FEATURED INSIGHTS

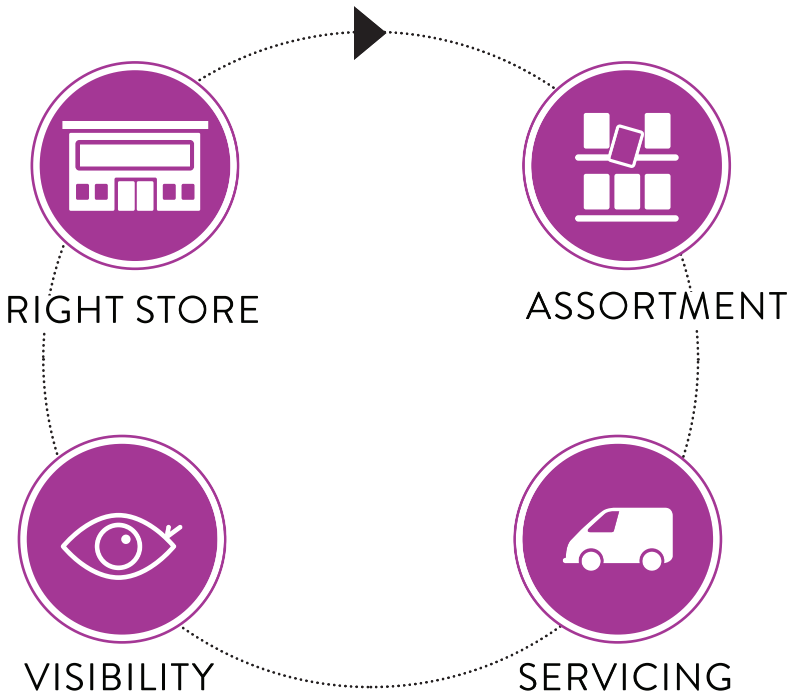
DELIVERING CONSUMER CLARITY

FROM OPPORTUNITY TO EXECUTION

THE FOUR PILLARS FOR ACHIEVING SALES AND EXECUTION SUCCESS

The store is where the rubber meets the road, and performance in-store is the most indicative yardstick of success for brands in-market. In a scenario where brands are prudent with spending, it's imperative for them to rationalize a distribution and sales strategy to maximise performance at the shelf where the consumer makes a final purchase. The good news, however, is that this formidable task can be broken down into four actionable steps to win in the market.

TRACING THE PATH TO PERFORMANCE



THE RIGHT STORE

Nielsen shopper research shows that a staggering 60% of fast-moving consumer goods (FMCG) sales can be influenced at the store level. A meta-analysis across approximately 15 categories and 155 brands revealed that overall sales effectiveness was primarily driven by availability and visibility. This included whether stores were reached directly, whether the stores offered the right product assortment, how often the brand visited the store to re-stock, and the actual visibility of products.

Since brands cannot possibly stock their products at every store, the right store choice is the first step toward efficiency. In fact, reaching the right stores is half the job done. On an average, the study found that 30% of stores accounted for 80% of category sales. These are the places where shoppers of the category seek the products. Also the same store sales of the right store are 10x more than the rest of the store. Needless to say, reaching these stores directly, and with adequate servicing levels, will go a long way in driving sales, growth and incremental share. A supplementary survey on our retail panel covering 18 brands, indicated that nearly 30% of incremental sales can be achieved by making a course correction in existing distribution and by reaching these right stores directly.

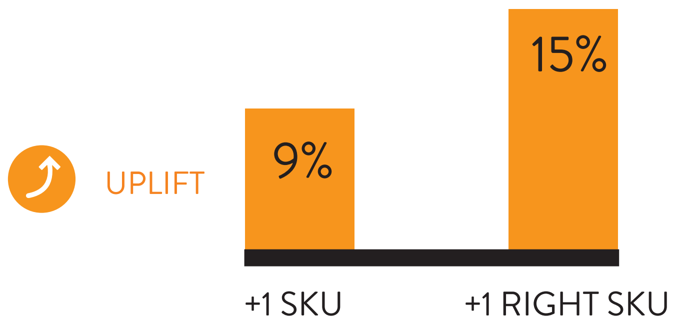
> MORE THAN HALF OF SALES ARE INFLUENCED BY REACHING THE RIGHT STORES

Source: Nielsen

GETTING ASSORTMENT RIGHT

Right stores are coveted by many brands, and therefore have four times higher assortment than average. How much and what to place in the right stores is a critical decision and gives the right outcome in terms of sales increase. Figures show that an increase of one additional stock keeping unit (SKU) across stores can trigger an uplift opportunity of 9%. In order to maximise gains further, marketers and retailers need to pick the additional SKU that will bring the most reward by aligning it with consumer preference.

