

A  
Project Report  
On  
News Analysis of Parle -G Company  
In  
**Organization Behaviour**



IN PARTIAL FULFILLMENT OF THE REQUIREMENT OF THE AWARD  
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## **INTRODUCTION**

PARLE –G is the brand of biscuits manufactured by Parle Product in india.it was established confectionary maker in the vile Parle of Mumbai in 1929.it began manufacturing biscuits in 1939. Parle g products has been India's largest manufacturing of biscuits and confectionary for 85 years. It is a makers of the world's largest selling biscuit. Parle g has a popular brand, Parle name symbolizes quality, nutrition and great taste. Company have reached spanning remotest villages of India.

Many of the Parle products- biscuits or confectionaries are market leaders in their category. With a 40% share of the total biscuit market and 15% share of total confectionary market in India, Parle has grown to become a multi-million-dollar company. Consumer its bacon of faith, trust, competitors look upon Parle. some of our best habits are also our oldest. Parle glucose is a brand of biscuits manufactured by Parle products in India. As of 2011 it is the large selling brand of biscuit in the world. about 65-70% people of urban areas prefer to Parle and 75-80%of rural people prefer to Parle.

## **PRODUCT**

### **1. Biscuits**

Parle-G, 20-20, Magix, KrackJack, Monaco, Golden Arcs, Parle Marie, Milk Shakti, Parle Hide & Seek Bourbon, Parle Hide & Seek Fab, Top, Parle Gold Star, Happy-Happy, Simply Good, Namkeen coconut, cheeselings, Parle-G Gold.

## **2. Sweet confectionery**

Melody, Mango Bite, Londonderry, Poppins, 2 in 1 Eclairs, Mazelo, Kismi Toffee Bar, Kaccha Mango Bite.

## **3. Snacks**

Mexitos Nachos, Parle's Wafers, Full Toss, Parle Namkeens, Parle Rusk, Parle Cake are famous products

Since they have been entered at the food competition of Monde Selection in 1971, the brands have received consistently gold and silver Quality Awards at the World Quality Selections.

## **PROBLEM OF PARLE-G**

### **1. Pricing was a larger issue that had spawned two other dilemmas for Kulkarni.**

First, Parle-G had, no doubt, remained relevant and contemporary as a brand over the years. 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 (value for money) 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, cope with lower margins.

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. Kulkarni wondered: "What would that big idea be?"

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 Kulkarni: 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?

## **PROBLEM ANALYSIS**

- 1. MARKET PERFORMANCE:** Parle had 40% share of the total biscuit market in India. After they introduced the biscuits segment 15% growth was seen in their annual Income.
- 2. BRAND EXTENSION:** Their Research and Development department had full focus on the brand extension. They had biscuits 3 categories as Parle-G in Glucose, Marie in Tea-Time, and Hide N Seek, Monaco, Krack Jack, Cheeslings, Jeffs, Sixer and Fun Centre in the premium category. Out of the total revenue Parle-G contributed 68%, whereas premium category gave 20% of the revenue. They had international operations as well but the main contribution that was driving Parle-G was the domestic demand.

## **PARLE-G COMPETITOR**

Parle faced a nationwide competition around 1996 when Britannia had launched their own glucose biscuits named Tiger and in 2003 ITC launched theirs named Sun Feast. HUL also tried in but 2 years later they had to shut operations because of loss. Even overseas major brands have eyes on Indian premium market as it has high margins. But still after so much competition Parle was still the market Leader. When it had no competition from the other MNC, Parle still got refrained from increasing prices because of which now Britannia and ITC had to follow the strategy of weight reduction.

## **DECISION MAKING**

In January, 2004 the General manager of Parle had a difficult decision to make which involved the price Increase of the company's flagship brand Parle- G because of the cost of two major products Sugar and Wheat flour had increased heavily in the last 18 months. By which the revenue margin of 15% came down to less than 10%. First time in 13 years' price of its 100g pack of 16 biscuits was increased from ₹4 to ₹4.50 to recover the profits but the sales of the biscuits declined by 40% within 6 months, because of which they were forced to reinstate their previous prices.

## **MARKETING STRATEGY**

Four years later the company still had to recover its profits but the price increasing strategy did not work in past so they implemented a new strategy which was to reduce the weight of

the pack but the price remained same, this happened in phases analysing the sales at the same time - 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.

### **CONSUMER PERCEPTION**

Consumer noticed the change that was happening but price was same so sales were the same and did not decrease. They had a Value-for-Money perception due to which they so \$1 per kg of biscuits worldwide, their 82.5g pack for ₹4. Because of which it had become the largest selling biscuit brand by volume in 2002 worldwide. There is a price elasticity of demand in the biscuit's category in India basically for glucose category which were also price sensitive.

### **COST CONTROL METHOD**

Company had gone through 3 different types of cost control measures to safeguard the profit margin as: -

- **Distribution cost-** Parle had brought manufacturing centres closer to the wholesalers by franchising production.
- **Supply Chain cost-** The company had also consolidated buying and entered into forward contracts with vendors of raw materials.
- **Packaging cost-** Wax-coated paper had been replaced by bi-axially oriented polypropylene (BOPP) paper.

