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The Godrej Game-Plan

Submitted by admin on Mon, 02/24/2014 - 16:25



Ace industrialist Adi Godrej, Chairman of the 117-year-old Godrej Group and one of India's leading business icons, has led the company's shift from being a family enterprise to a modern conglomerate with his highly innovative ideas and inspiring leadership. His efforts have led to the progress and growth of the Godrej Group to a professionally managed, profitable enterprise today, along with improvement of the quality standards of the company's products to meet the challenges of globalization.

The right communication is key to any company's success, especially in times of a turbulent economy, and a market needs stimulation when it is weak. Godrej chose to discuss this insight and the role of advertising in a slowing economy, highlighting the strategy of the Godrej Group in this context, while delivering the keynote address at the launch of the Pitch Madison Media Advertising Outlook, 2014 – jointly brought out by the exchange4media Group and Madison World – in Mumbai on February 19

A few years ago, India was being celebrated as an economic miracle, and one of the fastest growing economies in the world. GDP growth was around 9% and private consumption was growing at a rate of over 8%. Unfortunately, the India story has lost some of its glory in recent times; our GDP growth dropped to 4.5% in FY13, and a similar trend of under 5% growth is likely to continue this year as well. Around the world, including India, growth in consumer spending has slowed down. In FY13, private consumption in India dipped below 4%, the lowest in the last 34 quarters. In particular, growth in metros and urban areas has slowed down but rural consumption has been promising and holds significant opportunity. Let me talk about what this implies for industry from an advertising perspective.

SPOT OPPORTUNITY IN A SLOWDOWN

A market needs stimulation particularly when it is weak. Periods of slowdown provide an opportunity for increasing market-share by being aggressive. Studies in the US have proved that brands that continue to invest during a slowdown achieve higher market-share gains after the slowdown phase. So the brand would achieve a positive return on investment in the long term, although during the slowdown it might witness a drop in RoI.

Most competitors will save money during a slowdown to make their bottom-line numbers, so if a brand holds its marketing investment, it will achieve a greater share of voice. This should lead to stronger equity that will sustain after the slowdown phase is over. In a declining market, one should keep a tight watch on market-share and not just sales volumes. Overall, sales volume of the category might remain stagnant or growth might slow down, but those that maintain or increase market-share will emerge much stronger. The point is, reinforced by the strategy of the FMCG companies in the Indian market in recent times, the share of FMCG has grown.

Many FMCG companies raised their advertising and promotion spends in the first six months of this fiscal year, in spite of the GDP growth projections being revised downwards. Even in the second half, this trend was seen to continue. The major reason behind it is that with the heightened competitive intensity, everyone has been trying to woo customers in order to improve sales. At the Godrej Group, we have been strongly pushing our marketing initiatives, despite several challenges on the economic front both globally and in India. In 2011, we set ourselves the ambitious target to grow ten-fold in the following 10 years. This is a target that includes organic as well as inorganic growth, and growth through acquisitions. It entails a compounded annual growth rate of about 26%. We continue to focus on our long term target and our initiatives towards achieving it.

'A unified brand and identity provides the scale to establish a common promise'-Tanya Dubash

'We aim to bring great quality, superior products to the masses at affordable prices'- Vivek

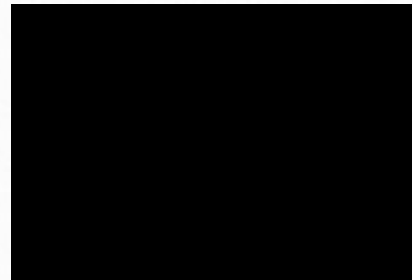
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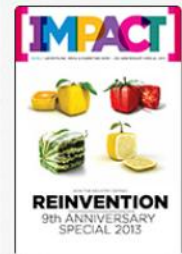


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ACCELERATE INNOVATION

One of the main drivers of our growth has been our relentless focus on innovation. Innovation is a critical pillar for any marketing company, while focus on innovation is important on an on-going basis, it becomes important to back innovations even more during a slowdown. The general tendency is to cut innovations during tough times. On the other hand, I feel this is the time to accelerate innovations. These are also the times when consumers look for options and are more conscious about getting value for money. Value for money does not necessarily imply a cheaper product, instead it implies offering a significant benefit to the consumer at an affordable price. Companies should ask themselves the question, are we offering the optimum choice for the consumer during a time when he or she is more selective? They should focus on communicating the value of products to consumers while making minimal compromises on quality. At Godrej, we have not taken our foot off the innovation pedal despite the slowdown. Almost 40% of the incremental growth at Godrej Consumer Products Limited this year has come from innovations. Our strategy has been that of selling accessible products at the same quality as premium ones. Godrej Expert, our crème based hair colour, is a great example of a high quality product at a very affordable price. The product has done exceedingly well and we are now at a 23% market-share in hair colours. It allowed us to get back to 30%+ growth in hair colours. Another striking example is the growth witnessed in Aer, our air freshener brand. Despite this being a discretionary category, it has been outperforming expectations. We added a new gel-based format with spillproof technology to our product basket this quarter, which has been received very well by consumers. This goes on to show that even in a slowdown, investments directed towards well thought-through value-adding innovations bear sound returns.

