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Case Study: Go to Market Strategy (Spicerush)

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ABSTRACT

This case study is a Brand Positioning case Study Done for a Bangalore based Food Processing/ Manufacturing Start-up Spice Rush. The Study Relied extensively on gathering an exhaustive set of primary data consisting of Consumer and Retailer preferences. The study started with the main objective of investigating multiple attributes and Pin-pointing the most optimal combination and interplay of attributes to focus on while launching, marketing, positioning and branding the spice rush range of Products. The outcome of the study is readily actionable and in alignment with some of the research studies conducted across the country. The attributes so localized are presented to the company with an overview of Marketing strategy and other Supporting Ideas to help launch the Brand in a prodigious manner.

The Study Also Explores the optimal Pricing Strategy in order to arrive full circle and Focus on multiple aspects of the FMCG Business with focus on packaged spice Starting from Operational Efficiency – Marketing, sales and distribution Efforts and return on investment to Branding and positioning.

The upshot of this case study is a systematic outlay of all relevant aspects of launching and Running a packaged Spice Business in Bangalore. The Scope is Limited to Bangalore Market, however the study is streamlined to deliver actionable Results.

Keywords: Product launch, Spice, Consumer, Branding, Supply Chain, Sales, Distribution.

THE COMPANY AND THE PRODUCT:

The Company:

The traditions of a century long relationship with the farming community has led to establishment of Spice Rush, a company dedicated to providing to its customers rich quality spices by directly processing it from farms through inclusive tie-ups with farmers across renowned agricultural regions of India. Decades of experience in a prominent agricultural and food manufacturing based industry helps the company in ensuring the consumers receive high-grade spices supplied to a store near them.

Spice Rush brings the farm fresh products to the consumers in attractive and hygienic packages. The company sources its spice directly from the farmers, segregates and chooses the highest quality spices. These spices are then processed and packaged in the company's very own highly automated state of the art manufacturing facility with utmost care taken for maintenance of hygiene and quality. The freshness of the spices from the farm is packaged and brought to consumers at a store near them. The spices product range of the company includes Chilli Powder (Byadagi and Guntur in separate packages), Turmeric Powder, Coriander Powder, Whole Chilli (Byadagi and Guntur in separate packages) and Chilli flakes. These products are available in sizes of 100g and 250g. Apart from providing farm fresh spices, the company uses these spices and authentic recipes to produce traditional Chutney Powders. The chutney powder product ranges include Ground Nut Chutney Powder, Channa Dal Chutney Powder, Methi Chutney Powder and Flax Seeds Chutney powder in 150g pet jars. The company is planning on expanding its product range by adding some more authentic food products such as Biryani Rice Masala, Red Chilli Chutney and few others. The product range is as follows;

Byadagi Chilli Powder	100 GMS
Guntur Chilli Powder	100 GMS
Dhaniya Powder	100 GMS
Turmeric Powder	100 GMS
Biranji Rice Masala	100 GMS
Byadagi Chilli Powder	250 GMS
Guntur Chilli Powder	250 GMS
Dhaniya Powder	250 GMS
Turmeric Powder	250 GMS
Byadagi Whole Chilli	200 GMS
Gunter Whole Chilli	200 GMS
Chilli Flakes	100 GMS
Channadal Chutney Powder	150 GMS
Flax Seeds Chutney Powder	150 GMS
Groundnut Chutney Powder	150 GMS

MARKETING PLAN:

Present Market Situation:

The Indian Domestic Spice market is estimated to be valued at INR 40,000 Crores as of 2016 with branded products holding a share of about 15%. Triangulating this with a Recent KPMG Survey on FMCG consumption – *India Soars High* – it is predicted that Bangalore's share of 4.8% would value the city's Organized Spice Market at INR 288 Crores putting the spend of an average resident at INR 670 p.a. (Population of Bangalore is 4.3 Million residents)

The product categories that are of major importance are Chilli Powder, Turmeric Powder, Masala Powders, Coriander Powder, etc. While the ready to eat food packages are not considered to be under the spread of spice products, they also have a formidable market value (market value of Ready to Eat mixes are not included in the calculations, the scope of this report will exclude discussions of other markets such as Ready to eat mixes and Chutney Powders)

The key players in the market include, MTR Foods, Everest, Aachi, Sakthi, Golden Harvest, MDH, Catch, Patanjali, Aashirvad, Fresh & Pure, Maiyas etc. The market structure had been largely monopolistic in the branded segment and fragmented in unorganised. However, recent disruptions by new entrants have changed the current stance to oligopolistic and future can be highly competitive in the branded segment of the market.

The current market is dominated by two players namely MTR and Everest. MTR Foods Ltd. brings a whole different dynamics by diversifying into other categories such as ready to eat food packages and Chutney powders. Everest is a brand that diversifies itself with an assortment of flavours (sub categories such as Tikhalal and Kashmirilal)

The current outlook looks optimistic for the spice market in Bangalore. The industry caters to a mature clientele of consumers who desire Taste, Quality, Branding and Price reductions in the future. Taste and Quality are considered hygiene factors that every winning brand delivers. Competition is further intensified in terms of Branding and Price reduction. This is articulated in the performance Vs expectation figure 1 below:

Figure 1: Consumer, Environment Variables

A similar analysis on the Retailer side was also performed to identify key attributes, the plot that turned out, revealed the following:
In the *figure 2* below, the plot seems to be skewed towards the first and the fourth quadrant. This phenomenon can be explained by a Monopolistic behaviour in the Market where, Few dominant players would prioritise a differentiator and would reach higher levels of economies of scale in that aspects, while undermining the others, the industry target markets would be acclimated to this change since the best in Class Monopolists would not allow anyone to enter the industry unless with a competent enough Capital or Other Resource.

