

# IN CONVERSATION WITH OUR MANAGING DIRECTOR

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**GCPL has outperformed the FMCG sector in a challenging macro environment. What did you do differently to make this possible?**

It has undoubtedly been a tough year for the industry. But these turbulent times are also a great opportunity to become more resilient and to invest in shaping the business for long-term success. We delivered a reasonably good performance and outperformed the sector due to four factors.

First, we remain focussed in areas where we have a competitive advantage. In difficult times, it is even more important to ensure that one does a few important things right. Our focus on a few categories in home and personal care, where we have leading positions, allowed us to hunker down to further strengthen our competitive position in these categories and gain share.

Second, we ensured that we continued to launch new products and back our innovations with competitive investments. Ultimately, the key measure of differentiation is the success rate of innovations. We maintained the rhythm in our innovations, despite the challenging environment. In fact, almost

40% of our incremental growth last year came from our new launches.

Third, we worked harder to engage with our dedicated team members. In challenging times, it becomes even more important to focus on motivating, rewarding and developing our team members. Our employee engagement scores improved significantly during this year. In our India business, our employee engagement scores would put us among the best employers, not just in India, but across Asia.

But what really drives outperformance is the great efforts that our team makes every single day. It may sound clichéd, but I truly believe that at the end of the day, what matters is superior execution. Our team members demonstrated a lot of grit, resilience and determination and ensured that we executed with tremendous agility.

### How is innovation driving incremental growth for GCPL?

Over the last few years, we have rearchitected our approach to innovation. Our consumers have trusted us for decades and we are building on their trust to come up with even better products with sizzle. Innovation is our lifeblood and we have a robust pipeline in place for the future. Our innovations address both the bottom of the pyramid, as well as provide premium benefits to our mass consumers.

We are doing a lot more experimentation and prototyping, and employing design-driven thinking to come up with bigger, better and faster innovations. We have cross-functional teams (from across Marketing, Innovation, Design, R&D, Packaging, Manufacturing, Supply Chain) who come together to work on different innovation projects. To support our innovation efforts, we have enhanced our R&D spends and are building a new state-of-the-art R&D centre at our headquarters in Mumbai. Distinctive and delightful design is a big differentiator for us and we have set up a Design Centre with young graduates from the National Institute of Design, to lead these efforts.

Over the last 18 months, we launched 12 new products in India, including air fresheners, crème hair colour in a sachet, anti roach gel, paper-based mosquito repellent, shower gel and most recently, the most powerful liquid vaporiser in the household insecticides category.

We have also launched a number of new products across our international businesses and are actively cross-pollinating ideas and technology across geographies. We don't follow a 'copy and paste model', though. We tailor and wherever necessary, rework the product and proposition to best suit the particular requirement of a geography.



In Indonesia, we created a whole new format a couple of years ago when we introduced Hit Magic, a paper-based mosquito repellent. We later reworked this for the Indian market as Good knight Fast Card, a one rupee paper-based solution, which has been a runaway success.



Similarly, we leveraged learning from Stella, our category leading air freshener brand in Indonesia, when we created Godrej aer for our India market. We also used technology from our hair colour businesses in Latin America to build India's first ever crème-in-a-sachet, Godrej Expert Rich Hair Crème.

We are the leader in ethnic hair colour in South Africa. When we saw the tremendous potential in the Caucasian hair colour market there, we decided to introduce Renew from our India portfolio. Today, it is the number three player in the market. We have also forayed into the household insecticide market in Africa with our well-known Good knight brand from India and are exploring extending the brand to our other geographies as well.

## International has been a big driver of growth for your business. What is your future roadmap going to be?

One of the biggest changes for us over the last five years has been international becoming a major contributor to our business. From making up some 15% of overall revenues back in 2010, our international geographies now account for close to half of our revenues. Over two-thirds of our team members are now based outside India and our products are available in more than 60 countries across the world.

We follow a disciplined approach to international expansion that we call 3 by 3, which means building a presence in 3 emerging geographies (Asia, Africa and Latin America) across 3 categories (personal wash, hair care and home care). Our operating model has also been quite unique. Unlike traditional multinational corporations, we follow a multi-local model, which is centred on values-based partnering and operational autonomy at the local level.

Over the last few years, we have successfully integrated our acquisitions. We are now working on defining the future roadmap to drive our international business to full potential. We have acquired strong local brands and are working with the teams in these countries to accelerate growth momentum. Our focus is on sustaining the entrepreneurial spirit that has made these companies successful, while providing the benefits of strong processes and scale that GCPL brings.

As part of these efforts, we have reorganised our international businesses into three key clusters – Africa, Latin America & Europe, and Rest of Asia. The cluster heads, who are all seasoned Godrej leaders, are now part of the GCPL Leadership Team and therefore, more closely involved in the overall business. We have made several changes to drive more agility, increase cross-pollination and enhance collaboration across these clusters and our India business.

## Rural India is becoming increasingly important for FMCG companies. How is GCPL enhancing its go-to-market strategy to tap into this?

Over the last year, while we invested in expanding our reach in rural India, we also focussed on enhancing our urban coverage. We are making efforts to deepen distribution and have been increasing the outlets and villages we cover. Today, we cover close to 50,000 villages directly and have added around 10,000 villages in the last 12 months alone. As a result of our efforts, rural, which currently accounts for 28% of our India sales, has been significantly outpacing our urban growth.

Our team is also working on improving productivity to increase the range of products being sold through more training and the use of hand held terminals and business intelligence applications to support sharper decision-making. In the last six months, we have equipped almost 2,000 sales representatives with hand held terminals. We have also added over 300 direct sales representatives to aid our expansion.