## **COMPANY POSITION**

India being the third largest producer of biscuits in the world, producing around 1.7 million tons of biscuits per annum, valued at INR110 billion in 2008 which was growing @ 15% average annually, exported 15% of its total manufactured, which was divided into 2 categories- Organised and Unorganised. Growth in the Indian biscuit industry was largely organic because of the limited scope for consolidation in the organized sector. Rural markets were full of low-priced varieties which put up entry barriers for branded biscuits. In the organized sector, the five main categories of biscuits were glucose, Marie, sweet, cream and milk, Glucose out of which was a high volume covering 42% of biscuit market because of which each brand wanted to come into this type.

Indian consumers were divided in 5 categories

- ☐ global (>10 lakhs pa)
- ☐ strivers (5-10 lakhs pa)
- ☐ seekers (2-5 lakhs pa)
- ☐ aspirers (0.9-2 lakhs pa)
- ☐ deprived (90,000 pa)

Out of which Seekers and Aspirers were the backbone of consumption for these biscuits and because a study showed that income levels of households in India were rising that meant that the deprived category would also be joining soon because of which the consumption also increased.



## **PARLE-G SEGMENT**

Parle has segmented its customers into 2 types – Retail (Children and mothers) and Institutional (hospital, factories, railway station, schools, offices). Out of 15 million retail Parle-G was sold by 2.5 million outlets.

## **PACKAGING STRATEGY**

Small packages were the norm for attracting Bottom of Pyramid (BOP) market. Due to which Parle also launched its 16.5g, 4 biscuits pack for ₹1. This type of packaging attracted non-user, one-time users and new users as this packaging's were convenient and affordable to buy.

## **PROMOTION STRATEGY**

Parle spent ₹600-700 million for sales promotion. They did various celebrity endorsement like Amir Khan for Parle-G, being the tag line “G for Genius”.

Customer were migrating to premium products both inside and outside Parle because of which sales revenue was expected to reduce from 68% to 62% in 2010 and more to 50% a few years later. That was the major fallback as their flagship products revenue declined very fast and there was nothing they could have done.

## **2. Drop in demand may force Parle to lay off up to 10,000 employees**

The country's largest biscuit maker Parle Products said that it may have to let go of 8,000-10,000 people if the ongoing consumption slowdown persists, indicating that all's probably not well with the economy.

## **REASON**

When there is a long dip demand the logical outcomes are job cuts. If we make 10000 tons of biscuits and use 1000 people for the same then if there is a dip demand, then I have to let go of the people or suffer losses myself. Those extra people would be sitting idle when there is a dip. The quarterly dip for had been somewhere 7-8%. It is a price sensitive category where volume has to be shown to the customer.

## **CHALLENGES**

Rs 100 per kg biscuits were taxed at 12% under the previous tax regime, and firms had expected the GST rate to be fixed at 12% for premium biscuits and 5% for the lower-price. But after the government introduced the GST two years back, all biscuits were brought under the 18% tax structure, forcing companies to increase prices which affected sales. Parle, too, had increased prices by about 5%, which led to sales declining.

## **COMPETITOR**

Another biscuit and dairy products giant Britannia managing director Varun Berry had voiced similar concerns last week when he had said consumers are even hesitating to buy Rs 5 packs of biscuits. At a post-earnings conference call, Berry had said that consumers are thinking twice before buying even a Rs 5 worth of product, indicating a “serious issue in the economy”.

## **CONSUMER PERCEPTION**

Consumer perception was rooted so strongly in Parle-G's low price that it was undermining other product attributes such as quality and taste. We have multiple biscuit brands that are aimed at mid- and low-income consumers which form the core consumer base of a category such as ours, and we are hoping the GST increase will be rolled back if the government wants to revive demand," Low-priced biscuits anyway operation low margins.

## **COMPANY PERFORMANC**

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Nielsen said the slowdown was significant across all food as well as non-food categories, with categories such as salty snacks, biscuits, spices, soaps and packaged tea leading a slowing consumption.

Citing Nielsen data, industry officials said growth in the FMCG sector has declined in the past four quarters consecutively since July-September 2018 – both by value and volume – as consumers down-traded to lower-priced daily use products in urban markets and rural growth slowed.

## **PRESENT SITUATION**

The rural sentiment has been affected. The dip in demand is more pronounced in the rural areas. But a lot has to do with general mood of the economy. The sentiment at present is negative. biscuits are divided into two categories biscuits above Rs100 per kg and below Rs 100kg. we were hopeful for one and half year and then we went for a price hike and then as a result declined.

## **FUTURE PERFORMANCE**

The problem is this happening at the lowest level.in the processed food category under Rs100 kg you can't get anything other than biscuits so where does the common man go if the taxes increase here. It's lose situation. Consumer is not benefitting neither is the government because the unorganized segment doesn't pay taxes. The companies are benefitting either. There seems no revival for now. The government says it is focused on reviving the economy and we can only hope that it will do something.

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