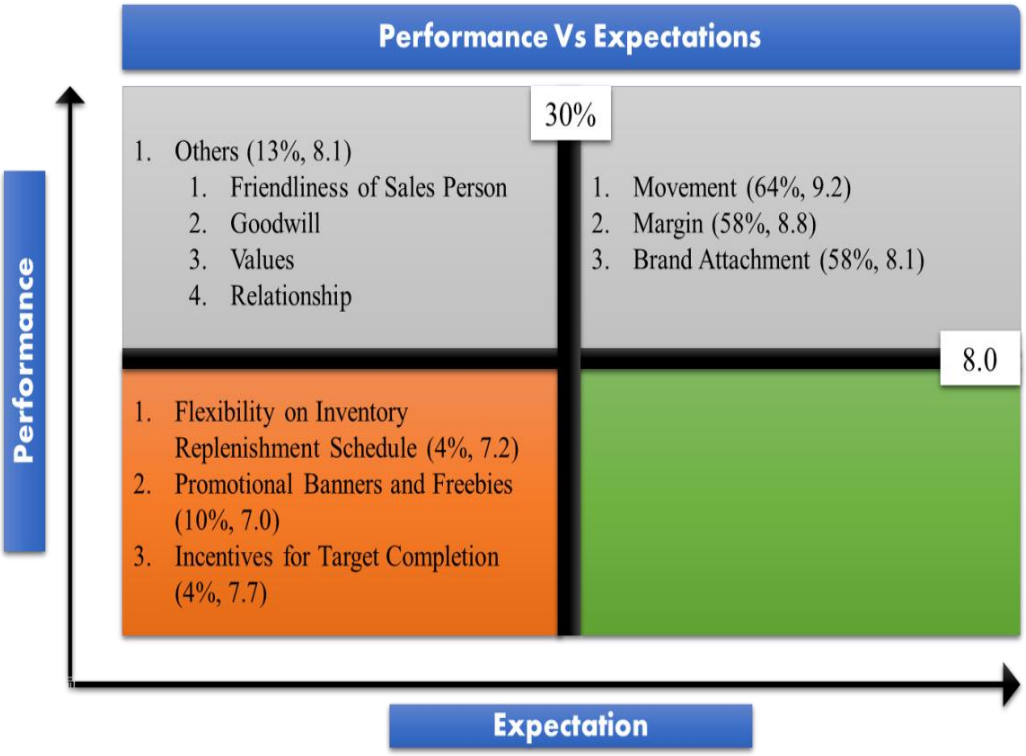


Figure 2: Retailer, Environment variables

Under the above mentioned condition, the Market would disrupt and all the factors that were out casted would be reviewed back into the hygiene attribute list and slowly further differentiation would make them key Attributes of the industry both in terms of Expectations and Performance.
Following the Trend that is set, Market leaders (MTR and Everest) have dominated the market with only two attributes, Margin and Movement. However, there seems to be adequate scope to overthrow the Competition by disrupting the market and reviewing lost attributes (from 4th quadrant to the 1st). The following attributes have the potential to be reviewed in order to challenge the two player competition: Promotional banners and Freebies, Incentives for Target Completion. Aachi and Sakthi turn out be disruptive in this regard and can work as a good strategy for aggressively placing the product in the market.

Current and Potential Rivals:

As stated above, the current dominant players are MTR foods and Everest Masalas holding consumer dearness of 28% and 18% respectively. They are each differentiated on Taste, Brand and Quality. Aachi and Sakthi although perceived to have low brand images, are prioritising Price attribute to cater to the consumers' interests. They have so far managed to extract a consumer dearness value of 15% and 11% respectively putting them at the top 3rd and 4th position respectively. It is important to note that these are consumer perceived values and might not accurately map back to the market realities. It is noteworthy that Aachi and Sakthi as Chilli powder brands are priced higher than MTR and Everest on MRP. Yet Consumers perceive that Aachi and Sakthi are cost effective.

Figure 3: Consumer Cut, Best in Class Companies

In the retail sector, Aachi has already overshot Everest Masala and has achieved a retailer dearness of 20% as compared to Everest and Sakthi which are narrowly losing out at 19 and 18% respectively. MTR still stands out as a clear winner among retailers with an intricate attachment of 29%.
Since Aachi is made available to the consumers (differentiated on availability according to consumer perspectives) by prioritising Incentives provision for retailers, It so appears that Aachi has been focusing on push more than pull since its brand is perceived to be underleveraged compared to the activities it has been embarking on the retailer side.

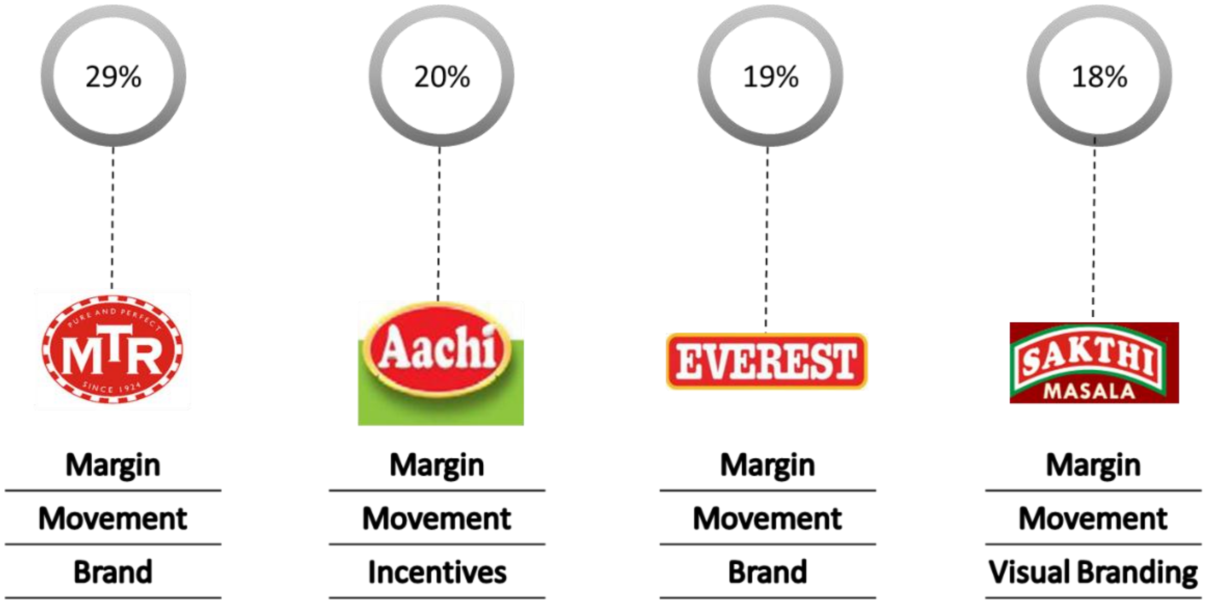


Figure 4: Retailer Cut, Best in Class Companies

Hence, MTR stands out as the Consumer's dearest Brand with more pull than push, Everest has been prioritising consumer pull while neglecting retailer margins which has cost its dearness among retailers.
Aachi is a *Retailer choice* Brand which is uniquely differentiated by incentivising the retailers.
Sakthi seems to have struck the delicate equilibrium in balancing consumer pull as well as retailer push. Sakthi might slowly but steadily gain market share and turn out to be a fierce competitor for other brands. It is differentiated in the retailer sector by being known for visual branding. The initiative involves providing retailers with promotional banners and posters to gain dearness among retailers.