1.15X UPLIFT IN SALES WITH ONE INCREMENTAL RIGHT SKU



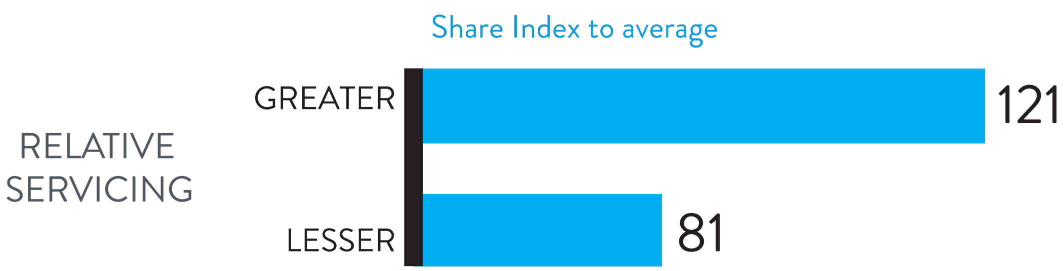
Source: Nielsen

Understanding the assortment size and portfolio ladder at a regional level is key for spotting new opportunities of growth by linking demand to supply.

IT'S ALL ABOUT RELATIVE SERVICING

Servicing is the third key imperative to a winning sales strategy. A study of servicing across competing brands revealed the insight that, the average brand share in stores where servicing levels were lower than competition was about 81% of the overall share. However, the average brand share in stores where the relative servicing of the brands was higher than competition was 1.2 times the overall average.

IT'S NOT JUST ABOUT SERVICING, IT'S ABOUT RELATIVE SERVICING VIS-À-VIS COMPETITION

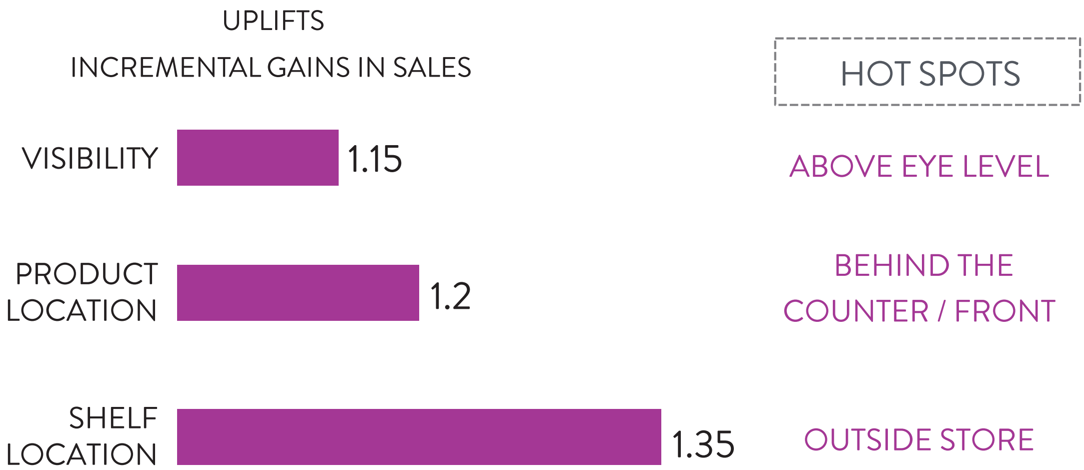


Source: Nielsen

KEEP AN EYE ON VISIBILITY

Visibility is another key parameter for maximising efficiency in sales. To supplement the main analysis, Nielsen conducted a test across 18 brands to study visibility, location and accessibility in store and then reviewed the sales results. Placing merchandise above eye level, placement relative to the counter, and in case of impulse categories—placing the shelf and product outside the store, resulted in incremental sales.

VISIBILITY AND LOCATION MATTER



Source: Nielsen

WHAT'S AT STAKE?

