

MARKETING STRATEGY BY A MARKET LEADER

PARLE-G

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ABSTRACT: The present study deals with strategy adopted by Parle Products Pvt. Ltd. to achieve the present market position of its premier product Parle-G. We have also tried to find out flaws in the marketing strategy and have suggested remedial measures. A comparative account of the strategy adopted by Parle products and its principal competitors has been presented.

The paper attempts to answer the following research questions:

1. To study and analyze the strategies adopted by Parle-G.
2. To study and analyze the strategies adopted by competitors of Parle-G.
3. To match the present strategy adopted by Parle-G practiced vis-à-vis the prospective strategy.

INTRODUCTION

“Strategy” a magic word basically borrowed from Army, it connotes the future course of action. There are many standard definitions given by various writers, According to “Igor Ansoff” (1960) it is a process of moving from where are you to where you want to be in future¹, this definition is further refined & enriched by Michael. E. Porter² (1985) he defined that “Strategy is a process of moving from where you are to where you want to be in future through “*sustainable Competitive Advantage*”. This new added term was given by “Kenichi Ohmae”³ in 1982 he defined as a process of delivering superior value advantage to the target customers in to the competitors. The recent definition was given by Henry Mintzberg. Henry Mintzberg, in his book⁴, points out that people use “strategy” in several different ways, the most common being these four:

1. Strategy is a plan, a ‘how’, a means of getting from here to there

¹ Ansoff, H.I., *Corporate Strategy*, (Tata McGraw, New Delhi, 2003)

² Michael. E. Porter, *Competitive Strategy, Competitive Strategy*, (The Free Press, New York, 1999)

³ Ohmae Kenichi, *The Mind of the Strategist*, (McGraw Hill, 1982)

⁴ Mintzberg Henry, *The Rise and Fall of Strategic Planning*, (Prentice-Hall Intl, 1994)

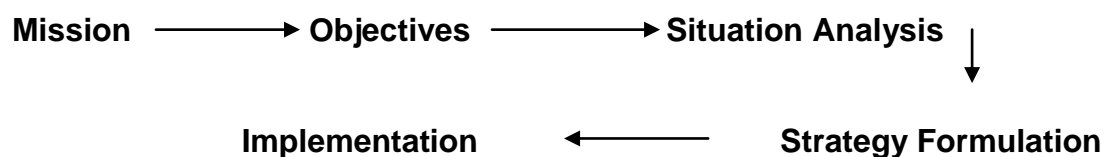
2. Strategy is a pattern in actions over time; for example, a company that regularly markets very expensive products is using a 'high end' strategy.
3. Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets.
4. Strategy is perspective, that is, vision and direction.

“Strategic management can also be defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objective. By strategy managers mean their large scale future oriented plans for interacting with the competitive environment to achieve company’s objective.”⁵

“As any commercial enterprise is essentially market oriented, marketing strategy has a pivotal role in the corporate strategy. The crux of the marketing strategy is the marketing mix strategy i.e. the strategy decisions in respect of product, price, promotion and place. It also encompasses decisions such as the market coverage strategy.”⁶

THE STRATEGIC PLANNING PROCESS

It’s basically a five Phase process which are:



CORPORATE PROFILE (PARLE-G)

‘Mithas Mazzedar Namkeen lazzadar’⁷

⁵ Pearce A John & Robinson B. Richard, *Strategic Management: Formulation, Implementation and Control*, (Tata McGraw Hill, New Delhi, 2005)

⁶ Francis Cherunilam, *Strategic Management - A book on business policy / Corporate Planning*, (Himalaya Publishing House, 2005)

⁷ <<http://www.parleproducts.com/parle-g.html>> last visited on 1st March 2005

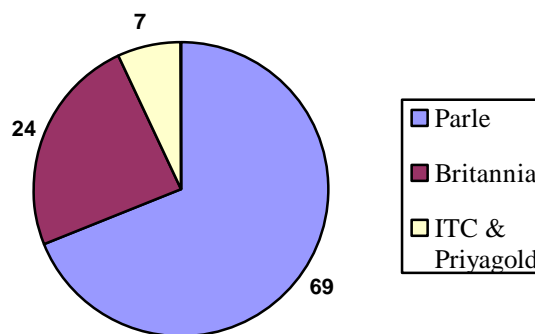
In 1929 Parle was established to manufacture sweets and toffees. That time the market was dominated by famous international brands that were imported freely. Despite the odds and unequal competition, this company called Parle Products, survived and succeeded, by adhering to *high quality* and improvising from time to time.