TAKE A TARGETED APPROACH

Sometimes, marketing teams in organizations take up a do-it-all approach and try to focus on multiple things together, this might work well when business is doing well, but during difficult times taking a targeted approach to marketing becomes very critical. Marketers need to be more focused and look at the market in a more segmented manner. The role of integrated marketing communication, hence, becomes very important during a slowdown. Multiple touch-points need to be used, not just for tactical communication but also to establish longer term customer engagement. At Godrej, we have been working on an integrated marketing communication strategy to ensure consistent brand messaging across multiple channels of advertising across our brands in hair colour. We launched the 'Rang Do Yeh Pal' campaign urging customers to add more colour to their lives during multiple occasions. In our air freshener category, we have been exploring innovative touch points to drive the change. Our hot Kill Pest Kill disease campaign is another example of how we used multiple touchpoints to drive awareness on diseases caused due to pests through a combination of Print, Radio spots, mobile, social media and on-ground activation in slums.

During a slowdown, consumers look for reassurance, hence advertising should allow buyers to feel that their risk is controlled as that is the issue uppermost on their minds. Reinforcing brand equity in a slowdown period is important because brand equity is valuable in reducing the uncertainty in consumers' minds. Customers need to know that you are available and accessible, hence maintaining the visibility is important. This is also the time when companies should think about rolling out bolder advertising promotions to break through the clutter and stand out among competition. Hyundai has been an example of rolling out such promotions when it launched its Hyundai assurance programme in 2009 and more recently a variation of the same programme. At Godrej, we are very conscious of the needs and requirements of the end consumers. Our consumer products business is constantly focussing on providing value for money to Indian consumers through its personal care and home care portfolio. It is also our constant endeavour to understand and tailor our products to the young consumer. In line with this thinking we relaunched our Cinthol brand to connect with the new, young and vibrant India.

THE BEST TIME TO ADVERTISE

Another area which is very critical in my opinion, not just during a slowdown but at all times, is the return on marketing investment. Companies often take reactive measures to identify new ways of working during a slowdown. While tough times do call for different measures, companies need to proactively use good times to experiment and apply the learnings when the tide turns against them. Cost efficiencies and return on marketing investment come strongly under review lengths during a slowdown, but focus on these measures should be part and parcel of the sales and marketing strategy all the time. At the same time, it is not about cutting down budgets during a period of gloom, it is about being more effective, companies need to put more rigour in making an advertising plan and determining the best time to advertise. One can also place less expensive ads or take advantage of co-opted advertising in order to rationalize costs. A master brand or mother brand can play a critical role in a slowdown by reinforcing the trust that consumers can place in a brand and establishing an emotional connect with them. At Godrej, we undertook a major group-wide integrated campaign on 'Ideas that make life brighter' to showcase the wave of fresh ideas coming from the group to our consumers.

As part of this initiative, Aamir Khan was selected as the group-wide brand ambassador. We selected him for this campaign, because unlike many other celebrities, he does not endorse too many other brands. He could therefore endorse all our categories. Our master brand strategy goes back to my point of focusing on returns on marketing investment and making every rupee work. Our master brand campaign provided us economies of scale across the group's wide portfolio of offerings and created value for every business unit, including the smaller ones. We recently conducted an internal study that shows around 600 million consumers in India use one or the other of our products each day which gives us a very strong position in the consumer market, whether it is bathing with one of our soaps or opening a refrigerator door or whatever. This figure is higher than that of any other Indian group. We would like to take this figure to much higher levels over the next five years. We also feel that our consumer base would rank very high among companies headquartered in the developing world. The only company headquartered in the developing world that I am aware of having more consumers than us is China Mobile. There could be one or two companies in China in the same league. But, by and large we rank very high on the consumer base among the companies based in the developing countries.

THE MASTER BRAND STRATEGY

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We will continue to strengthen our connect with our large consumer base through our master brand strategy. While these are some specific measures that organizations can think of during a slowdown, over a longer term companies need to make sure that they integrate their traditional and digital media channels. Digital media should not be developed as another form of traditional media. It requires dedicated resources, people, training and new content creation. Hence, traditional approaches to marketing need to be rethought. Big data and social media are the buzzwords in this space now, but it is not sufficient to just use these because everyone else is using them, it is important to know how to use them effectively in line with the business objectives and requirements. At Godrej, we are increasingly focusing on our digital media and social media strategy, and experimenting with innovative ways of reaching out to the digital consumer of today. We launched GoJiyo.com, an integrated digital platform for gaming, virtual world and social networking where consumers interact with each other and Godrej's brands. Hence a combination of traditional marketing programmes with our various digital initiatives spanning social media, e-commerce, mobile apps and virtual worlds helps us in creating brand ambassadors. At Godrej, we think not just in terms of acquiring customers but creating loyal ambassadors. These ambassadors reward us with free and effective media when they talk about us passionately and demonstrate product loyalty when faced with choices. Both come in handy during especially tough economic times.

STAY CONNECTED WITH CONSUMERS

Overall, I believe that while the economic scenario is turbulent and consumer sentiment is pessimistic, there is also opportunity for companies to seize competitive advantage. Companies that execute advertising and marketing on the basis of consumer insights, can take advantage of the opportunities in this challenging environment. It is important to maintain visibility and remain connected with the consumer even when times are tough. When the economy turns favourable again, these will be the same set of consumers who will help you take your business to the next level. At the Godrej group, we will continue to follow this philosophy and try to deliver a truly market beating performance in these turbulent times.

(Transcribed by Simran Sabherwal)

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