Summary of Environmental Analysis:
Our survey revealed that the major attributes that conform with the consumers preferences when it comes to spice market are as follows:

1. Price
2. Taste
3. Purity (single taste throughout)
4. Quality (finely powdered and does not have sediments)
5. Durability (if it lasts long in a container without being spoilt)
6. Variety (different chilli powder such as Thikalal, Kasmirilal, etc.)
7. Packaging (handy to use and does not have leakage during storage)
8. Brand (TV advertisements, Banners and posters, pamphlets)
9. Container provided (whether the packaging is just a cover or a box that can be reused and refilled)
10. Samples given and freebies offered along with every purchase (regular samples given, bundling and other benefits offered for free)
11. Availability (always handy to purchase and is available in every retail store)

Among many attributes, the favourite set of attributes were identified as Taste, Quality, Brand attachment and Price. Price can be associated with the *value for money* attribute. Hence the consumer environments that drive competition are Taste and Quality. These are the must have messages in the marketing mix of a spice manufacturing company in Bangalore. The brand can be built around these attributes. Everest and MTR are leveraging Trust and Quality as their primary campaigning messages to obtain customer pull. However, there is an opportunity to use price as the third pillar of positioning strategy. To contrast this with the Retailer push, a similar set of attributes were prioritised for retailers. They are as follows:

1. Margin
2. Movement
3. Payment/credit cycle
4. Supply/stock Replenishment
5. Flexibility on Inventory Replenishment Schedule
6. Promotional banners and freebies
7. Incentives for Target Completion
8. Brand attachment
9. Others (Friendliness of salespeople, goodwill, values, relations, etc.)

Among the various retailer related attributes, Margin and Movement are the most important features that retailers look for. They serve as hygiene factors and key motivators for entering the Spice Retail Market. Other factors such as Promotion, Credit Cycle, and Incentives have largely been ignored by the supply chain. This dynamic however is subject to disruption as mentioned earlier. The pioneer brands that have embarked upon this endeavour are Aachi and Sakthi.

Target Market:
The Indian Spice market has an exuberant set of avid consumers. For the purpose of this survey, the following demographic variables were considered following standard *Segmentation, Targeting, Positioning* protocol in order to arrive at a segmentation strategy:

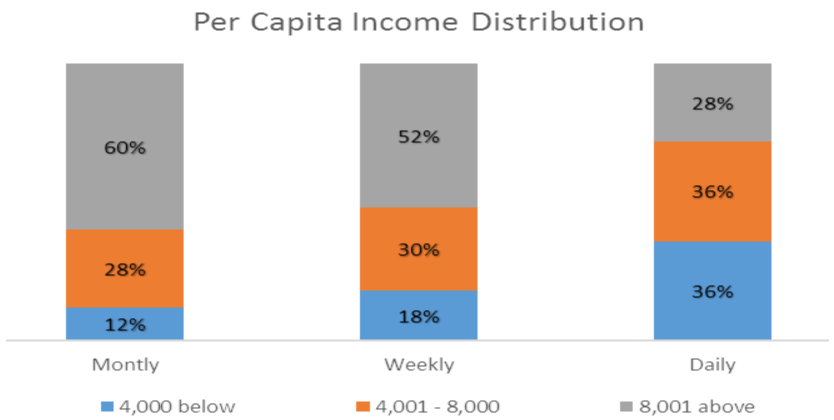
1. Number of people in the household. A household is a set/group of people living together sharing a common kitchen/pantry area.
2. The monthly income of the household/family
3. The purchase pattern of spice packet sizes in the household
4. Their loyalty towards Food and Beverage Brands.

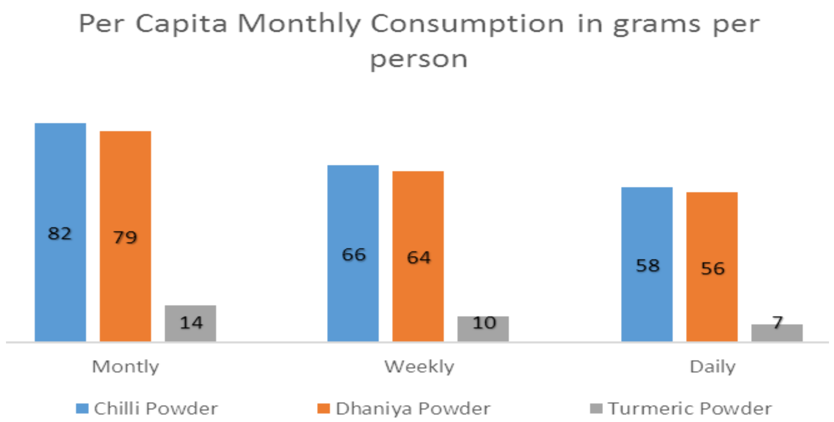
Theses variables were further normalized to arrive at a set of four specific indicators.

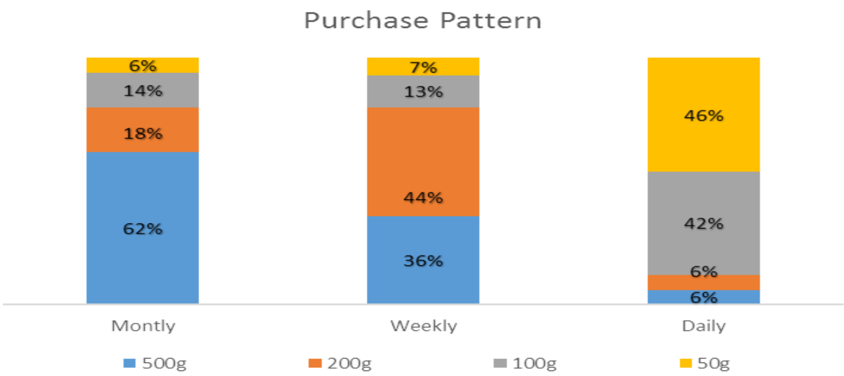
1. Per capita income Distribution (disposable income per person in the household / family)
2. Household purchase pattern (The sachet size they prefer to buy)
3. Per capita Monthly Consumption in grams per person (total consumption ÷ number of people in the house hold)

4. Loyalty scores measured on a three-point scale which is as follows:
   a. Extremely loyal
   b. Fairly Loyal
   c. Not Loyal

A quick cluster showed that there were three distinct consumer segments.
Monthly Buyers: characterized mainly by their purchase pattern, they prefer to buy 500g packets as opposed to smaller sachets available in market. Their per capita consumption is higher than other groups and they are very loyal to a brand. They tend to shop from organized retail and other retail chains.
Weekly Buyers: characterized by 200g sachets, they are less loyal compared to Monthly buyers on an average.
Daily Buyers: These group of people prefer to buy 50g and 100g sachets and their purchase brand mainly depends upon the availability of the brand rather than their personal preferences and emotions. They have a fairly lower per capita income distribution and are less directed towards spice consumption.
Their behaviour is summarized in the chart below.