A decade later, in 1939, Parle Products began manufacturing biscuits, in addition to sweets and toffees. Parle Glucose and Parle Monaco were the first brands of biscuits to be introduced, which later went on to become leading names for great taste and quality.

Today, Parle enjoys a 40% share of the total biscuit market and a 15% share of the total confectionary market, in India. The Parle Biscuit brands, such as, Parle-G, Monaco and Krackjack and confectionery brands, such as, Melody, Poppins, Mangobite and Kismi, enjoy a strong imagery and appeal amongst consumers.

The glucose biscuits category in India is estimated at Rs 1,500 crore. Parle G contributes more than 50 per cent to the company's total turnover.

When it comes to the market of Glucose biscuits there are four names in the market i.e. *Parle-G* by Parle, *Sunfeast* by ITC, *Tiger* by Britannia, *Glucose biscuits* by Priyagold.



In the glucose biscuit market the Parle alone enjoys 69% of the market share with a very little of 24% market share by Britannia and with as little as 7% of market share enjoyed by ITC and Priyagold, together.⁸

Parle name symbolizes quality, health and great taste !

Parle-G has been a strong household name across India. Parle-G is the world's largest selling brand of biscuits. By 1949, Parle-G biscuits were available not just in Mumbai but also across

⁸ <<http://www.agencyfaqs.com/news/stories/2003/12/02/7770.html>> last visited on March 2, 2005

the state of Maharashtra. It was also sold in parts of North India. By the early 50s, over 150 tonnes of biscuits were produced in the Mumbai factory. Looking at the success of Parle-G, a lot of other brands were introduced in the market with names similar to Parle Gluco Biscuits so that consumer would err in picking the brand. This, forced Parle to change the name from Parle Gluco Biscuits to Parle-G.

Parle-G was the only biscuit brand that was perennially in short supply. In the year 1997, Parle-G sponsored the tele-serial of the Indian superhero, 'Shaktimaan'. In the year 2002, it was decided to bring the brand closer to the child who is a major consumer. To make the brand much more interesting and exciting with children, it was decided to launch a premium version of Parle-G called Parle-G Magix in the year 2002.⁹

Parle-G continues to climb the stairs of success. Let us, take a look at the global market where it is being exported. First came the Middle East then USA followed by Africa and then Australia. Apart from being the world's largest selling biscuit, Parle - G is the winner of 8 Gold and 11 Silver awards at the Monde Selection Awards the global standard for quality in Food category.¹⁰

Parle has four manufacturing plants located in following places:

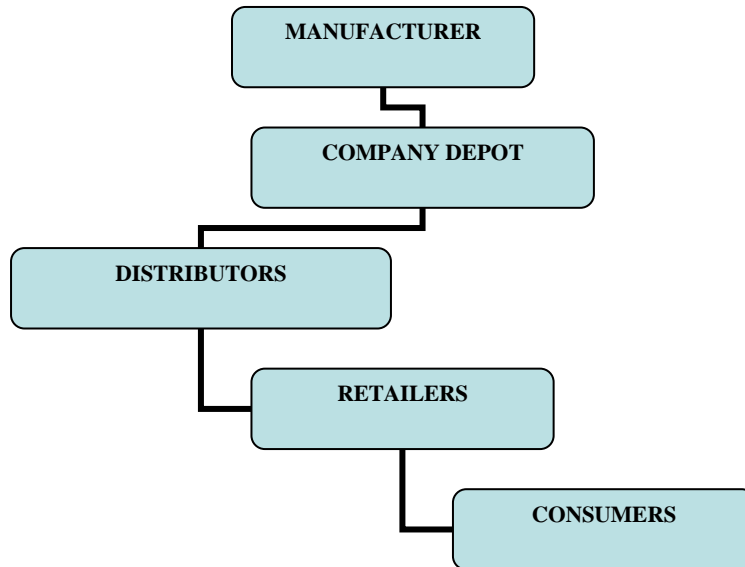
1. Maharashtra,
2. Rajasthan,
3. Haryana, and
4. Karnataka.

