****

9B19M064

PARLE Products Private Limited: GST AND retaining COMPETITIVENESS[[1]](#endnote-1)

Veena Pailwar wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com. Our goal is to publish materials of the highest quality; submit any errata to publishcases@ivey.ca. i1v2e5y5pubs

Copyright © 2019, Ivey Business School Foundation Version: 2019-07-12

In July 2017, the goods and services tax (GST) council of India removed the plethora of taxes and tax rates that prevailed on various types of goods by introducing GST.[[2]](#endnote-2) As part of this tax restructuring, the council also removed the variable tax structure that prevailed on different types of biscuits;[[3]](#endnote-3) it brought all types of biscuits—mass-market biscuits costing less than ₹100[[4]](#endnote-4) per kilogram (kg), as well as mid-range and premium biscuits above ₹100 per kg—under the uniform GST rate of 18 per cent.[[5]](#endnote-5) Prior to the implementation of GST, mass-market biscuits (i.e., biscuits priced below ₹100 per kg) were subject to a tax rate of about 14 per cent, whereas biscuits priced above ₹100 per kg were subject to a 22 to 24 per cent tax rate (see Exhibit 1).[[6]](#endnote-6) Reacting to the sharp tax rate increase on mass-market biscuits, Mayank Shah, category head of Parle Products Private Limited (Parle), said,

Given the rise in input costs and slim margins in the low-priced biscuits category, companies will be forced to increase prices. Biscuit companies will have no motivation to operate in the below ₹100 per kg category as it will be difficult to make any money in this segment. . . . This is a price elastic segment, so it will be challenging to even increase prices as it will impact demand for these products.[[7]](#endnote-7)

He further added, “We are disappointed with the [GST](https://www.business-standard.com/topic/gst)rate announced today (Saturday). This goes against the principle of social justice, where the poor will carry the burden of additional tax and those who are well-off will not.”[[8]](#endnote-8) Parle derived one third of its revenue from the glucose category, whereas its major competitors—Britannia Industries Limited (Britannia) and ITC Limited (ITC)—focused on premium products. To mitigate the impact of GST on Parle’s margins, Shah was considering raising the price of the company’s mass-market biscuit, Parle-G, by March 2018.[[9]](#endnote-9) However, Parle-G had tough competition from the glucose biscuits offered by the competitors, such as Tiger biscuits offered by Britannia and Sunfeast offered by ITC.[[10]](#endnote-10) Given the tough competition, the price increase might adversely affect demand and sharply decrease revenue. Shah wondered what he should do to retain Parle’s profit margin and competitiveness.

Goods and services tax in India

GST was a form of value-added tax (VAT) in India. VAT was an indirect tax imposed on the value addition at each stage of a commodity’s production rather than on a commodity’s total value of production at the end of the supply chain. As the tax was on the value of the commodity, tax liability under the VAT used to be lower than the tax liability under other types of indirect taxes, such as excise tax. India had adopted a modified VAT (MODVAT) in 1986,[[11]](#endnote-11) whereby the tax was imposed on the total value of output, but tax credit was given to taxpayers on the tax they paid on the value of inputs. In the presence of tax on inputs, the tax liability under MODVAT turned out to be similar to the VAT.

In the initial years of its implementation, MODVAT was levied in India only on some manufactured goods, but gradually its coverage encompassed more goods. MODVAT was subsequently renamed the central value added tax (CENVAT).[[12]](#endnote-12) Until the implementation of GST, services remained out of the purview of MODVAT or CENVAT. There were also many indirect taxes, including central excise, service tax, entry tax, and octroi (tax imposed by local bodies like municipalities when any product entered their territories ). Some of these taxes were levied by the central government, whereas others were levied by state governments. Tax rates varied across states, even on the same commodity.

India implemented GST on July 1, 2017, to cover all goods and services under the MODVAT structure, bring uniformity to the tax structure, rationalize the tax structure across the country, and mitigate the cascading impact of taxes on prices.[[13]](#endnote-13) In India, it was a destination-based tax, where the tax was collected at the place of sale rather than at the place of origin or manufacturing. India was the 161st nation to adopt GST.[[14]](#endnote-14) Like Canada, India adopted a dual GST model in which both central and state governments concurrently levied tax on goods as well as services. The dual GST was expected to ensure that both central and state governments received their deserved revenue.