The numbers and insights that emerged across studies are particularly telling because they exposed the considerable headroom that exists to drive significant growth in sales by optimising in-market execution. Brands that reach the right stores have the ability to boost sales by as much as 33%. They can also improve incremental sales by 15% by offering the assortment of products the consumer wants. Improved relative servicing can help increase share in these stores by 1.2 times, and having the right placement and accessibility of products can provide a potential uplift of 20%-40%.

RIGHT STORE	ASSORTMENT	SERVICING	VISIBILITY
+33%	+15%	+1.2 X	+1.2 -1.4 X
SALES UPLIFT	SALES UPLIFT	SHARE	SALES UPLIFT

Source: Nielsen

BALANCING STRATEGIC COHERENCE & TACTICAL FLEXIBILITY

CASE STUDY: NIHAR SHANTI, PARACHUTE JASMINE

BY: SAMEER SATPATHY, CHIEF MARKETING OFFICER, MARICO

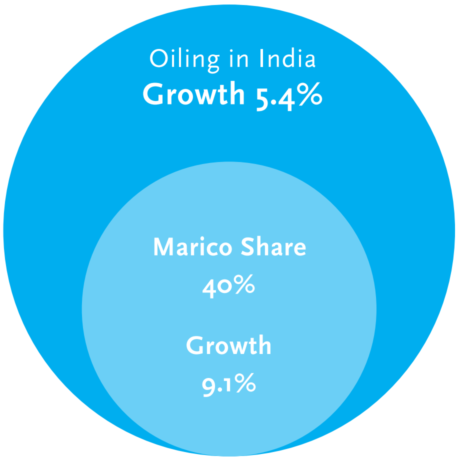
Ultimately, everything in life and in business boils down to the 6 Meta questions – 5 Ws and the 1 H! This was exactly the situation Marico was facing in mid-2013. Being the undisputed leader in hair oils category, the questions staring in front of us from a category leader's perspective were:

- Where are the future growth opportunities – people, markets
- How will it come – what geographies , sub categories, brands, SKUs
- Who is going to lead this growth and how fast is the trajectory?
- Why will this growth happen – will it be led by demographic shifts leading to consumption upsurge, or a function of increased penetration led by channel proliferation and reach?
- When will this growth happen – what's the ideal time period to seed vs. sustain vs. maximize in each of these markets.

Essentially, the requirement was to identify the little pockets of opportunity as well as the drivers for the same

BUSINESS CONTEXT - INTROSPECTING

MARKET LEADER I GAINING SHARE
90% DISTRIBUTION



BUSINESS CHALLENGE AND MARKETING OBJECTIVES

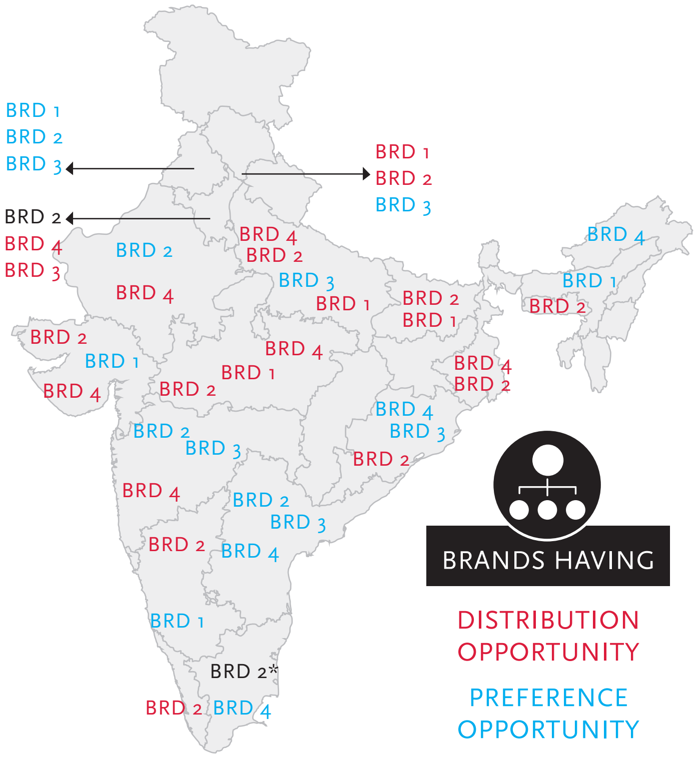
1. How do i find opportunities in a category where i am the market leader and still growing share?
2. Marico reaches the right Oiling stores, but does every brand (15) in the portfolio leverage this?

