

Every power brand should be accessible to all: Kripalu

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CADBURY has been in the news following US rival Kraft Food's \$17-billion hostile bid to buy the British chocolate maker. One reason why Kraft is tirelessly chasing the makers of Dairy Milk bar and Bournvita is the UK firm's strong grip on India and other emerging markets. It's the largest confectioner in the country with a turnover of Rs 2,000 crore and annual sales growth of 20%. And its employees are too busy trying to keep up this pace of growth to worry about all the takeover talks, says Anand Kripalu, MD, Cadbury India, and president, Asia, of its parent. In a freewheeling interview, he said the decision to go ahead with big plans helped the company keep up its growth rate during the slowdown. Excerpts:

Have the reports over the hostile take-over attempts by Kraft globally affected Cadbury India employees?

As far as I know, people are busy meeting their month-to-month focus and annual agenda. Employees did ask for feedback and we all read what appears in the newspapers. There are formal messages going to employees depending on the facts of the case and what our chairman and CEO say. Yes, everybody has a view, but truly it's business as usual. There is absolutely no reason to believe that Cadbury employees are distracted with anything.

How did Cadbury deal with the recessionary and a difficult business environment in 2009?

We insisted on going ahead with big ambitions out into the market. We have recorded a compounded growth of 20% over last three years and a profit growth of over 30%. Times have been harder and business tougher to get. But we believed in investing behind growth through innovations, supply chain and trade. In 2009, growth has been less for most FMCG companies than in 2008. The consumer was cautious about spending, so the chances of getting your innovations right was a challenge. It was harder getting 20% growth this year compared to the last. But we did not scale down our ambitions.

We took lessons from the previous slowdown in FMCG 10 years back... Whatever is consumer and customer facing, protect. We were tight on adding numbers, tough on discretionary costs. We saved the pennies for the pounds to follow. And to the credit of our employees, we beat our targets.

What is Cadbury India's growth strategy in a market where it enjoys a lion's share?

As a company, we need to be prime movers of driving chocolate category growth. With a 70% market share, we can only grow the category. We are constantly looking at how do you get new users and non-users to start consuming chocolate. And when you are on it, the thinking evolves, technology

evolves, and brand evolves.

Every brand has an opportunity to reach its full potential. Very recently we thought Perk will play a larger role in our business in driving category growth, to rope in first time users to try chocolates. Earlier, Perk was light snacking as 'thodisi pet pooja', today it is all about a recharge. In a brand portfolio, you need to be clear about what role each brand will play, so now there is a bit of functionality and a bit of indulgence in eating a Perk. We are liberating the Perk brand and allowing it to play a bigger role in our portfolio. We have a power brand strategy that is very tightly focused. We need to liberate each brand and allow it to grow. That also enables focus on innovation and R&D.

What do you do differently to grow the market?

We anticipate opportunities and appropriate it. Take the dark chocolate category, for example. It never existed as a category in India. Lead indicators in adjacent markets showed that as adult consumption of chocolates evolves and the palette evolves, the consumption of dark chocolate picks up. Our strategy is about being consumer-focused and having strategies that win. We have to tap new opportunities ahead of the curve.

BRAND GAME

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Then there is chocolate gifting. When we started it 10 years ago, the business took an aggressive approach to gifting. And building a category like gifting is not a one-year or two-year agenda. Once you start a journey you take a decade to build that to a sizeable point. That is the commitment you need and that is the commitment we will have.

Cadbury is currently on an aggressive campaign to drive growth of small packs...

We believe that categories develop when the biggest brands become accessible to a large number of consumers. Our strategy is that every power brand should be accessible at lower price points. Even low-income consumers aspire to have a Cadbury brand. So we have to make it accessible at a price to them. Cadbury Dairy Milk is now available at Rs 2, 5-Star at Rs 3 and Bournvita at Rs 20. Our power brands are available at what we consider the lowest price point we could have got. But even at a lower point, we have to still deliver the brand promise. We have tried to drive distribution very hard and use technology to cut costs.

What is the transformational change within Cadbury in terms of doing business differently?

In the last few years, there have been fundamental changes in every function in the business. Today, we have changed from being a manufacturing organisation obsessed with production volumes to having an end-to-end supply chain with production being the last KPI (key performance indicator). A factory manager is evaluated on the product available in the depot and whether it is of the right freshness. Service and freshness is now more important than how much he produces. That is a big behavioural change. Today, a factory manager worries about customer service.

As a leader, how did you take the organisation along to deliver the targets?

We have decided to think big and think radical. We now have a cross-functional team working together to enable change and meet goals. The whole leadership team has aligned itself to the fact that we wanted to initiate change for the better. It is not that what we did in the past was bad; it is just that the world is changing and we have to change. I personally believe in a lot of communication and consistent communication. Communicate, communicate, communicate, to the whole company. All high priority plans are driven with the whole company together and there is a lot of transparency in the system. Winning in the mind is winning half the battle. So, a leader has to create that positive mindset.

What are the brands that are not power brands in your portfolio?

We have some offers that we do not support above the line on products. For instance, Milk Treat and Nutties. And we have also killed things that did not work, such as chocolate drink Delight. We are supporting 10 brands, which are getting the threshold level of support, and we have exploded the media support behind the brands.

How is Cadbury tackling volatility in raw material prices?

Volatility in commodities is something nobody can understand. Cocoa is twice the price of what it was two years ago and more recently sugar. So we are driving cocoa farming.... We have to be flexible and revisit everything we finalised two weeks ago. That is the nature of the beast.

How successful has Cadbury been in managing talent?

Earlier, we were low on local talent, now 75-80% of talent is home grown. We are encouraging people to do different roles and get a completely new perspective. Many of our people are being sent overseas for, say, six months. But there will always be a role for outsiders.



ANAND KRIPALU
PRESIDENT, ASIA, CADBURY PLC



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We have cordial relationship with the Future group. Once in a while, some disagreements happen. Well, even husbands and wives fights and they make up. But we believe in working together.