Although GST aimed to levy a uniform tax rate on all commodities, keeping in mind the differences in the nature of commodities, four different tax rates of 5, 12, 18, and 28 per cent were introduced.[[15]](#endnote-15) Most essential items, such as milk, fresh fruits and vegetables, bread, and salt, were not taxed, and other necessities, such as edible oil, sugar, spices, tea, coffee, and rusk (a very hard dry biscuit or twice-baked bread) were subjected to the low GST rate of 5 per cent.[[16]](#endnote-16) Items that were not considered essential (such as chocolate, chewing gum, paint, and hair dye) and luxury items (such as cars, high-end motorcycles, air conditioners, and refrigerators) were subjected to the highest slab rate of 28 per cent.[[17]](#endnote-17)

In the pre-GST period, the statutory tax rate for most goods was about 26.5 per cent; post-GST, most goods were brought into the 18 per cent range.[[18]](#endnote-18) To mitigate the negative impact of tax-rate reduction on government revenue, the government increased the tax rates on some not-so-essential items, and mass-market biscuits were among them.

Under the new regime, glucose, Marie, milk, and other low-priced biscuits would be adversely affected by the change. This category of low-priced biscuits accounted for 35 per cent of the total biscuit market.[[19]](#endnote-19) But premium biscuit brands that were above the ₹100 per kg category—like Parle’s Hide & Seek and Monaco brands—would benefit from the change. This change effectively implied the cross-subsidization of premium biscuits by the mass-market biscuit category. The changes in the GST rates intensified the competition for low-priced biscuits—not only from premium biscuits but also from branded *namkeen* (savoury snacks) and rusk, which were subjected to GST rates of 12 and 5 per cent, respectively (see Exhibit 1).[[20]](#endnote-20)

PArle Product Profile

Established in 1929 as a confectionery manufacturer, Parle operated in five food segments—namely, biscuits, confectionery, namkeen, rusk, and pulses[[21]](#endnote-21) (see Exhibit 2).

Biscuits

Parle forayed into the biscuits segment a decade after the company’s establishment. It baked its first biscuit in 1938, with wheat, milk, and sugar as its primary ingredients.[[22]](#endnote-22) This biscuit was named “Parle-Gluco” (Parle-G). Its unique taste helped it gain worldwide popularity, which led to it being branded as the world’s largest selling biscuit in 2011 by Nielsen.[[23]](#endnote-23) Since its foray into the biscuit segment, Parle had come up with an extensive range of biscuits with a wide range of tastes and flavours. The range included Monaco biscuits, India’s first salted crackers, which included Cheeslings (cheese snacks) and Jeffs (cumin biscuits); Krackjack (sweet and salty biscuits); Hide & Seek (chocolate chip biscuits); Fab! (cream biscuits); Magix (cream biscuits); 20-20 (cashew, butter, and cumin biscuits); Milano (chocolate cookies); Happy-Happy (cookies topped with chocolate-chips); Nutricrunch (digestive biscuits); BakeSmith (Marie biscuits); and Top (crispy crackers).[[24]](#endnote-24) Until 2015, when Britannia took the lead, Parle had remained a top biscuit manufacturer. Parle catered to both domestic and international biscuit markets, exporting to over 40 countries.[[25]](#endnote-25) In 2017, 85 per cent of Parle’s revenue came from the biscuit segment.[[26]](#endnote-26)

Of its mass-market biscuit category, consisting of Parle-G, Parle Marie, Krackjack, and Monaco, the company derived a large share of its revenue from Parle-G. Since the introduction of Parle-G in the market, the company had kept its price at the entry level. Parle-G had mass appeal, as emphasized by Shah: “Parle-G for us is not a biscuit, and not just for us but for our consumers. For them, it’s more like a staple, because of the way it is consumed. It’s a habit. Parle-G with *chai* (tea)*,* or milk for kids, or with a coffee.”[[27]](#endnote-27) Parle-G had 75 to 80 per cent share in the glucose biscuit market, while it accounted for 20 per cent of the overall ₹250 billion biscuit market in India.[[28]](#endnote-28) Although the adult Indian population had largely turned to digestive cookies, children remained the primary consumers of Parle-G.