> THE REQUIREMENT WAS TO IDENTIFY THE LITTLE POCKETS OF OPPORTUNITY AS WELL AS THEIR GROWTH DRIVERS

Once the objective at hand was clear, we needed something that was easy to use. This requirement led to some original thinking - how about bringing in a consumer lens when identifying markets for S&D choice making and prioritization? Till then the existing industry practice was to use typical supply led metrics such as market share and share among handlers (SAH) to pin point S&D opportunities. While they were critical, they were ineffective in layering a consumer / demand point of view into distribution choice making. Putting it simply, while it brought the retail understanding while selection of geographies, stores, outlets and categories, it did not bring the softer aspects of consumer demand into S&D choice making – e.g., impact of brand pull, strength of preference of one brand above another etc. As any marketer would agree, identification of any S&D opportunity would be incomplete without the consumer's choice making factored into the exercise. And that is exactly what we did!

Hence, we divided this opportunity into two parts - one was demand-led and the second was supply-led. We worked with our agency on a 'Consumer Preference Score.' It means that if all the brands were present in one store, does the consumer pick or prefer your brand. It takes away any kind of bias that distribution gives you. So if the CPS was great, it meant augment distribution. If the market share was greater than the CPS, it meant that the sales team on the field was doing a great job and we better support them because it may not be sustainable without the support of a demand pull. This became the meta philosophy around which we built the model.

Let me explain this with two examples. We picked our brand Nihar Shanti where our market share was higher than the CPS. And our brand Parachute Jasmine where we had significant edge in preference but we needed to get the distribution piece right.



STATEWISE ANNUAL SOP - KLPA		
STATE	**DISTRIBUTION**	**PREFERENCE**
State 1	126	49
State 2	88	74
State 3	0	279
State 4	559	741
State 5	79	59
State 6	138	325
State 7	83	532
State 8	570	0
State 9	165	0
State 10	238	0
State 11	56	46
State 12	143	172
State 13	0	305
State 14	40	0
State 15	122	241
State 16	127	87

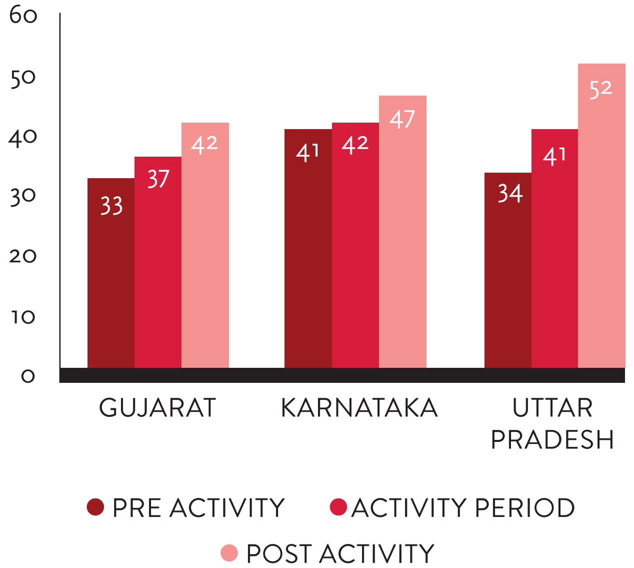
For Nihar Shanti, a nice, mass and cheerful brand, we were able to put a lot of trade loads and build the brand well. We realised that we were on thin ice and we really shifted gears, localised inputs and we also put in purpose at the heart of the brand. We shifted our investments from trade into brand and started really building the brand. And in around two years we were able to shift equity. And because we were able to pinpoint the geographies where we had more issues, our volume share has increased by almost five per cent and value share by 6 per cent. It's one of the fastest growing brands in the last five to seven years in the hair oil category.

The experience was similar for *Parachute Jasmine*, where we had the preference but we didn't have the distribution. So we figured out the lead SKU and we began bolstering it. When we added the second SKU in the places where we were already present, we could create around five to six per cent share or share of handlers in that outlet. This is something we executed through specific activities like bundling it with lead SKUs, bundling with SKUs which were present in certain outlets and increasing trade loads wherever we thought it was necessary; that may sound mundane but were effective. The result was sustainable growth in these markets.