Through a better segmentation of sellers and more feet on the street, we have significantly expanded the number of outlets we cover in urban. We are also paying close attention to growing specialist channels like chemists and cosmetics.

## Can you tell us about GCPL's 'mass premium' approach and brand architecture?

At GCPL, our approach to premiumisation is very calibrated. Core to this approach, is what we call democratisation in our categories. We want to be able to provide benefits and products hitherto not considered affordable by mass consumers. We believe that this makes our approach quite distinctive –



A classic example how premiumisation works in practice for us is in hair colours. Last year, we launched the first hair colour in a sachet in India, Godrej Expert Rich Hair Crème, at a price point of ₹ 30. Expert Crème is less than half the price of many competing products, with equal if not better quality than much more expensive products. At the same time, the crème product offers a consumer who may be using powders before that (priced at around ₹ 18) the opportunity to upgrade to crèmes.



bringing superior quality and delightful products to the masses at affordable prices and convincing consumers to up-trade to these products. As middle-class incomes increase, the mass population will increasingly seek products with higher order benefits. We believe that we are well-positioned to grow with these desires of our consumers.

Today, around 33% of our portfolio is premium, by which we mean that it is priced at more than 20% of the average price in the category. This number was around 25% a couple of years back. In the next three years, we expect close to 45% of our portfolio to be premium.

## Where does digital fit into GCPL's marketing strategy?

Our focus is on increasing our use of digital marketing to better deploy marketing investments and better target younger consumers. This is not about a choice between digital and traditional marketing, but an integrated approach, which makes digital a key part of our overall marketing strategy.

We recognise that most of us are digital immigrants and not digital natives. We are working on accelerating digital adoption and embedding digital in our culture. As a first step, we have hired young people to be a part of our brand marketing teams and drive digital efforts across our brands. We are also exploring different platforms and developing digital specific content, rather than tailoring regular communication for digital use.

We have an Integrated Marketing Communication approach overall, whereby we focus on one big idea for each brand and ensure impactful execution of it across all mediums – mass media advertising, online marketing, trade engagements and consumer engagements at the point of purchase and public relations.



Cinthol, for example, was refreshed last year on the proposition of 'Alive is Awesome', which encourages people to explore things that make them feel alive. In the first phase, we launched the 'Alive Bathing Project' across platforms and engaged 85 influential travel and adventure bloggers for 45 days. Our YouTube channel received 1.5 lakh views, 300 enthusiasts sent their Alive Is Awesome bathing videos and we clocked 750 blog write-ups with pictures. It won the Silver Effie for 'Best Personal Wash Campaign', the Silver Abby Award for 'Integrated Advertising Campaign' and 'Direct Responses – Digital'. We followed this with a campaign for Cinthol deodorants, to reach out to young Indians and build excitement around Virat Kohli, the brand ambassador for the campaign. This was built on the thought of 'Intensely Alive' across TV, radio and digital. A unique element of this was that Cinthol generated customised responses from Virat to select consumers, which added a personalised touch to the campaign on social media. We trended worldwide within 5 hours of launch and continued top trending for 6 days. This inspired the launch of the 'Challenge Virat' campaign designed to offer young Indians an opportunity to not only meet Virat but to also challenge him.

GCPL has been consistently recognised as a great place to work. What do you think makes you an employer of choice?

We take much pride in fostering an inspiring workplace with an agile and high performance culture to attract, develop and retain the best global talent.



GCPL was ranked as the number 1 FMCG company to work for in India by the Great Place to Work institute this year. We have featured in the list of best companies to work for 10 years in a row, which is a great achievement, not matched by any other company. We also featured among Aon Hewitt's top 17 Best Employers in India, and are one of the only two FMCG companies mentioned.

Core to our employer brand, is the philosophy of tough love. We expect a lot from our team members, differentiate on the basis of performance and potential through career opportunities and rewards and lay particular emphasis to developing, mentoring and training. We expect 100/0 – 100% accountability and 0% excuses.

We believe that passionate, rounded individuals with diverse interests make for better Godrejites. We also understand that our team members play multi-faceted roles, both at home and at the workplace. This is why we encourage them, not just to explore their whole selves, but also create an enabling space for them to do so.

As part of the over 115-year young Godrej Group, we are fortunate to have a proud legacy built on the strong values of trust, integrity and respect for others. At the same time, our exciting and ambitious growth plans allow us to offer unparalleled career opportunities relatively early on in one's career.

### What do you think you could have done better this year?

I can think of four areas where we could have probably done better. To start with, we did not estimate demand as well as we should have for some of our new launches. These launches began performing much better than expected, but we did not have the required capacity to fulfill demand. We need to work on taking better punts early on.

The sheer magnitude of currency volatility in some emerging markets such as Indonesia and South Africa took us by surprise. We were caught a bit off-guard in the early part of the year. Later, I think the teams did a very good job to respond to these fluctuations. We have now learnt, to the extent possible, how to become more proactive in addressing these challenges.

While we outperformed the soaps category in India, we should have done better. Last year saw a significant slowdown in the category and competitive intensity was unusually high. Our performance in this category was not as strong as that in our other categories.

On the international front, our Kinky business in South Africa did not perform well. While it is a very small part of our revenues (less than 1%), we want all businesses in our portfolio to hold their own. Our team in South Africa is working hard to turn around the business.

### What are you most excited about for the year ahead?

The last couple of years have not been too kind to emerging markets and we are looking forward to strong macroeconomic growth returning in these geographies.

We believe that there is tremendous head-room for growth in the categories which we participate in. A significant number of people will also be entering the middle-class across our geographies. They will actively seek great quality, branded and affordable home and personal care products. We believe that we are well-positioned to serve these customers with an exciting range of innovative products from across our portfolio and will look for new ways to create value and delight them.