Parle-G’s share in the total revenue of the company had fallen from 66 per cent at its peak, to nearly 33 per cent by 2017, but Parle-G remained Parle’s flagship and number one brand.[[29]](#endnote-29) Its simple but captivating flavour, as well as its affordable price, were the most important reasons for its popularity. Its packaging appealed to many different groups of people. Parle-G was sold in packages ranging from ₹2 to ₹60, so that even the poorest consumers could afford to purchase them.[[30]](#endnote-30) Parle had more than 1,000 manufacturing units across India.[[31]](#endnote-31) It had the widest distribution network of 7 million outlets,[[32]](#endnote-32) through which it could make its biscuits available in even the smallest Indian towns. Because of the huge demand for Parle-G biscuits, the company could enjoy benefits arising from economies of scale.

Though Parle offered a range of premium and super-premium biscuits, the company’s products were largely associated with value-led offerings and the masses. Expressing these views, B. Krishna Rao, category head of confectionery and snacks at Parle, said, “Parle (Products) was largely seen as a Parle G company. People didn’t realise that we have a broad range of premium offerings, such as Milano and Hide & Seek, as well as snacks, confectionery, rusk, cakes and chocolates, which consumers liked and consumed. It is just that they didn’t know that it comes from the company that makes Parle G.”[[33]](#endnote-33) Due to the perception of Parle as mass-market, the company could not successfully advance in the premium segment. Expressing Parle’s inability to achieve success in this segment, Pravin Kulkarni, Parle’s ex-general manager of marketing, said, “The massy image came in the way of these premium brands. There was resistance from consumers to pay a premium and in some cases, even acceptance was a problem.”[[34]](#endnote-34) With such limited success, Parle had only a 15 per cent market share in the premium biscuit category,[[35]](#endnote-35) but it was leading the high-growth super-premium biscuit category—a category that accounted for 6 per cent of the entire biscuit market—with 40 per cent market share.[[36]](#endnote-36) Though the overall biscuit segment was expected to grow at a compound annual growth rate (CAGR) of 6 per cent, premium biscuits were expected to register 11 per cent during 2017–2023.[[37]](#endnote-37)

Confectionery

The confectionery business in India consisted of three categories: candies or boiled sweets, such as lollipops and suckers; chocolates and soft toffees; and mints and gums. The confectionery segment, which was comparatively less penetrated, was expected to grow faster than the biscuits segment. The confectionery market was expected to grow at a CAGR of approximately 17 per cent during 2016–2021 (see Exhibit 3).[[38]](#endnote-38) Of all three segments, the candy segment accounted for nearly half of the total confectionery market. During 2016–2021, the candy segment was expected to grow at a CAGR of 12.70 per cent, while the chocolate segment was expected to grow at a CAGR of 18.57 per cent; mints and gum, at 16.90 per cent.[[39]](#endnote-39)

Although Parle started with confectionery brands Gold Star and Mints, its confectionery business could not grow very much because of its increasing focus on the biscuits segment. In the confectionery segment, it was known for its innovative products—Kismi, Poppins, Melody, Mango Bite, and Kaccha Mango. With a market share of 13 per cent, Parle was the leading product in the candy segment.[[40]](#endnote-40)

With 36 per cent market share, Mondelez India Foods Private Limited led the overall chocolate confectionery segment, which was worth ₹80 billion.[[41]](#endnote-41) Parle, who only entered this segment in 2016, had an almost negligible presence. Parle, however, was the second-largest player—next to Chocoladefabriken Lindt & Sprüngli (Lindt), who had a long presence in India—in the ₹2 billion super-premium chocolate category.[[42]](#endnote-42) The super-premium, or luxury, chocolate segment was expected to experience 50 to 80 per cent growth from a very low base.[[43]](#endnote-43)

In the fast-growing mint and gum market, Perfetti Van Melle India Private Limited was leading with a market share of 22.7 per cent.[[44]](#endnote-44) In this growing market, Parle’s share was falling and had become minuscule.[[45]](#endnote-45)

With a market share of 15 per cent, Parle’s confectionery business made up about 12 per cent of Parle’s revenue.[[46]](#endnote-46) Parle’s confectioneries had a strong presence in the northern and western regions of the country.