Parle-G covers the large market tapped by it in the following chain. The goods are manufactured at Maharashtra, Rajasthan, Haryana, and Karnataka and then sent to the Depots which are owned by the company to have certain tax benefits (a State generally has 1 or 2 depots depending upon the requirement), from these depots the goods are sent to Distributors (distributors are fixed division wise e.g. Jodhpur division has four distributors), the retailers or the counters as the distributors common in their parlance have no count who so ever wants to take the goods and sell them can do so with requisite permission of the required company

⁹ <<http://www.parleproducts.com/parle-g-history.html>> last visited on March 2, 2005

¹⁰ *Ibid*

personnel and from these counters the goods reach the end place i.e. the consumers for consumption.



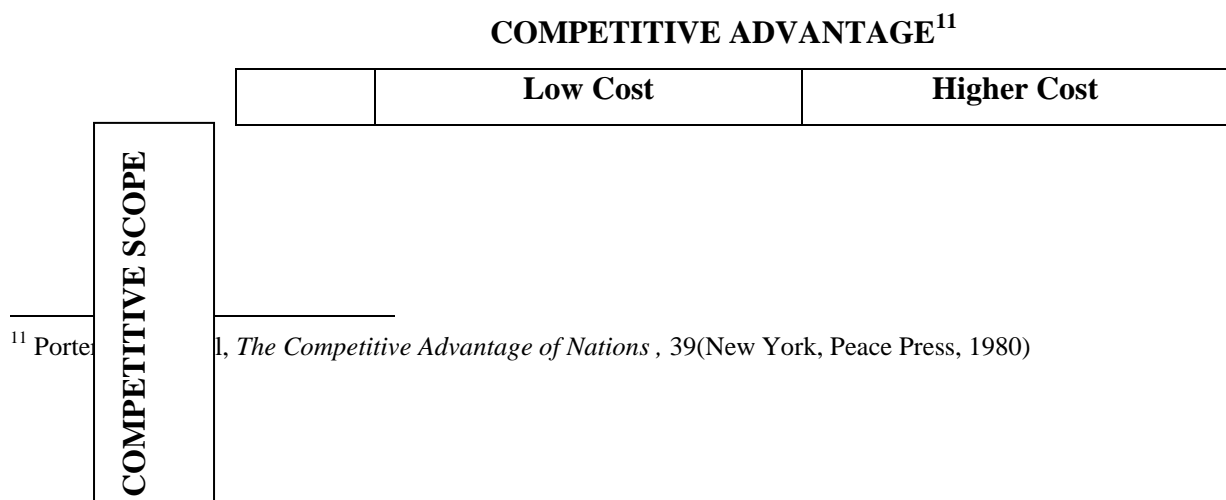
In Rajasthan Parle has a depot at Ajmer. Each distributor has specified area of the division where it has to supply goods.

STRATEGIES ADOPTED FOR PARLE-G

Parle-G is the market leader as it has more than 65% of the market share under its control and thus follows the following strategies.

1. MICHAEL E. PORTER’S GENERIC STRATEGY

The generic strategies outline the three main strategic options open to organization that wish to achieve a sustainable competitive advantage.



Broad	Overall Cost Leadership	Differentiation
Narrow	Cost Focus	Differentiation Focus

PORTER'S GENERIC STRATEGIES

The generic strategies are: *1. Overall Cost leadership, 2. Differentiation, and 3. Focus.*

Only Overall cost leadership has been taken into consideration as the other two strategies are not applicable to Parle-G.

1. Overall Cost Leadership

Parle-G follows adopts overall cost leadership, it sets out to become the lowest cost producer in its industry. Parle-G has a cost advantage over others and its product as compared to others is priced very competitively with a broad competitive scope which is varied. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors.

Parle-G also due to the factors mentioned below adopts the Generic Overall Cost leadership strategy which gives it a large share in the market;

- process engineering skills
- sustained access to inexpensive capital
- close supervision of labour
- tight cost control
- incentives based on quantitative targets i.e. *Parle goes with a target of increase in sales by 20% every year as compared with the previous year.*

2. ANSOFF'S MATRIX

This marketing tool is used by marketers who have objectives for growth or expansion.

ANSOFF'S PRODUCT/MARKET MATRIX

Product \ Market	Present	New
Present	Market Penetration	Product Development
New	Market Development	Diversification

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Parle-G heads only for more and more expansion of the market thus three essential features for it are;

1. *New Users*: Among the three only way which is and can be adopted by Parle-G is targeting new users or consumers and tapping the untapped market.
2. *New Uses* (not applicable)
3. *More Usage* (not applicable)

Parle-G follows all the suggested strategies by Ansoff's Matrix except the Diversification strategy for its expansion in the market.

1. Market Penetration:

Parle-G markets its existing products to its existing customers. This means increasing its revenue by, promoting the product, repositioning the brand, and so on.