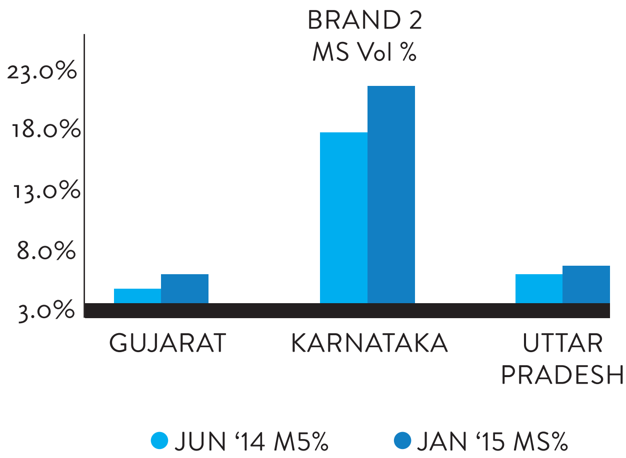
IMPACT ON BUSINESS

MS GAINS IN HAIR OILS CATEGORY ACROSS ALL 3 STATES

BRAND 2 WTD TREND



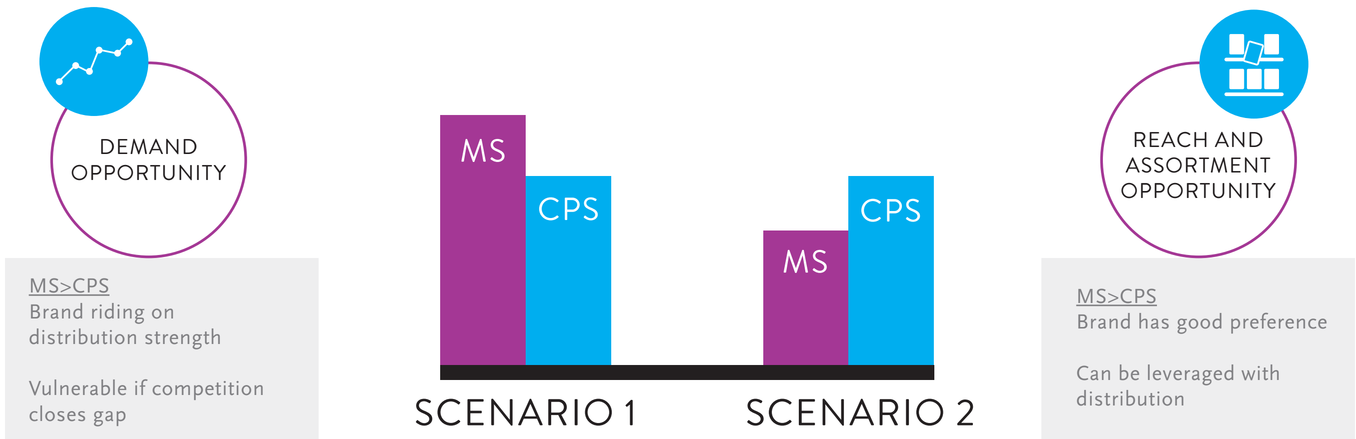
MAJOR GAINS IN INDIRECT DISTRIBUTION



The overall hair oils market for us is almost a Rs. 2000 crore category. We have been able to gain share. Being market leaders, we have been outpacing the category by far and growing volume, value and business. We were able to do this because we were able to optimise all points of the map. And most significantly, by balancing strategic coherence and tactical flexibility because both are important. All of this led to us taking the right bets and eventually achieve better return on investment.

HOW DO I QUANTIFY DEMAND

CONSUMER PREFERENCE SHARE (CPS) ISOLATES THE DISTRIBUTION IMPACT AND THEN MEASURES THE SHARE



At Marico, this solution helped Nihar Shanti Amla hair oil realize the brand's dependence on distribution. After putting efforts into building the brand and including localized inputs, the brand increased its volume share by almost 5%. It has also become the fastest-growing brand in the hair care category in the last five-seven years.

The bottom line is that with the ability to gather accurate data on distribution and consumer preferences, it is possible to plan activities, SKUs, trade loads and much more with focus on specific markets.