Namkeen

In 2008, Parle forayed into the namkeen market by launching Musst Chips, Musst Stix, and Monaco Smart Chips, but these products did not succeed, so the company relaunched them in 2011 under the brand names Parle’s Wafers and FullToss. The company further expanded its snacks portfolio with Mexitos and Chatkeens Nankeen. For the snacks segment, Parle was more focused on the northern and western regions. In an intensely competitive snacks market, Parle had a miniscule market share of just over 5 per cent,[[47]](#endnote-47) which made up only 3 per cent of Parle’s overall revenue.[[48]](#endnote-48) The snacks market, however, was expected to register a CAGR of more than 30 per cent during the same period (see Exhibit 4).[[49]](#endnote-49) PepsiCo India was leading the namkeen market in India with a market share of more than 49 per cent (see Exhibit 5).

Rusk

Parle had had a presence in the relatively untapped and largely unorganized rusk segment since 2013.[[50]](#endnote-50) For its rusk business, the company initially focused on the eastern region of India, gradually expanding its reach to the other parts of the country. Starting with cardamom rusk, the company’s rusk segment expanded to include milk rusk, garlic bread toast, and cake rusk. With a market share of 18 to 20 per cent, the rusk and cake segment contributed less than 1 per cent to Parle’s overall revenue.[[51]](#endnote-51) Britannia, a leading player in this segment, had a market share of 36 per cent.[[52]](#endnote-52)

Pulses

India was the world’s largest producer and consumer of pulses, with a combined estimate of 27 million metric tons per annum.[[53]](#endnote-53) The demand for pulses was expected to grow to 35 million metric tons by 2020. Ninety-nine per cent of the pulses market was unorganized and dominated by unbranded products.[[54]](#endnote-54) “[The] commodities market is a challenging space to be in. Consumers still do not differentiate between branded products and loose products. By and large, consumers are not inclined to buying packed pulses,” said Shah.[[55]](#endnote-55) However, changing tastes and preferences and increasing awareness for quality health products presented a huge opportunity for the growth of branded pulses.

In 2017, Parle entered the pulses segment by launching the brand Fresh Harvest, which included pulses sourced from the best farms in Maharashtra and Karnataka states.[[56]](#endnote-56)

Economic Scenario and Market for Biscuits

The Indian retail market was expected to be one of the fastest-growing markets in the world. In the retail segment, the food and grocery category was expected to grow at a CAGR rate of 15 per cent and capture 66 per cent of the total retail sector by 2020 (see Exhibit 3).[[57]](#endnote-57) This category consisted of seven food sub- categories: beverages, perishables, fresh produce, spices, dairy, dry food, and other processed food. Parle’s product portfolio primary belonged to the other processed food category, which comprised biscuits, bakery food items, sweets, confectioneries, chocolates, snacks, sauces, non-alcoholic beverages, and pickles and other preserves (see Exhibit 4).

The Indian biscuit market could be divided into organized and unorganized segments. The organized segment accounted for 70 per cent of the biscuit industry’s volume.[[58]](#endnote-58) Parle, Britannia, ITC, and Surya Foods were the four major players in the organized sector (see Exhibit 6). The unorganized sector consisted of small bakery units and cottage and household units. Without spending much on packaging and distribution, these units primarily catered to the local and regional tastes.

Depending on the premium earned, biscuits could be divided into mass-market, premium, and super-premium categories. Profit margins on mass-market biscuits ranged from 3 to 5 per cent,[[59]](#endnote-59) while on premium and super-premium biscuits, profit margins were 15 to 20 per cent.[[60]](#endnote-60) Parle led in mass-market biscuits; Britannia dominated in the premium biscuit segment.