2. Market Development:

Parle-G markets its existing product range in a new market. This means that the product remains the same, but it is marketed to a new segment. Marketing the product in a new region, are examples of market development. North and West India alone account for more than 75% of the market share of Parle-G and hence now Parle-G is targeting and heading for capturing the South Indian market.¹³

¹² <<http://www.quickmba.com/strategy/matrix/ansoff/>> last visited on March 1, 2005

¹³ As per *Private Communication with the distributor in Jodhpur, Rajasthan*

3. Product Development:

'Premium Cookies' is a new product to be marketed to existing customers of Parle-G. Parle-G has developed and innovated new product. This often happens with the auto markets where existing models are updated or replaced and then marketed to existing customers.

3. MARKET LEADER STRATEGIES:

As such Parle-G doesn't follow any market leader strategy as all are defensive in nature and Parle-G being the market leader only heads for capturing more and more market share and doesn't believe in defending the existing market. But, to certain extent the market leader strategy adopted by Parle-G is that of Mobile defense.

Mobile defense: The rationale behind this manoeuvre is to cover new territories that might serve as focal points both for future offence and defense. The intention is to develop a degree of strategic depth enabling a firm not just to fight off an attacker but to retaliate. Raleigh is a good example of Mobile defense. It redefined its business by realizing that the leisure and health market was the future territory to market. In *Mobile Defence*, the marketer depends aggressively on their own territory more than the leader does. Here the, leader stretches its area of operations over many new territories so as to serve for the future. It usually does through market broadening and market diversification.¹⁴

Parle-G of its total market share in India has 75% of it from the Northern and Western India, therefore now its tapping the new untapped markets of South and East India and thus new territories are formed which could serve as focal points for offence and defense in future.

4. MARKETING WARFARE:

Amongst the marketing warfare strategies Parle-G follows the Defensive Strategy.

i. A defensive strategy is appropriate for the market leader. Ries and Trout outline three basic principles of defensive marketing warfare:¹⁵

- a. **Defensive strategies should only be pursued by the market leader.** It is self-defeating for a firm to pretend that it is the market leader for the purpose of strategy selection. The market leader is a firm which has attained that position in the mind of the consumer.

¹⁴ <<http://72.14.203.104/search?q=cache:fl6gmWVJmNwJ:www.rcw.raiuiversity.edu/management/mba/brand-manag/lecture-notes/lecture-12.pdf+%22market+leader+strategies%22+mobile&hl=en>> last visited on March 1, 2005

¹⁵ <<http://www.quickmba.com/marketing/ries-trout/marketing-warfare/>> last visited on March 1, 2005

- b. **Attacking yourself is the best defensive strategy.** Introducing products better than your existing ones preempts similar moves by the competition. Even if the new product has fewer profit margins and may reduce short-term profit, it accomplishes the more important long-term goal of protecting the firm's market share.
- c. **The leader always should block strong offensive moves made by competitors.** If the leader fails to do so, the competitor may become entrenched and permanently maintain market share.

The above characteristics befit condition of Parle-G exactly in the market and thus it follows the defensive strategy of the Marketing Warfare.

5. BRAND EXTENSION STRATEGY:

The Parle-G also follows the Brand extension strategy wherein it is coming up with *Parle-G 'atta'* against its existing competitors in this field like the Pillsbury which prices its product Pillsbury *Punjabi 'atta'* Rs. 175 per 10 k.g. The product very well uses its brand value such that it also gets an upper hand in the new market as in the glucose biscuit market.¹⁶

STRATEGIES ADOPTED BY COMPETITORS

The major competitors who have been identified for Parle-G are as follows:

1. *Tiger* by Britannia.
2. *Sunfeast* by ITC.
3. *Glucose biscuits* by Priyagold.

Amongst these as such no product is able to give head on competition to Parle-G, even then the strategies adopted by Britannia are similar in nature as that of market challenger strategy and the strategies adopted by Sunfeast and Biscuits from Priyagold are that of market follower in nature.

The market challenger's strategic objective is to gain market share and to become the leader eventually,

How?¹⁷

¹⁶ As per *Private Communication with the retail shop owner in Jodhpur, Rajasthan see also* <http://www.domain-b.com/marketing/general/2004/20041202_marketing_review.html> last visited on March 1, 2005, the prices for Parle-G 'atta' are not yet decided but they plan to price it in competition with its competitors.