NARRATING AN IN-STORE STORY

CASE STUDY: FUTURE GROUP

BY: DEVENDRA CHAWLA, GROUP PRESIDENT - FOOD FMCG BRANDS, FUTURE GROUP

For many brands, in-store execution is critical because, in essence, that is where the rubber meets the road. Over the years, listening to the customers, understanding how they are changing and what it means for us at the store has played a very important role in maintaining a growth trajectory. Sometimes the smallest changes inside the store can make big differences to sales, and we have constantly worked on getting that right.

FOOD BAZAAR IS AT
20%

MODERN TRADE IS GROWING AT
3.1%
(MAT JAN)

ANNUAL GROWTH
19.8%
SOT IN MT

LINE IT UP

Over 65 per cent of India is lower than the age of 35 years. And keeping this consumer segment in mind, retail is customizing the shopping experience to make it friendly to young shoppers. A demand for convenience by this segment has led to cross-merchandising and bringing categories together so that shoppers do not have to walk long distances to fulfil one need. Not just store layout and placement, but even the choice of products is influenced by the preference of young consumers. We brought many categories together in cross merchandise on that insight. For a category like cheese, young consumers between the age of 20 and 30 form the largest base. While the older generation is still on butter, the younger generation is picking up cheese. Much of the store execution and the way we merchandise is done keeping the young customers in mind.

NOT JUST STORE LAYOUT AND PLACEMENT, BUT EVEN THE CHOICE OF PRODUCTS IS INFLUENCED BY THE PREFERENCE OF YOUNG CONSUMERS

Then there are nuances to be factored in keeping in mind the male and female shopping habits. While men seem to be more direct in their approach to shopping, women may behave differently. In this context, what would prompt a female shopper to purchase a beauty product in a large store after buying grain? So we designed the store differently again to re-group beauty products. We now time women spending 20 minutes only on the beauty centre out of a total shopping time of 30 minutes.

There are other facets we executed keeping buying behaviour in sight. We launched the 'Big Pack', which really was about upsizing in high consumption categories, where penetration is high and consumers are sure of what they want, mostly following a list-based shopping. When you are a brand manager, you think brand. But when you speak to customers who come to the store, they think occasion. A housewife is thinking tea time, so it makes sense to show her cookies, biscuits or snacks alongside. They even think mugs and sauces so we experimented with packaging and we were in for a surprise. We created a tea-time pack with cups, sugar, tea and snacks and we sold 50,000 of them in the first month alone. In the month of February, we do an 'exchange mela', where roughly Rs. 500-600 crore sales happen. Indian consumers do not throw away things as long as they serve a purpose. And only after that does it go to raddi or kabaadi. The exchange mela played on that insight.

Indian consumers are also asking that while it's good to have international choices, what are brands doing to factor in their tastes, especially in categories such as juices. So while orange, apple and mixed fruit flavours are fine what about local flavours? In a completely store built brand, we launched flavours like mango, guava and litchi which brought in good numbers for us.

BRINGING IN THE TECH

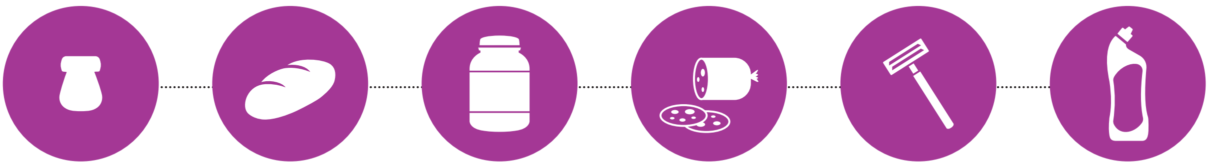
SALES EFFECTIVENESS AND OUTCOMES

SHARE OF FOOD BAZAAR IN SELECTED CATEGORIES IN MODERN TRADE

SPICES
SoT of **15%** in MT

GLUCOSE POWDER
SoT of **28%** in MT

MENS GROOMING
SoT of **19%** in MT



BREAD
SoT of **7%** in MT

FROZEN FOOD
SoT of **16%** in MT

FLOOR CLEANER
SoT of **22%** in MT

Just a peek into identifying consumer needs, talking to them and learning from them helps us with whatever we do in our stores. For us, the whole market is the store, it's the retail theatre where it only takes your imagination to fire the consumers' buying power.

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AJR Vasu and Sachit Bubna from the Nielsen Sales Effectiveness team contributed to this issue of Featured Insights

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