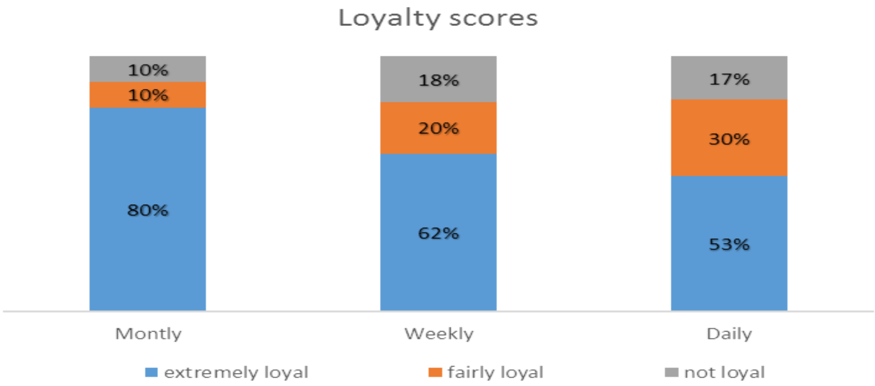


Figure 5: Consumer Demography

The positioning and marketing campaign can happen in phases where each phase focuses on disparate segments, but the brand has to be present in all the categories and sizes for a simple reason of driving awareness and acceptance .For this very reason, an *STP* like activity was performed among the retailers as well in order to identify the different caterers of spice at point of sale for end Consumers. For this, secondary data and information gathered through *FGD (Focussed group discussion)* was used. The information so gathered suggested that the consumers have two broad points of sale where FMCG shopping is predominantly done. Other channels sales are either Niche or negligible (other channels may involve personal selling or door to door selling) .

Description	Large Retail Chains	Independent Retailers
Activities performed in each Sector – The Key activities were performed for Independent Retailers as Organized Sector Could be Easily found in Syndicated Reports	Covered Shelf Space mapping. Retail Outlets such as Big Bazaar, Spar and D-Mart were visited and Shelf Space for Various Brands were mapped	A statistically significant base of Retailers were interviewed and data was collated to arrive at ***market insights***

Figure 6: Retailer Demography

Retailers are divided into Large retail chains and Independent retail chain of outlets (owned by small private owners), and the general provision stores colloquially called as mom and pop stores across the street.
The large chunk of fragmented but organized retailers/channels who are in the business would mainly be motivated by margin and movement. This dynamic is fast changing since brands such as Aachi and Sakthi are focusing on providing other benefits such as promotional gifts and incentives for target completion**.**

Marketing Strategy:

After considering the Market realities in terms of two key stakeholders – the Consumers and the Retailers – it can be inferred out that Aachi and Sakthi are bringing in disruptions in terms of retailer Push and are struggling to achieve Consumer Acceptance and brand salience. MTR and Everest are overleveraged brands that have built themselves a large but niche customer base. However relying upon Consumer Pull could be punishing, considering the current capex requirements to take on giants such as MTR and Everest. However, if not immediately at least gradually, customer pull should come up to be one of the *key focus areas* in order to build a sustainable business model for the brand. It is evident that Aachi and Sakthi is retailer friendly and would soon intimidate larger brands among fragmented retail sector. Brand building is a holistic task which requires both retailer push and consumer push, retailer push should be prioritised and effective consumer pull has to be strategized keeping a tab on the *cost* and *return on investment*.
Although Aachi and Sakthi has dominated the fragmented branded organized retail sector and a bit of

unorganised retail, their presence is still not effectively well felt in the organized corporate retail sector (organized corporate retailers are Big Bazaars and Reliance Fresh outlets that operate in corporate retail chains) where Catch, Aashirvad and Golden Harvest compete for shelf space. Venturing into Organized retail would be punishing in the initial phase as the Margin extracts and distribution would not be cost effective. It is advisable to keep in abeyance foray into organised retail till a fair amount of economies of scale is reached in alternate channel.

Marketing strategies are broadly divided into above the line and below the line activities. Above the line activities in this industry are broadly classified under banner advertisements, media advertisements and Building brand equity index. Below the line activities are detailed under complementary strategies. They mainly focus on building an awareness base using unorthodox and innovative programs that are cost effective.

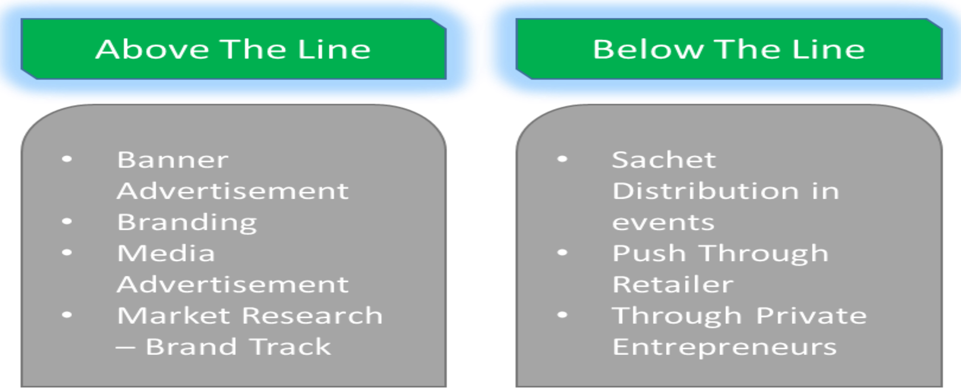


Figure 7: Marketing Strategies

2.6 PRODUCT DESIGN STRATEGY

The survey also revealed the different product categories both by type and SKU size that were available in the market. A consumer and retailer dearness survey identified the top four moving categories and SKU sizes in each category.

