



## How FMCG Firms Are Transforming Digitally

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Scene 1: It is 2007, and Ms. Anjali in Bengaluru needs to buy cosmetics. She goes to the nearest mall and makes her purchase.

Scene 2: It is 2017 and Ms. Anjali in Bengaluru needs to buy cosmetics. She buys the items she needs on her smartphone, claiming some discounts and freebies, all from the comfort of her home.

Represented best through local convenience shops, malls, and sales representatives until about a decade ago, the consumer goods industry in India today is as ubiquitous as mobile technology. However, the digitalization drive of the fast-moving consumer goods (FMCG) sector is not confined to the front end alone. The US\$49 billion industry, as estimated by the India Brand Equity Foundation, is sedulously harnessing the potential of technology to streamline the back end and emerge as more competitive.

In 2016, a group of young managers at FMCG giant Marico Limited huddled together in a room, focused on a significant assignment. From across departments – including sales, marketing, IT, R&D, and supply chain management – these executives were to devise ways in which the \$910 million company would plan its technology deployment across key spheres in the coming years.

Dubbed internally as Marico's Technology Think Tank (T3) team, the initiative is Marico's attempt at crowdsourcing ideas to make the company future ready through technology.

The T3 team worked across multiple sessions and exercises, visited innovation labs of other companies, participated in workshops on emerging technology, and drew inspiration from thought leadership interactions. The team's input was combined with outcomes from similar initiatives, such as Innovation Jams to invite suggestions from its workforce. Together, it provided vital insights to help chart Marico's digitalization investments.

"The company's management skims through the suggestions generated from these programs, prioritizes them, and works on implementing ideas that are potentially transformational," says Mukesh Kripalani, chief officer of business process transformation and IT at Marico Limited, and a Digitalist 2017 award winner.

According to Kripalani, these ongoing programs help Marico build technology road maps that are systematically implemented through a year-to-year, program-based approach to serve the company's mid- and long-term goals. "In terms of technology initiatives, it helps us say this is what we're focusing on this year, this is what we'll focus on next year," he explains. "Crowdsourcing makes everyone in the organization feel like they're a part of the transformation being implemented," he adds. "This has led to a cultural mind-set change as well."

The business transformation process Marico is running was launched in 2014. On the front end, Marico hopes to achieve this by increasing its global presence and consolidating its position in the nourishment and grooming industry segments.

### Digitalization: FMCG's growth armament

*"In digital, a lot of technologies may not work for you. You may try it out, you may succeed, or you may not succeed, one shouldn't be penalized or hailed up just because of that."* Mukesh Kripalani, chief officer of business process transformation and IT, Marico Limited, and a Digitalist 2017 award winner

Marico's overarching drive toward digitalization reflects a larger industry movement. The consumer goods sector is betting big on the power of emerging technology – the Internet of Things (IoT), mobile analytics, cloud, and social engagement – to emerge as a digitally savvy industry. And it seems like it's on the right track.

The Indian FMCG industry must embrace technology as a means to achieve future success, according to a recent report entitled "Decoding Digital Impact: A \$45 Billion Opportunity in FMCG" by The Boston Consulting Group and Google. The report predicts that by 2020, digital influence will translate to FMCG consumer spending of nearly \$45 billion. Leaders of two-thirds of the companies surveyed identified digitalization as one of their top three strategic priorities.

Today there is higher Internet and mobility penetration, a shift in consumption patterns of rural buyers, and a rise in the significance of the three "Vs" – videos, vernacular content, and views. These factors must prompt companies to invest in digital so they can connect better with various stakeholders, the study prescribes.

Hema Ravichandrar, a nonexecutive independent director on Marico's board agrees: "The FMCG industry itself should look at technologies that make it digitally savvy in its interactions with various stakeholders – consumers, customers, employees, and associates. Toward this, companies are taking a solution-based approach beyond products so that they can keep pace with consumer trends." Ravichandrar cites a trend of rising investments in internal training programs to give employees exposure to new technologies and their use.

Digitalization of FMCG companies can help them in several ways. "They can listen and engage with consumers, innovate new products and business models, sell through new channels, including online, and digitalize operations through analytics and automation," she asserts. Technology adoption is relevant for tapping and propelling rural and tier-2 market opportunities.

Ravichandrar suggests, "Companies can set up the right business processes around digital technologies to harness these opportunities. For example, stockists and retailers in rural markets can now be connected to the larger technological ecosystem to have faster information dissemination and thus get serviced faster."

### How digital is fueling Marico's drive into the future

Central to Marico's digitalization drive are five integral, interrelated areas where it will go ahead full throttle: innovation, go-to-market transformation, talent acquisition, digital transformation, and value management.

Keeping alive internal programs such as the T3 team and Innovation Jam has helped inspire innovation within the organization. A recent jam session generated 900 new tech ideas. The company also looks at multiple ways to connect seamlessly with the customer. For instance, take its Saffola Fit Foodie Buddy, a personal chefbot that takes stock of the available ingredients in the customer's pantry and, according to the time of the day, suggests recipes that can be sent to their mobiles through platforms such as WhatsApp. On similar lines, Marico's portal [www.hairsutras.com](http://www.hairsutras.com) endorses natural and traditional hair care methods.