An increasing young population, an overall growth in disposable income, changing consumer lifestyles, and increasing and growing health consciousness contributed toward the changing consumer tastes and preferences of Indians in favour of premium offerings and variety (see Exhibits 7 and 8). The competitive space for Parle-G and other mass-market biscuits was heated up with competitors such as Britannia and ITC, who took up the lead in the premium segment. Though mass-market biscuits dominated the market in 2016, cookies and sandwich biscuits were expected to exhibit high growth during 2017–2023.[[61]](#endnote-61) Premium biscuits were becoming popular in Tier 1 and Tier 2 cities. Commenting on changing tastes and preferences, Suman Gautam, research associate of research and consulting at 6Wresearch, said,

Although biscuits consumption is majorly accounted to urban consumers, however, with improving warehouse & storage facilities across rural areas, the market is registering immense growth opportunities for biscuits market players. Additionally, growing number of health-conscious population in the country, low calorie, low sugar, multigrain, and oats biscuits are gaining acceptance.[[62]](#endnote-62)

Changes in the GST rate were likely to bring substantial changes in the market scenario. Highlighting the impact of GST on the biscuit market, Anuj Mehrotra, senior research analyst of research and consulting at 6Wresearch, said,

Implementation of uniform Goods & Services Tax (GST) of 18 per cent across all biscuit segments in 2017 is likely to impact the overall growth of the industry post 2017. This would pose greater challenge for local players of plain biscuits who are majorly targeting the rural market. Further, comparatively lower tax rates on namkeens, wafers, and other snack items is likely to hinder biscuits market growth over the coming years.[[63]](#endnote-63)

Parle’s Concerns

Demand for Parle-G, which was Parle’s main source of revenue, was highly price sensitive. Wide choices were available to Indian consumers in the snacks market, which enabled consumers to substitute mass-market biscuits with premium biscuits and other varieties of snacks. Given the choices available, Parle expected that if it reduced the size of ₹2 packs by one biscuit per pack, the sales would decline by 30 to 50 per cent.[[64]](#endnote-64) Expressing the difficulty in changing the size of the pack, Sreedhar Prasad, partner and head of consumer markets at KPMG said, “It’s a risky proposition to reduce the quantity or size of an accepted mass brand at the same price. A marginal price increase may be still acceptable by masses compared to a size and quantity reduction as people know there will be a gradual price increase in everything.”[[65]](#endnote-65)

But earlier experiments with price increases had not gone well for Parle. In 2004, the company increased the price of its 100-gram packet of 16 biscuits from ₹4 to ₹4.50.[[66]](#endnote-66) The increase led to a 40 per cent drop in sales within six months.[[67]](#endnote-67)

Increasing competition and declining growth in the mass-market biscuits segment were threatening Parle’s profitability. Though Parle was leading the overall business segment, its profit margin was much lower than that of its major competitor, Britannia. In 2016, the year for which full financial data was available, Britannia earned a net profit margin of 9.81 per cent, while Parle had to contend with just 5.3 per cent.[[68]](#endnote-68) Parle’s leadership in mass-market biscuits had given it volumes at the cost of margins. The uniform GST rate of 18 per cent on all types of biscuits was further eroding the competitiveness of Parle-G and other mass-market biscuits. What should Shah do to retain Parle’s profit margins in this competitive space? Should he increase the price of the company’s mass-market biscuits, or look for other avenues for higher growth and profitability? Opportunities were immense, as the food market segment in which Parle operated was growing. However, it was challenging to retain the lead in a highly competitive market space.

Veena Keshav Pailwar is a faculty member at the Institute of Management Technology, Nagpur, India.