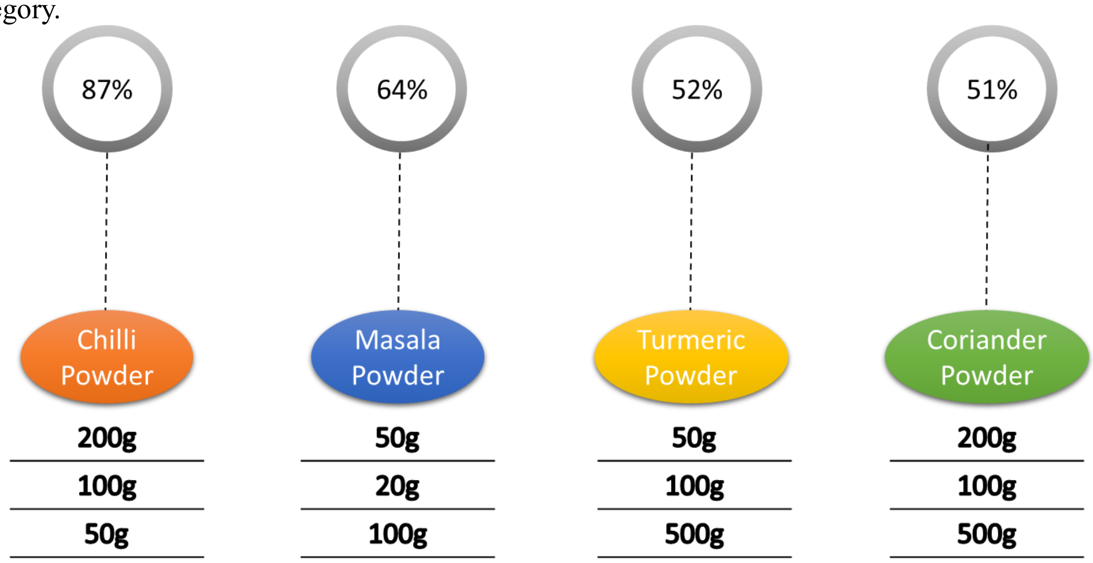


Figure 8: Consumer Best in Class Categories

Both the consumers and the retailers quote that chilli powder is the most favourite product that is consumed / sold. With a base of 87% dearness and 62% dearness among the consumers and retailers respectively, chilli powder is the most favourite spice product category sold. The major SKU sizes are 200g, 100g and 50g. This category represents the face of a spice brand and hence every spice manufacturer is supposed to be present in all these SKU sizes in order to be profitable.

This category is immediately followed by Masala powders that are rapidly and consistently changing from occasional consumption to daily consumption. A spice manufacturer company might be heavily profitable by mere presence in this product segment since 64% consumers show dearness to the category and there is far less competition as compared to Chilli or other powders. These categories are distantly followed by Turmeric and Coriander Powder.

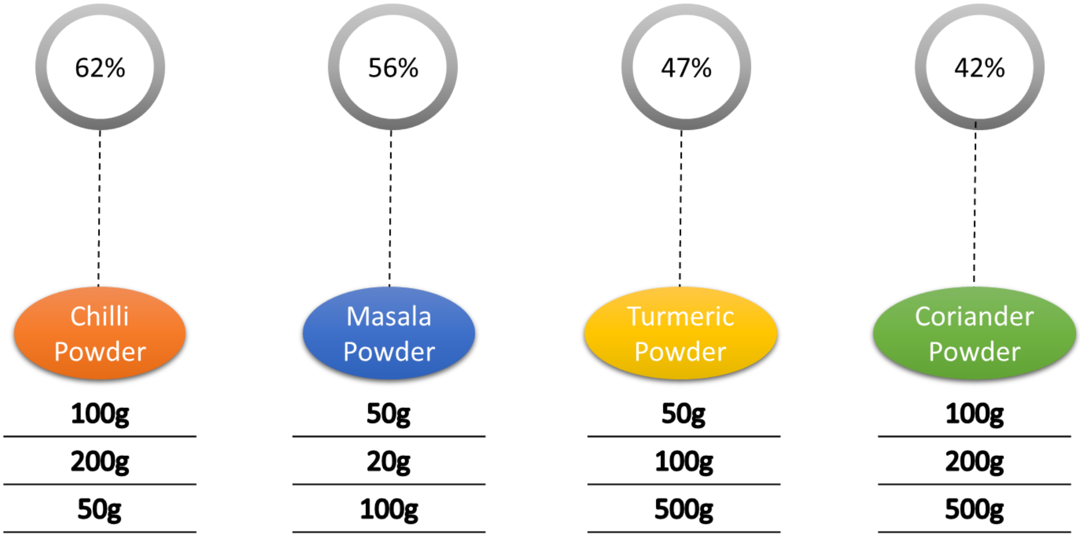


Figure 9: Retailer, Best in Class Categories

Pricing Strategy:

Pricing in this industry has predominantly been dictated by the distribution channels. Below is a table of Margin numbers that is expected to be given to an average supply chain entity at different phases. The distributor expects a 20% margin on top of MRP which would then be absolutely distributed among his retailer pool and himself. Retailers get anywhere between 8-12% depending upon the distributor associated with him. However, 10% is the standard among all the predominant brands. Retailers also get a discount and a scheme margin on the Price sold at point of sale. Retailer Perceives a higher overall margin just by the process of simple addition, however the relative margins are calculated on top of one another and the actual margin that the retailer gets is less.
As it can be observed, MTR and Everest have been providing lower MRP and lower scheme and discount margins as compared to Aachi and Sakthi. This gives the retailer a greater absolute margin in terms of INR for Aachi and Sakthi as compared to MTR and Everest. Hence, it becomes the retailer's choice by default. Apart from obtaining a significant margin in terms of Absolute INR, retailers let go of some money while selling it to the consumers as well, this creates a perception among consumers that the brand provides cost effective products. This is complimented by relative price decrease as the SKU size increases that makes the brand attractive at an overall level for those consumers who are not particular about their brands.

Brand	Distributor Margin (Abs)	Retailer Margin (Abs)	Retailer Scheme (Relative)	Additional Discount (Relative)	Perceived Margin by Retailer
Aachi	**20%	*10%	10% - 15%	5% - 10%	35%
MTR	**20%	*10%	10%	3% - 6%	25%
Sakthi	**20%	*10%	10% - 15%	5% - 10%	35%
Everest	**20%	*10%	10%	2% - 3%	22%

Figure 10: Margin Split

Focusing on the Chilli Powder Category, the 50g would sell for an average of 18/- and the manufacturer would get a margin of 11.65/- within which, he would cover his *Cost of Goods Sold.* This includes Manufacturing, raw material sourcing, warehousing and packaging. This calculation can be repeated for all SKU sizes and all categories. Similar numbers for 100g, 200g and 500g are 35/-, 22.35/- for 100g, 67/-, 43.85/- for 200g and 163.25/-, 105.625/- for 500g respectively.