Marico's customer-connect initiatives seem to be working. Its online channel, Saffola Life, was visited by 200,000 people in 2017. Its Saffola Fit Foodie page on Facebook and mobile channels recorded 1.57 million visits and 3.85 million page views during the same period. "These are brand-awareness activities that one needs to do. Earlier, everything used to happen on television or print. Today, no one can afford to ignore digital," Kripalani asserts.

The company is also deploying technology for talent acquisition. It used a chatbot named Marico Campus Connect in its hiring drive at business schools. Marico has also implemented an enterprise resource planning (ERP) software platform that has helped it jump-start the standardization of HR practices in line with benchmark practices worldwide. With a view to ensuring that it hires and retains the best talent, Marico has utilized two rich platforms that allow for greater collaboration and communication among its employees.

Enhancing shareholder value is another parameter that guides the organization while picking technology off the shelf or customizing solutions to suit its needs. Marico identifies its key stakeholders as customers and consumers, employees, and associates or vendors who help the company create value in the market for the consumer. "We keep tabs on the 'Gartner Hype Cycle' for insights on the consumer industry and the new technologies. We then select technology that is suitable for us, and can impact these three constituents, as, in the end, it should impact shareholder value," Kripalani elaborates. (The "Gartner Hype Cycle" is an annual report the research firm puts out, identifying key trends and technologies.)

### Deploying analytics to provide an integrated customer experience

Marico's approach to an integrated customer experience is built on several interdependent elements. They include customer engagement to listen, reach, and engage with consumers; a focus on e-commerce and online sales; innovation through digital business models; data analytics to drive its business decisions; and automation of its business processes.

Taking this framework as a broad structure, the company has created a road map to tackle each of these areas individually, banking significantly on analyzing the organic data it collects.

Marico realizes that reaping the benefits of analytics is a long-drawn-out process and is building its road map accordingly. "Obviously, you cannot change everything on day one. Or even in month one. So there's a road map that gets made. If one has to take data as a framework, and analytics as a pivot within that framework, analytics is based on having a set of initial data. So, we looked across the value chain, where we have the bulk of our data residing, to figure out where we can convert it into information or an insights powerhouse," Kripalani said.

Data analytics helps in drawing granular data on sales productivity, opening up new areas of opportunity, and allowing for better forecasting.

### Digital touch points: key projects at a glance

As far as business process transformation and adoption of new technology tools are concerned, Marico launched a diverse set of projects simultaneously, addressing each of its departments and functions, both customer-facing and internal. The projects the company has launched in the past three years are focused on a number of initiatives. They range from driving efficiencies across its sales channels and getting as close to the consumer conversation as possible to getting key insights into new innovations and influencing buying decisions.

Project PRIME (Process Rationalization for Information Management & Excellence) is the company's key project. It ensures that the right information and analytics are available to all stakeholders, and accessible through dashboards, including from mobile devices. The next step is focused on making use of data and automating the workflow. Project PRIME, in addition to information management, also aims to automate and outsource regular, predictable tasks in business processes.

Project RETINA is a sales assortment analytics model that has enabled the company to garner higher volume growth through recommendation of cross-sell and up-sell opportunities.

Project EDGE is the company's marketing focused initiative with the key objectives of tracking spend and the resulting ROI on a regular basis, allowing it to examine the efficacy of its marketing offers and promotion. If the offers do not give the expected results, the company iterates to launch better, improved offers.

### Digital transformation isn't just technology, it's a culture

According to Kripalani, the only way a company can bring about a high level of digital adoption is if the top management is clear on the objectives and processes involved. It becomes important to develop a company-specific framework and evaluate everything against that.

Only when the top management is completely onboard and aligned with the initiatives can it be communicated down the line to the rest of the organization.

But the company realizes that the key to going digital on such a large scale lies not just in adopting new strategies. It relies on creating a culture of change – one where new initiatives are accepted and there is space for trying out new innovations and even failing. "In digital, a lot of technologies may not work for you. You may try it out, you may succeed, you may not succeed, you may spend hundreds of thousands of rupees trying out something. One shouldn't be penalized just because of that," he said.

### The people problem

One of the grappling issues faced by Marico and its peers is finding the right talent to match the needs of the evolving technologies they are implementing.

To get definitive outcomes from these technologies, the company needs people with three diverse skill sets working together: people who can collect data and understand database technologies, people who can analyze and make sense of this data, and people who can match business outcomes and generate insights with this data. "We try and get skills within the team with complementary talent, and whatever we cannot fulfill, we get from some of the partners," Kripalani explains.

Sometimes, the company has to up-skill existing resources if they already possess certain key skills. For instance, the Marico Six Sigma team is fairly well equipped in various aspects, and it is relatively easier to train them further in data-based areas. But creating the talent is just half the work. "It is always a challenge. Even if talent gets trained in this, there is always a chance of someone leaving and, hence, retention becomes important," he explains.

### A digital ecosystem

For companies such as Marico to transition to digital, a wider ecosystem that supports the change is needed. There has never been a better time than now for this. The government has kickstarted several initiatives to move the country toward a digital economy by measures such as encouraging cashless payments and moving tax filing online.

In response to a query on whether India is well on its way to turning into a digital economy, Kripalani says, "I think we have made a lot of progress in the last few years and now at a country level, too, we are talking about Digital India. This vision at the top level will help drive the country and leapfrog it on the digital path."