Exhibit 1: GST rates on Parle’s products

|  |  |  |
| --- | --- | --- |
| **Parle products** | **GST rate (%)** | **Pre-GST rate (%)** |
| White chocolate (does not contain cocoa)  Chewing gum | 28 | 26 |
| Biscuits, mass-market (below ₹100 per kilogram) | 18 | 14 |
| Biscuits, premium | 18 | 22–24 |
| Sugar confectionery (other than white chocolate and chewing gum) | 18 | 21 |
| Cakes and pastries | 18 | 19.5 |
| Branded namkeen (savoury snacks) | 12 | 26 |
| Rusk | 5 | 12 |
| Pulses, branded | 5 | 0 |

Source: Compiled from Gurman Bhatia, “From Eating Out to Mobile Phones: Find Out the GST Rate for over 1,800 Goods and Services,” *Hindustan Times*, November 14, 2017, accessed December 24, 2018, www.hindustantimes.com/interactives/gst-rate-complete-list/; Azman Usmani, “Tax Rates before and after GST,” BloombergQuint, May 19, 2017, www.bloombergquint.com/gst/tax-rates-before-and-after-gst; Sangeetha G., “Mass Market Biscuits Turn Lighter, Premiums Heavier after GST,” *Financial Chronical*, accessed December 2018, www.mydigitalfc.com/brand/mass-market-biscuits-turn-lighter-premiums-heavier-after-gst; “Benefits of Goods & Services Tax to the Consumer,” Axis Bank, July 1, 2017, accessed December 28, 2018, www.axisbank.com/progress-with-us/save/what-is-gst-bill-benefits-of-goods-service-tax-to-consumer; and NDTV Profit Team, “Before and after GST: Here Are Tax Rates on Some Common Use Items,” NDTV Profit, August 10, 2017, www.ndtv.com/business/before-and-after-gst-here-are-tax-rates-on-some-common-use-items-1735863.

Exhibit 2: Product profile of Parle

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Biscuits** | **Confectionery** | **Rusk** | **Snacks** | **Pulses** |
| Parle-G | Melody | Cake Rusk | Wafers | Chana Dal |
| Magix | Kismi | Premium Rusk Milk | Chatkeens Namkeens | Moong Dal |
| Nutricrunch | Mango Bite | Premium Rusk Real Elaichi | Mexitos | Split Urad Dal |
| Monaco | Orange Bite | Garlic Bread Toast | Cheeslings | Toor Dal Unpolished |
| Hide & Seek | Poppins |  | Full Toss |  |
| BakeSmith | Mazelo Fruit Jelly |  |  |  |
| Milano | Mints |  |  |  |
| Fab! | Friberg Range |  |  |  |
| Happy-Happy | Other Chocolates |  |  |  |
| Krackjack |  |  |  |  |
| Top |  |  |  |  |
| 20-20 cookies |  |  |  |  |
| Marie cookies |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

Source: Compiled from “Home Page,” Parle Products Pvt. Ltd., accessed December 14, 2018, www.parleproducts.com.

Exhibit 3: High growth segments of the food industry in India

|  |  |  |
| --- | --- | --- |
| **Segments** | **Categories** | **Expected CAGR during 2016–2021 (%)** |
| Breakfast cereals | Hot and cold cereals | 19.23 |
| Namkeen  (savoury snacks) | Ethnic and traditional snacks, meat snacks, nuts and seeds, popcorn, potato chips, processed snacks | 33.59 |
| Ingredients | Seasonings, dressings, and sauces | 7.92 |
| Pet food market | Dog, cat, and other pet food | 18 |
| Naturally healthy beverages | 100% fruit and vegetable juice, natural mineral water, spring water, RTD green tea, other naturally healthy RTD tea, malt-based hot drinks, other plant-based hot drinks | 22 |
| Ready meals | Ambient ready meals and dried ready meals, chilled and frozen ready meals | 12.36 |
| Confectionery | Chocolate, gum, and sugar confectionery products | 16.63 |
| Organic food | Organic packaged food and beverages | 10 |
| Dairy | Milk, butter, and spreadable fats; drinkable yogourt, cheese, dairy- and soy-based desserts | 8.80 |
| Bakery | Breads and rolls, cakes, pastries and sweet pies including frozen cakes, sweet pies, and biscuits | 10.98 |

Note: CAGR = compound annual growth rate; RTD = ready-to-drink

Source: Compiled from Ministry of Food Processing Industries, Government of India, *High-Growth Segments of Indian Food and Beverage Industry* (Kolkata, India: Ernst & Young LLP [EY] and Confederation of Indian Industry, 2017), accessed December 17, 2018, https://foodprocessingindia.co.in/pdf/high-growth.pdf.