¹⁷ *Ibid*

- By attacking the market leader
- By attacking other firms of the same size
- By attacking smaller firms

Types of Attack Strategies¹⁸

- Frontal attack
- Flank attack
- Encirclement attack
- Bypass attack
- Guerrilla attack

The strategy adopted by Tiger is that of Encirclement attack wherein;

- The enemy is attacked at many fronts at the same time;
- Ideal for challenger having superior resources.

Since, Britannia is an old firm and doesn't lack resources and hence it adopts the said strategy and tries and attacks the market leader at several fronts.

Each follower tries to bring distinctive advantages to its target market.

Four broad Follower strategies:

- Counterfeiter (which is illegal)
- Cloner e.g. the IBM PC clones
- Imitator e.g. car manufacturers imitate the style of one another
- Adapter e.g. many Japanese firms are excellent adapters initially before developing into challengers and eventually leaders.

Sunfeast and *Glucose biscuits* by Priyagold are followers of the market and follow Market Nicher Strategy where smaller firms can avoid larger firms by targeting smaller markets or niches that are of little or no interest to the larger firms.

Sunfeast aims and targets only children; and

Glucose biscuits by Priyagold target and aim at lower segment of biscuit consumption market.

FIELD STUDY (ANALYSIS)

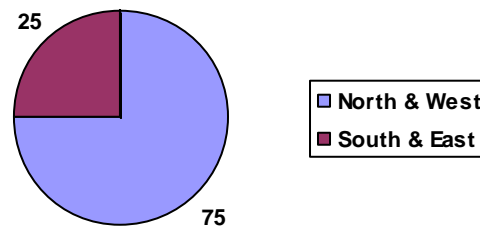
DISTRIBUTORS

¹⁸ *Ibid*

The field study as regards the strategies adopted by Parle-G was conducted at 4 distributors of Parle in Jodhpur, Rajasthan.

Parle has a range of 73 products to cater to the consumers each since there are four distributors therefore the product range is divided into two i.e. among the four distributors two have 36 products each and the other two have 37 products but *Parle-G acting as the main and major constituent of Parle is a common product supplied to all the distributors in a division* and as discussed earlier each distributor is given a specified area where it has to supply goods therefore two distributors together cover half the division of Jodhpur and similarly the other two cover the remaining area of Jodhpur. But, in case of Parle-G the choice is left to retailer as to from where they buy goods from which distributor depending upon their business terms & conditions.

The North and West parts of India form the major constituents of the market share of the Parle-G with about 75% of the market only in these parts of the country. The South and East of India cater to very less population and hence amount to only 10% and 15% of the market share of Parle-G respectively. In South India Britannia is the market leader with about 80% of the market under its control.¹⁹



The main reason as to why the major market holding comes from North and West of India, is that 4-5 years prior i.e. 2000, Parle-G had inadequate production facilities and hence whatever was produced was consumed mainly in these parts of country with very little left to serve remaining parts of country. In recent past Parle-G has come with new production plant in South and there have been technological advancement in the existing plants so as to increase the production capacity so as to achieve the basic goal of increase in sales by 20%.

¹⁹ *Supra note 9*

Since, this new plant has come up and with other technological advancement Parle-G now has enough production to tap the new markets of South and East.

In biscuits segment Glucose biscuits alone constitute 80% of the market, 10% is occupied by the Namkeen biscuits and 5% percent of market is captured by each Cream and Sweet & Salty biscuits.²⁰

The reason as to why Parle-G is preferred over its competitors is due to the following distinctive advantages Parle-G possesses²¹:

1. *Distribution Channel*: Parle-G has a very effective and wide spread distribution channel because Parle is the only company which tries to enter every market area with a population of over 1500.
2. *Brand Image*: Parle enjoys a distinctive brand value over its competitors which it has gained over the period of time.
3. *New Innovations*: Parle-G has very many innovations which gives it an upper edge over others e.g. Parle-G was the first one to come out with mini-packets of Rs. 1 and 2.

Neither, does Parle-G allow distributor to follow any strategy or promotional scheme of their own. Nor, it gives them any extra benefits or incentives as all the incentives or gains received by a distributor are that received in normal course as a margin over the number of units they sell.

RETAILERS / COUNTERS:

A field study was done at a busy retail outlet in Jodhpur, Rajasthan.

The strategy followed by Parle-G for the retailer is a unique one. Parle-G has formulated a scheme called '**Dream Plan - 2000**', which is only for retailers. According to this plan those retailers who achieve sales of more than Rs.10000/- in a month are given status of '**A class**' retailers.

