exhibit 2**

**INDIAN CONSUMERS – CHANGING PROFILE**

| Consumer Category | Annual Income Range at the Individual Level | Number of Households at the National Level | Aggregate Income at the National Level | Aggregate Consumption at the National Level |
|---|---|---|---|---|
| | (in thousands of INR) | (in millions) | (in trillions of INR) | (in trillions of INR) |
| **2005** | | | | |
| Globals | (1,001 – plus) | 1.2 | 2.0 | 1.2 |
| Strivers | 501–1,000 | 2.4 | 1.6 | 1.0 |
| Seekers | 201–500 | 10.9 | 3.1 | 2.0 |
| Aspirers | 91–200 | 91.3 | 11.4 | 8.5 |
| Deprived | <90 | 101.3 | 5.4 | 4.1 |
| Total | – | **207.1** | **23.5** | **16.8** |
| **2015** | | | | |
| Globals | (1,001 – plus) | 3.3 | 6.3 | 4.1 |
| Strivers | 501–1,000 | 5.5 | 3.8 | 2.7 |
| Seekers | 201–500 | 55.1 | 15.2 | 11.8 |
| Aspirers | 91–200 | 106.1 | 14.6 | 12.2 |
| Deprived | <90 | 74.0 | 3.8 | 3.3 |
| Total | – | **244.0** | **43.7** | **34.1** |
| **2025** | | | | |
| Globals | (1,001 – plus) | 9.5 | 21.7 | 14.1 |
| Strivers | 501–1,000 | 33.1 | 20.9 | 16.5 |
| Seekers | 201–500 | 94.9 | 30.6 | 24.6 |
| Aspirers | 91–200 | 93.1 | 13.7 | 11.9 |
| Deprived | <90 | 49.9 | 2.6 | 2.4 |
| Total | – | **280.5** | **89.5** | **69.5** |
| | | | | |

*Source: www.mckinsey.com/McKinsey_Global_Institute/research_topics/Consumer_Demand_and_Demographics. Adapted from exhibit 3 on page 13 of McKinsey and Company, "The Bird of Gold: The Rise of India's Consumer market," McKinsey Global Institute, May 2007.*

## Exhibit 3

### INDIA'S SOCIO ECONOMIC CLASSIFICATIONS AND NUMBERS OF HOUSEHOLDS, 2005

| SEC Class | Estimated Number of Households (in millions) |
|---|---|
| A1 | 2.2 |
| A2 | 4.1 |
| B1 | 5.3 |
| B2 | 5.3 |
| C | 12.8 |
| D | 14.2 |
| E1 | 6.7 |
| E2 | 10.8 |
| R1 | 5.8 |
| R2 | 15.9 |
| R3 | 56.7 |
| R4 | 67.3 |
| Total | 207.1 |

*Notes: SEC = socio economic classification. SEC indicates the affluence level of a household to which an individual belongs. SEC of an urban household is defined by the education and occupation of the chief wage earner of a household. It has 8 categories, A1, A2, B1, B2, C, D, E1 and E2, which are rated in descending order of affluence. SEC of a rural household is defined by the education and occupation of the chief wage earner of a household. It has four categories, R1, R2, R3 and R4, rated in descending order of affluence.*

*The top band of purchasing power in India, Urban A1A2, comprised a little more than 6 million households. The next band, which would qualify for the "middle-class India" label, comprising B1R1B2C, harbored approximately 30 million households. The ABCR1 target group, which would form the broadest possible target group for most consumer goods, comprised approximately 36 million households. The lower middle-class comprised DE1R2 at approximately 37 million households.*

*Source: Market Research Society of India.*

## Exhibit 4

### INDIAN BISCUIT CATEGORY AND BRAND PENETRATION

| Number of Indian Households That Purchased Biscuits, October 2008 to December 2009 (in millions) | | | | | | |
|---|---|---|---|---|---|---|
| SEC Class | Biscuits (all categories) | | Glucose Category | | Parle-G Brand | |
| | 178.8 | % | 114.9 | % | 96.8 | % |
| A1 and A2 | 7.0 | 3.9 | 3.2 | 2.8 | 2.4 | 2.4 |
| B1 and B2 | 10.7 | 6.0 | 5.6 | 4.9 | 4.6 | 4.7 |
| C | 12.4 | 6.9 | 7.3 | 6.3 | 6.0 | 6.2 |
| D | 13.2 | 7.4 | 8.4 | 7.3 | 7.0 | 7.2 |
| E1 and E2 | 14.7 | 8.2 | 9.9 | 8.6 | 8.5 | 8.7 |
| R1 | 6.0 | 3.3 | 3.6 | 3.1 | 3.0 | 3.1 |
| R2 | 17.2 | 9.6 | 11.4 | 9.9 | 9.3 | 9.6 |
| R3 | 50.0 | 28.0 | 32.7 | 28.4 | 27.7 | 28.6 |
| R4 | 47.6 | 26.6 | 32.8 | 28.5 | 28.3 | 29.2 |
| | | | | | | |