Exhibit 4: Food and grocery Categories in India, 2016

Source: Jurgen Maerschand and Maxime Willaert*, Growing Opportunities in the Indian Food Market* (Mumbai, India: Flanders Investment & Trade, 2018), accessed December 26, 2018, www.flandersinvestmentandtrade.com/export/sites/trade/files/

market\_studies/20180515GrowingOpportunitiesInTheIndianFoodMarket.pdf.

Exhibit 5: Market share of select salty snacks companies in India, 2016

|  |  |
| --- | --- |
| **Company** | **Share (%)** |
| PepsiCo India | 49.86 |
| ITC Limited | 10.8 |
| Balaji Wafers | 9.17 |
| Parle Products Private Limited | 5.24 |
| Prataap Snacks Limited | 4.28 |

Source: Compiled from “Market Share of Salty Snack Companies in India in 2016, by Select Company,” Statista, accessed December 26, 2018, www.statista.com/statistics/725855/salty-snacks-market-share-by-key-company-india/.

Exhibit 6: Market Share of Biscuit Manufacturers in India in 2018 (% Sales)

Source: Shruti Venkatesh, “Cookies and Beyond: How Parle Products Has Ditched Its Mass Brand Image by Scaling Up Its Premium Offerings,” *Outlook Business*, June 8, 2018, accessed March 27, 2019, www.outlookbusiness.com/strategy/feature/cookies-and-beyond-4397.

Exhibit 7: Factors enabling fast growth in food and beverage industry in India

* An expanding young adult population in India
* An increase in disposable income
* Changing lifestyles due to rapid urbanization
* Changing dietary habits in favour of indigenous superfoods and native grains
* Increasing national and international travel by Indians
* Increasing awareness propelled through advertisement
* An improvement in food quality and the incorporation of health benefits
* Increasing use of confectioneries, baked goods, snacks, beverages, etc., during festivities and celebrations

Source: Compiled from Ministry of Food Processing Industries, Government of India, *High-Growth Segments of Indian Food and Beverage Industry* (Kolkata, India: Ernst & Young LLP [EY] and Confederation of Indian Industry, 2017), accessed December 17, 2018, https://foodprocessingindia.co.in/pdf/high-growth.pdf.

Exhibit 8: Expected demographic profile in India, 2018

|  |  |
| --- | --- |
| **Age Group** | **Population (%)** |
| 0–14 | 26.98 |
| 15–24 | 17.79 |
| 25–54 | 41.24 |
| 55–64 | 7.60 |
| 65+ | 6.39 |

Source: Compiled from “South Asia: India,” Central Intelligence agency, The World Factbook, last updated July 1, 2019, accessed July 4, 2019, www.cia.gov/library/publications/resources/the-world-factbook/geos/in.html.

ENDNOTES

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Parle Products Private Limited or any of its employees. [↑](#endnote-ref-1)
2. Viveat Susan Pinto, “Price of Glucose Biscuits to Rise after GST,” *Business Standard*, June 3, 2017, accessed November 26, 2018, www.business-standard.com/article/economy-policy/price-of-glucose-biscuits-to-rise-after-gst-117060300906\_1.html. [↑](#endnote-ref-2)
3. In India, a “biscuit” was a small, flat, dry (but sweet) cake, raised with baking powder or soda. [↑](#endnote-ref-3)
4. ₹ = INR = Indian rupee; ₹49.8527 = US$1 on July 1, 2017; all currency amounts are in ₹ unless otherwise specified. [↑](#endnote-ref-4)
5. Pinto, op. cit. [↑](#endnote-ref-5)
6. Sangeetha G., “Mass Market Biscuits Turn Lighter, Premiums Heavier after GST,” *Financial Chronical*, accessed December 2018, www.mydigitalfc.com/brand/mass-market-biscuits-turn-lighter-premiums-heavier-after-gst. [↑](#endnote-ref-6)
7. Meenakshi Verma Ambwani, “Biscuits Industry Baffled by Uniform 18% GST Rate,” *The Hindu Business Line*, January 5, 2017, accessed March 27, 2019, www.thehindubusinessline.com/economy/biscuits-industry-baffled-by-uniform-18-gst-rate/