1. These retailers are than given a target that if they achieve sales of Rs.10000/- for a period of 3 months then they will be given '**glow sign board**' of Parle-G worth Rs.4500/-.

²⁰ *Supra note 9*

²¹ *Supra note 9*

2. If this target of Rs.10000/- is achieved continuously for a period of 6 months then retailer along with his family is given a day visit at all the expenses of the co. to the factory premise which is nearest to that State.
3. If this target of Rs.10000/- is achieved continuously for a period of 12 months then retailer gets a extra benefit or incentive of Rs.2500/- which is not given directly in cash form but can be adjusted by retailer for any purpose like tuition fees of his ward etc.

If the retailer is already one who has an average sale of above Rs.10000/- then he is given a target of Rs.15000/- in that case the first two benefits remain the same but in the last one in place of extra benefit of Rs.2500/- he gets a extra incentive of Rs.3750/-.

If the retailer is already one who has an average sale of above Rs.15000/- then he is given a target of Rs.20000/- in that case also the first two benefits remain the same but in the last one in place of extra benefit of Rs.2500/- or Rs.3750/- he gets a extra incentive of Rs.5000/-.

If such targets are achieved regularly for a period of more than a year. Then after the 1st year the retailer is given an incentive of 1% on the volume he has sold for the 1st and 2nd quarter of the year and further if the requisite sales are achieved then the retailer is given an incentive of 1.25% on the volume he has sold for the 3rd and 4th quarter of the year.

These are the strategies adopted by Parle-G as for the retailers.

FIELD SURVEY OF CONSUMERS (ANALYSIS)

The consumers were questioned on basis of which biscuit they use and why they use it. The aim of this was to know what biscuit (to be specific which glucose biscuit) do people generally use and what is the reason for there preference.²²

1. Which kind of biscuits do you consume generally?
2. Which company glucose biscuits do you consume, generally?
3. Why do you prefer Parle-G?
4. Have you tried any other Glucose biscuit other than Parle-G?

²² The consumer survey was done keeping in mind the Rs.4 packet which is available in all the brands so that the price or cost factor is kept constant.

5. Which other glucose biscuit have you consumed other than Parle-G?
6. Will you continue to consume Parle-G?
7. Why did you switch the brand?
8. Will you like to switch from glucose biscuit to cream, namkeen etc. biscuits?

The consumer survey *drew a picture of fully satisfied consumers* with the product and all its allied features and do not want any change in Parle-G at present.

CONCLUSION

Parle G has become the largest selling biscuit brand in the world. The more than 50-year-old brand, Parle G, has been rated by the US-based Bakery Manufacturers' Association as the largest selling glucose biscuit brand in the whole world in terms of volumes.

The strategies adopted by Parle-G are absolutely in consonance with its present positing in the market. It being the market leader follows a mix of few competitive and expansion strategies by the help of which its able to achieve the requisite goals it sets year.

SUGGESTIONS

As such no specific suggestions as regards a prospective strategy have to be made to Parle-G as it's the market leader and has seen a constant rise in its market share for last five years and its desired targets and results have been achieved, therefore the strategies currently adopted and practiced by Parle-G are perfect as per their market positioning and the market situation hence no prospective strategy is suggested.

OTHER SUGGESTIONS:

1. Parle-G doesn't believe in advertising through brand ambassador, but in today's era where people associate themselves with product and ambassador's advertising the product. The growth of *Pepsi, Coke, Nike* etc. through celebrity endorsement advertising is not hidden from anyone. Thus, Parle-G requires certain aggressive advertising with help of few good brand ambassadors. Presently, *Vishwanathan Anand* and *Mukesh Khanna*²³ are the present brand ambassadors for Parle-G the

²³ **Vishnathan Anand** is winner of World Chess Grandmaster's more than one time and **Mukesh Khanna** is film actor and plays the role of famous TV character '*Shaktiman*'.

company should now, likewise take more people excelling in various walks of life and they shall be made the brand ambassador of Parle-G.

2. Parle-G is a name which has exceeded the value attached to the name of Parle itself. The company should make full utilization of this benefit and strength of this brand and thus, they are coming up with Parle-G '*atta*' they should also come up with various allied products.
3. The unexplored market of South and East India should be tapped aggressively, so that other companies like ITC and Priyagold do not get any chance to tap the market there and with passage of time the market leader in South India i.e. Britannia shall be dethroned from its place.