Brands	MRP (50g)	Retailer Profit
Everest	17/-	4.1/-
Sakthi	19/-	4.8/-
MTR	17/-	3.8/-
Aachi	19/-	5.5/-

Brands	MRP (100g)	Retailer Profit
Everest	32/-	7.7/-
Sakthi	37/-	9.3/-
MTR	32/-	7.1/-
Aachi	37/-	10.7/-

Brands	MRP (200g)	Retailer Profit
Everest	64/-	15.4/-
Sakthi	73/-	18.4/-
MTR	60/-	13.4/-
Aachi	74/-	21.3/-

Brands	MRP (500g)	Retailer Profit
Everest	150/-	36.1/-
Sakthi	180/-	45.4/-
MTR	145/-	32.4/-
Aachi	178/-	51.3/-

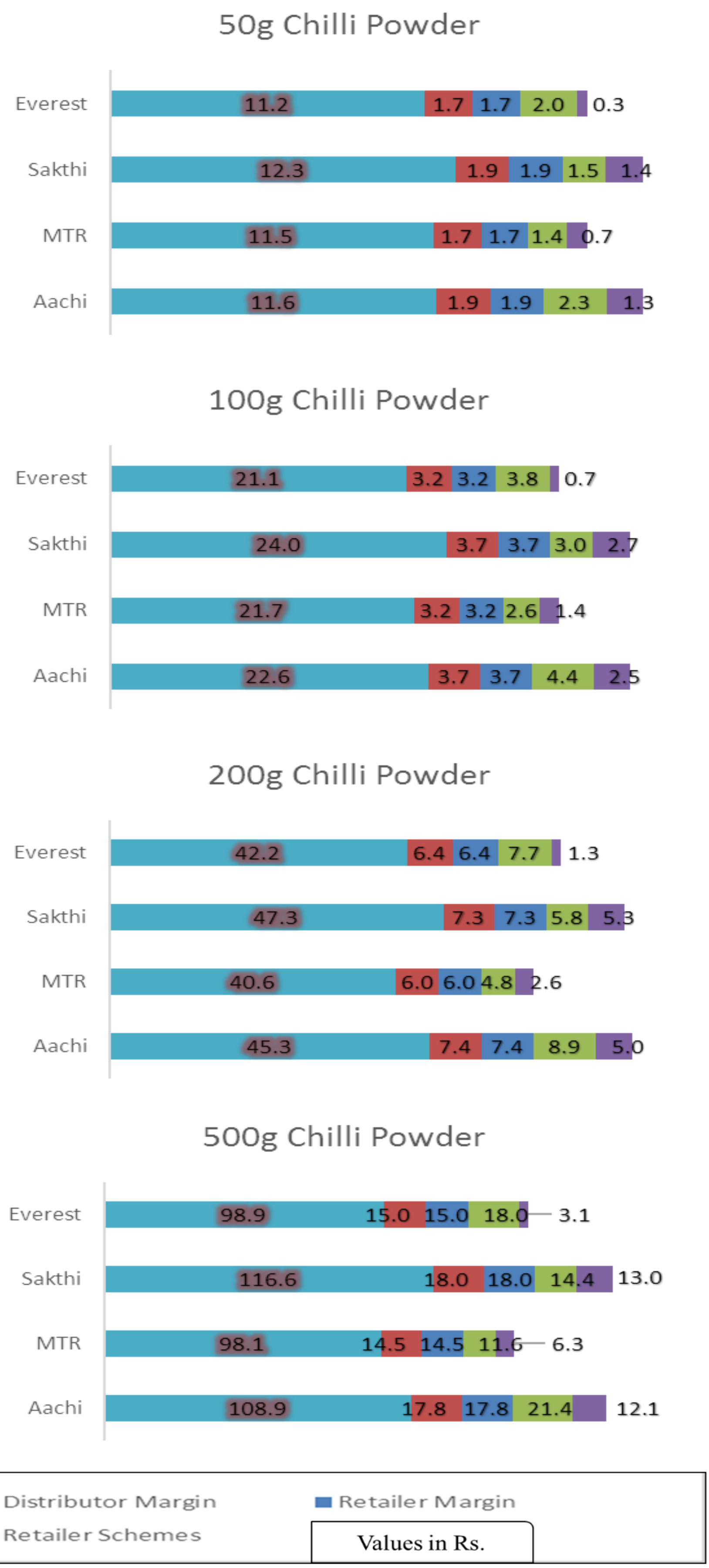


Figure 11: Absolute Margins, Chilli Powder

Brands	MRP (50g)	Retailer Profit
Everest	15/-	3.6/-
Sakthi	17/-	4.3/-
MTR	17/-	3.8/-
Aachi	14/-	4.0/-

Brands	MRP (100g)	Retailer Profit
Everest	26/-	6.3/-
Sakthi	32/-	8.1/-
MTR	32/-	7.1/-
Aachi	25/-	7.2/-

Brands	MRP (200g)	Retailer Profit
Everest	52/-	12.5/-
Sakthi	64/-	16.1/-
MTR	60/-	13.4/-
Aachi	49/-	14.1/-

Brands	MRP (500g)	Retailer Profit
Everest	120/-	28.8/-
Sakthi	132/-	33.3/-
MTR	145/-	32.4/-
Aachi	120/-	34.6/-