*Source: Company files.*

**Exhibit 5**

**INDIAN DEMOGRAPHY**

| (Population in millions) | | | |
|---|---|---|---|
| Age group in years | **2001** | **2011*** | **2021*** |
| 0–4 | 110.45 | 115.58 | 110.96 |
| 5–9 | 128.31 | 115.43 | 112.69 |
| 10–14 | 124.85 | 120.43 | 113.07 |
| 15–19 | 100.21 | 119.99 | 114.31 |
| 20–24 | 89.76 | 116.21 | 119.10 |
| 25–29 | 83.44 | 103.84 | 118.23 |
| 30–34 | 74.27 | 92.33 | 114.23 |
| YOUNG POPULATION (15–34) | **347.68** | **432.38** | **465.88** |
| 35–39 | 70.57 | 83.62 | 101.85 |
| 40–44 | 55.74 | 74.09 | 90.19 |
| 45–49 | 47.40 | 63.51 | 80.96 |
| 50–54 | 36.58 | 52.43 | 70.58 |
| 55–59 | 27.67 | 41.82 | 59.03 |
| 60–64 | 27.52 | 32.58 | 47.02 |
| WORKING POPULATION (15–64) | **613.16** | **780.43** | **915.51** |
| 65–69 | 19.81 | 24.92 | 35.56 |
| 70–74 | 14.71 | 18.74 | 25.71 |
| 75–79 | 6.55 | 12.55 | 17.53 |
| 80 plus | 8.03 | 8.46 | 15.99 |
| Age not stated | 2.74 | – | – |
| **TOTAL POPULATION** | **1,028.61** | **1,196.55** | **1,347.02** |

** Projected population*

*Note: The government of India conducted the official census once each decade. The most recent census was held in 2001.*

*Source: http://mospi.nic.in/Adapted from Youth in India – Profiles and Programmes, Ministry of Statistics and Programme Implementation of the Government of India, October 2006, Table 2(a) "Distribution of population by age and sex, 2001-2021," p. 37; available at htpp://www.mospi.gov.in, accessed July 14, 2010.*

## Exhibit 6

### MARKET SHARES OF THE INDIAN GLUCOSE BISCUIT CATEGORY

| Brand | 2007 | 2008 | 2009 |
|---|---|---|---|
| Parle-G | 67 | 69 | 74 |
| Tiger Glucose | 18 | 16 | 13 |
| Sunfeast Glucose | 10 | 10 | 9 |
| Others | 5 | 5 | 4 |

*Source: Company files.*

## Exhibit 7

### PARLE'S COMPETITORS IN THE BISCUIT CATEGORY

| Existing | | | |
|---|---|---|---|
| Company | Biscuit Category | | Future Plans |
| | Year of Entry | Brands | |
| Britannia Industries Ltd. | 1999 | Glucose category: Tiger<br>Tea time category: Marie Gold<br>Premium categories: Good Day, Bourbon, 50-50, Treat, Milk Bikis, Timepass, NutriChoice, Little Hearts | • Outsource production<br>• Invest INR400 million in the biscuit segment.<br>• Launch a variety of products around the Tiger brand |
| Hindustan Unilever Ltd. | 2003 | Glucose category: Modern | Withdrawn |
| ITC Ltd. | 2002 | Glucose category: Sunfeast<br>Tea time category: Marie Light Other categories: Milky Magic, Golden Bakery, Dark Fantasy, Dream Cream, Snacky, Sweet n Salt, Nice, Benne, Vita Flaxseed, Sunfeast Special | – |
| Surya Food & Agro Ltd. | 1992 | Glucose category: Priya Gold Tea time category: Marie Lite Premium categories: Big Boss Milk Classic, Bourbon, Magic Gold, Coconut Crunch | Moving beyond the institutional markets |
| Anmol Biscuits Ltd. | – | Glucose category: Anmol Premium categories: Yummy, Lemon Mazaa, Coconutty, Funfill | Going beyond eastern and northern Indian markets |
| **Imminent** | | | |
| GlaxoSmithKline Consumer Healthcare: Junior Horlicks Biscuits<br>PepsiCo India: Aliva to be produced by foods division Frito Lay India<br>United Biscuits (UK)<br>Kellogg India<br>Nestle India<br>Nabisco Foods<br>Campbell Arnott's | | | |

*Source: Company files.*

## Exhibit 8

### PARLE-G – POSITIONING HIGHLIGHTS

| Year | Goal | Target Audience | Core Messaging |
|---|---|---|---|
| 1982 | To seek differentiation through a name change from Parle-Glucose to Parle-G | Mass market | Parle-G is healthy. |
| 1990 | To reinforce health benefits | Mothers and children | Parle-G brings out the essential goodness. |
| 1996 | To seize a market opportunity by targeting consumers in South and East India who were short on milk intake | Mothers and children | Parle-G makes up for lack of milk. |
| 1998 | To communicate a new attribute | Mothers and children | Parle-G provides energy and personal power. |
| 2003 | To communicate a new attribute | Mothers and children | Parle-G is more than a biscuit, it is fortified nourishment. |
| 2004 | To enhance communications with celebrity endorsements and new messaging | Mothers and children | Parle-G makes kids smart, turns them into geniuses. |

*Source: Company files.*