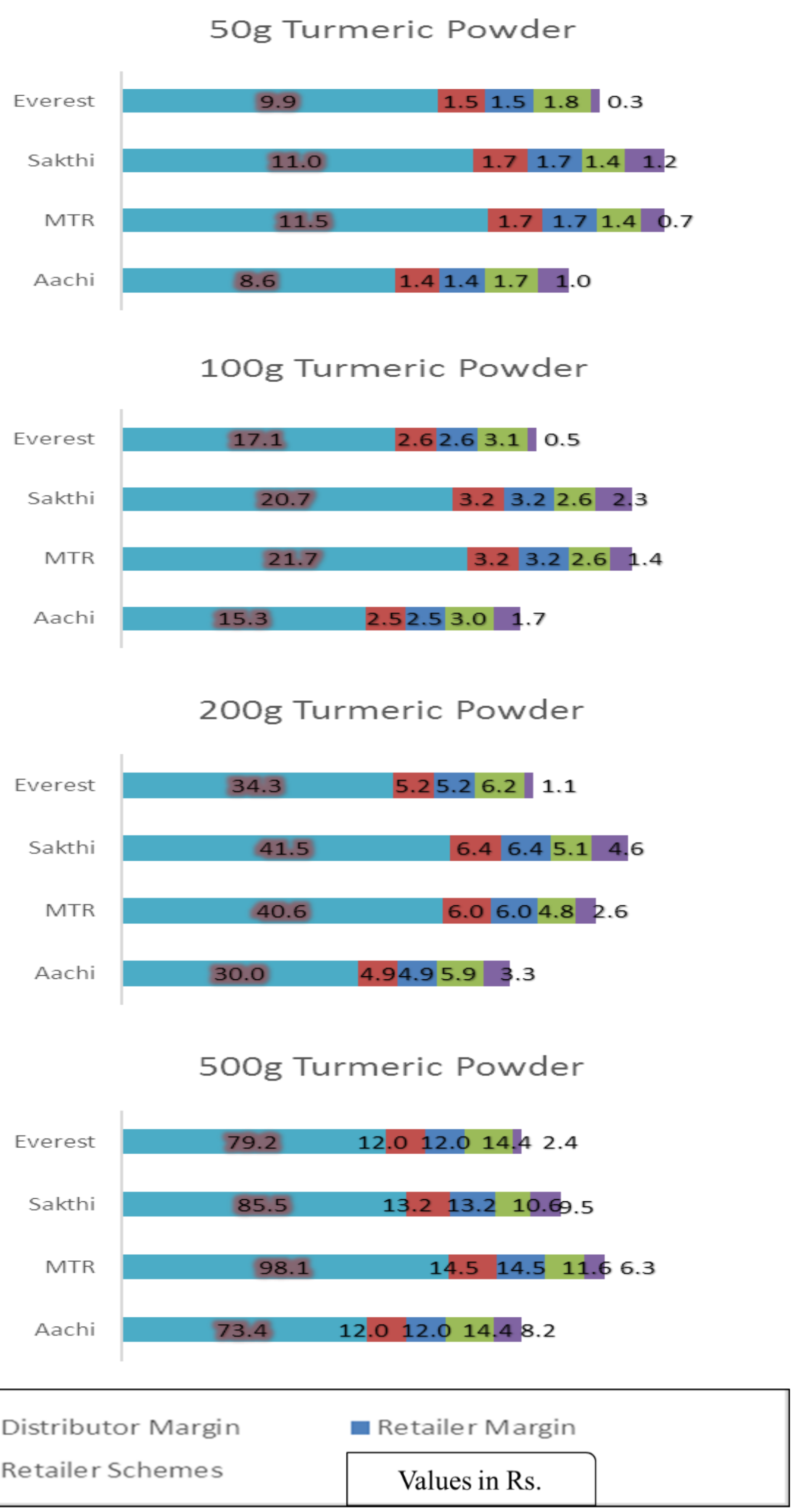
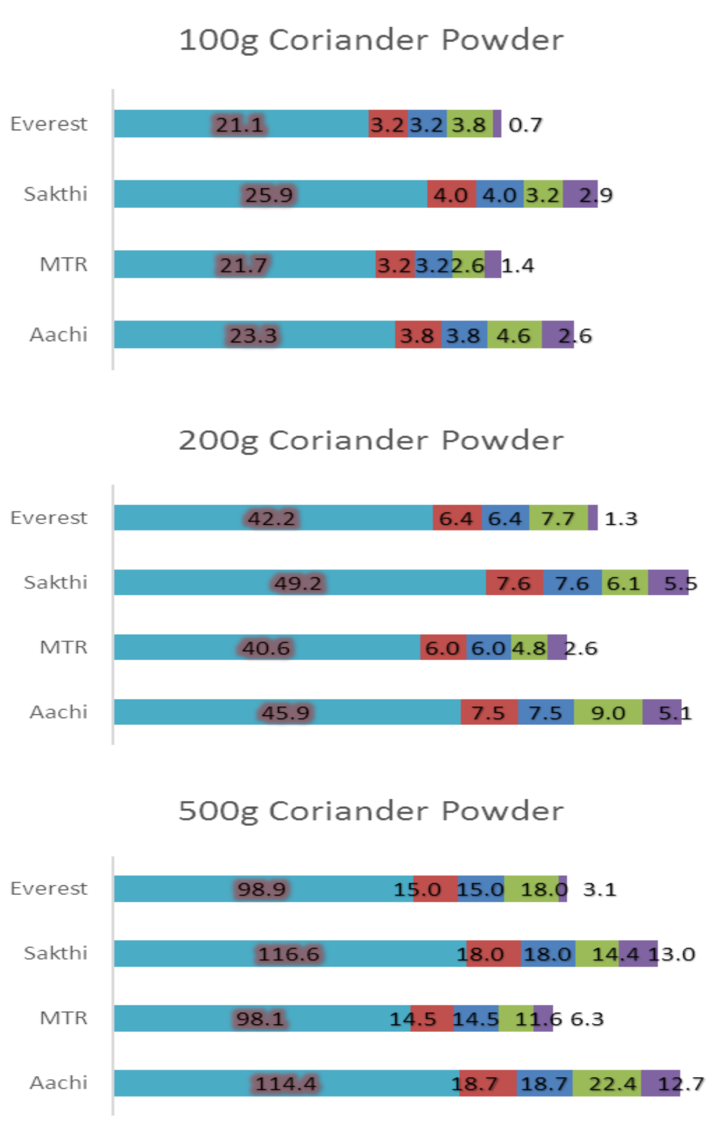


Figure 12: Absolute Margins, Turmeric Powder

The above found chilli powder calculations can be extrapolated for Turmeric Powder as well. Coriander has similar numbers and hence is omitted from calculation.

1. 50g – 15.75/-, 10.25/-
2. 100g – 27.75/-, 18.7/-
3. 200g – 56.25/-, 36.6/-
4. 500g – 129.25/-, 84.05/-

Brands	MRP (100g)	Retailer Profit
Everest	32/-	7.7/-
Sakthi	40/-	10.1/-
MTR	32/-	7.1/-
Aachi	38/-	10.9/-
Brands	**MRP (200g)**	**Retailer Profit**
Everest	64/-	15.4/-
Sakthi	76/-	19.2/-
MTR	60/-	13.4/-
Aachi	75/-	21.6/-
Brands	**MRP (500g)**	**Retailer Profit**
Everest	150/-	36.1/-
Sakthi	180/-	45.4/-
MTR	145/-	32.4/-
Aachi	187/-	53.9/-



Manufacturer Selling Price ■ Distributor Margin ■ Retailer Margin ■ Retailer Discount ■ Retailer Schemes

Values in Rs.

**Coriander is not available in 50g

Figure 13: Absolute Margins, Coriander Powder

Promotional Strategy:

The following diagram throws some light on how to build a strong customer base. This is a long term perspective that needs to be kick started right now in at least in a small scale in order to make the presence be felt.

The construction of Brand Equity index comprises of building an awareness pool, converting them into considerers of the brand and then turning them into recommenders and finally making them loyal to the brand.

To build awareness, a brand needs to pour some healthy investment into advertisement. A word of mouth advertisement would re-establish brand recall and would keep the name often spoken among consumers.

As awareness increases, the advertisement campaign has to evolve and choose a key message that gets propagated and turns consumers who are aware into those who can consider buying the brand since they can associate with it.

After this the brand only needs to maintain hygiene factors and ensure that it delivers what the consumers demand thereby making them loyal to the brand.

The easiest form of advertisement is visual branding in the retail stores by providing them with freebies and boards that spell out the brand along with the name of the retail store.

Advertisement is a costly business. however, air space in regional channels can be obtained to something as cheap as 800/- for 30 seconds. If the brand does not cross a boundary of a state any time soon, this model could be very beneficial as compared to advertising in a national channel for a wholesome 8000/- for similar air time. This can also be complemented with some below the line activities and programs.

Figure 14: Brand Funnel (BEI)

Distribution Strategy:

An overview of a hybrid distribution model that is predominant in the Spice Industry is outlined here. It is evident that the distributor has a single warehouse that has plenty of shelf space still left sub-optimally utilized. This space can be used to cater to a non-seasonal secondary product into the retailer market for a stable secondary margin that will offset the unambiguous variation in the Primary Product segment. However, the distribution and logistics for these products irrespective of whether the distribution cycle matches or not, will always remain disparate and non-overlapping.

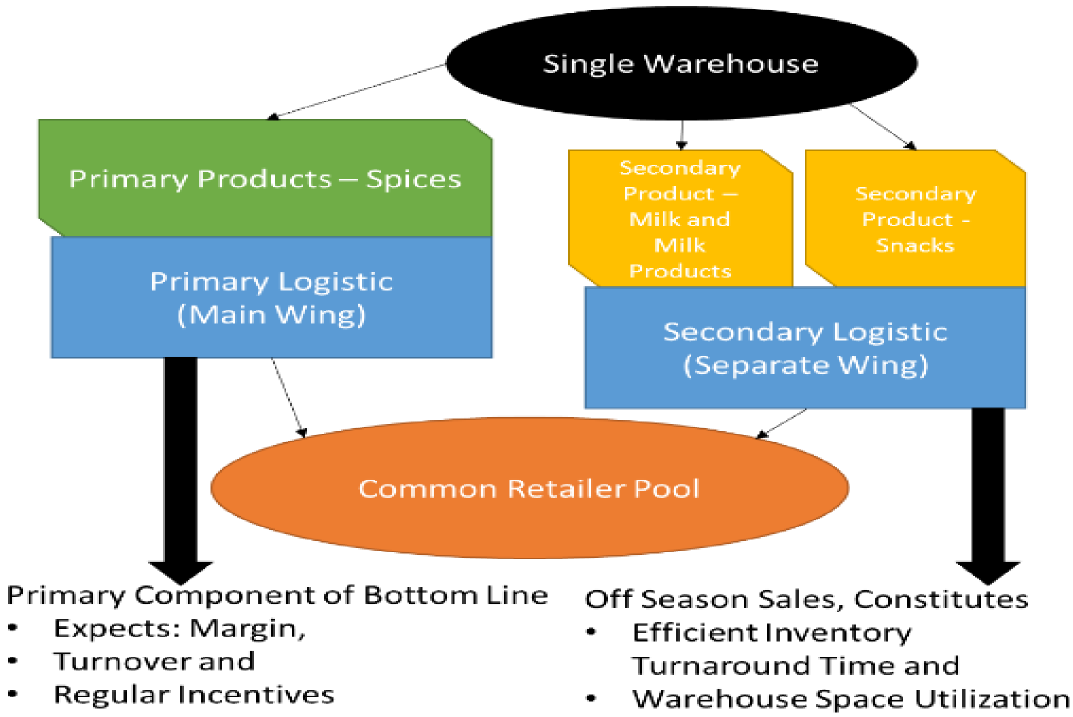


Figure 15: Hybrid Distribution

Warranty, Packaging and Other Marketing Strategies:

Packaging and Warranty are among the chief ways of differentiating the product. The packaging message should always be in line with the advertising message adopted by the promotion campaign.

Other marketing strategies also include some effort towards retailer Push. Apart from mirroring Pioneer brands, retailers expect discount for offering shelf space in excessive amount. The distributors also expect some incentives. Basically the entire supply chain can be kept motivated by incentivising target completion. Retailer

Promotional should be mapped back to the margins that are forgone, this can be made possible only by considering the Financials and working towards improving the Breakeven time and ROI. As for the distributors, below table summarizes the Distributor requirements.

Attribute Expectations	Attribute Values	Trade-off Attribute
Margin	10% - 12%	Coverage – Limited Geography
Turnover	15L – 20L per month	No. of Retailer Base
Catchment	Retailer Orders to meet Turnover Requirement	Extension in Payment Cycle
Promotional Activity	About 4% on top of Margin	Low Motivation and Under-prioritisation of the Brand – Leads to Brand Cannibalization

Figure 16: Distributor Expectations

QUESTIONS:

1. Based on the study which puts the market size of Bangalore market at 200 crores for branded spice, recommend aspirational market share for launching the spice rush range of products and justify the rationale.
2. Based on different consumer profile recommend the target consumer segment and justify your choice.
3. Considering the various distribution channels and stake holders elucidate the pricing strategy for each category and SKU suggest appropriate distribution model and channel mix. Examine end to end value chain based on the margin calculations as shown in the pricing
4. Construct sales forecast model using aspirational market share as base and splitting the same into different categories and SKUS that spice rush wishes to include under their product portfolio. Each category has to be looked at from manufacturing cost and return over each sachet at the end distribution. Make appropriate assumptions. Recommend few promotional activities.
5. Brand is central to long term strategy. Do you agree? Please elucidate advertisement and media strategy considering Short term and long term plan.

REFERENCES:

Since the case study was built on primary data and information collected either from the company or by the author, all sources are original.