   article9720708.ece. [↑](#endnote-ref-7)
8. Pinto, op. cit. [↑](#endnote-ref-8)
9. Deepti Govind, “Parle to Hike Prices, Reduce Quantity of Biscuits in Some Packs as GST Bites,” *Livemint*, February 26, 2018, accessed December 11, 2018, www.livemint.com/Companies/XVXVzEZEmwQpejddUUBHlM/Parle-to-hike-prices-reduce-quantity-of-biscuits-in-some-pa.html. [↑](#endnote-ref-9)
10. “Competition to Britannia,” *Britannia Marketing Blog*, September 4, 2015, accessed June 7, 2019, https://marketingbritannia.wordpress.com/2015/09/04/competition-to-britannia/. [↑](#endnote-ref-10)
11. Pawan K. Aggarwal, *Modified Value Added Tax (MODVAT): Structure and Resource Mobilisation* (New Delhi, India: National Institute of Public Finance and Policy, 1996), accessed March 28, 2019, https://nipfp.org.in/media/medialibrary/2014/11/

    MODIFIED\_VALUE\_ADDED\_TAX\_MODVAT\_STRUCTURE\_AND\_RESOURCE\_MOBILISATION.pdf. [↑](#endnote-ref-11)
12. Mahesh C. Purohit and Vishnu Kanta Purohit, *Goods and Services Tax in India: Estimating Revenue Implications of the Proposed GST* (New Delhi, India: Foundation for Public Economics and Policy Research, 2010), accessed March 28, 2019, https://fincomindia.nic.in/writereaddata/html\_en\_files/oldcommission\_html/fincom13/discussion/report24.pdf. [↑](#endnote-ref-12)
13. Tax had a cascading impact on prices and inflation when it was levied on a good or a service at each stage of the production process up to the point of being sold to the final consumer. In this process of levying the tax, the tax was imposed not only on the value of the output but also on the tax that had been paid at the earlier tax stages. Thus, there was a tax on tax, known as double taxation, which caused an increase in price. [↑](#endnote-ref-13)
14. Kumar A. N., Shah Deo, and Prerna Kittu Singh, “Goods and Service Tax (GST): India’s New Journey towards Indirect Taxation,” *International Journal of Science and Research*, 6, no. 7 (July 2017): 1, accessed January 7, 2019, www.ijsr.net/

    archive/v6i7/ART20175366.pdf. [↑](#endnote-ref-14)
15. “GST Rate Slabs Simplified,” Kotak Mahindra Bank, accessed March 28, 2019, www.kotak.com/en/stories-in-focus/gst-rate-slabs.html. [↑](#endnote-ref-15)
16. Ibid. [↑](#endnote-ref-16)
17. Ibid. [↑](#endnote-ref-17)
18. Shana Bhat and Rohit Bhat, “A Study on the Problems of Goods and Services Tax on Hotel Industry in Mysore District,” *IOSR Journal of Business and Management*: 49–52, accessed January 7, 2018, www.iosrjournals.org/iosr-jbm/papers/Conf.18010-2018/Volume%202/13.%2049-52.pdf. [↑](#endnote-ref-18)
19. PTI, “Parle Planning to Hike Price of Glucose, Marie Biscuits,” *The Times of India*, December 17, 2017, accessed December 24, 2018, https://timesofindia.indiatimes.com/business/india-business/parle-planning-to-hike-prices-of-glucose-marie-biscuits/articleshow/62103619.cms. [↑](#endnote-ref-19)
20. Gurman Bhatia, “Find out the GST Rate for over 1,800 Goods and Services,” *Hindustan Times*, November 14, 2017, accessed December 24, 2018, www.hindustantimes.com/interactives/gst-rate-complete-list/. [↑](#endnote-ref-20)
21. Pulses were the dried edible seeds of plants in the legume family. The most common pulses were peas, beans, lentils, and chickpeas. [↑](#endnote-ref-21)
22. Prachi Srivastava, “The Parle Story: From a Humble Beginning to an Inspirational Success,” Ad Age India, July 24, 2017, accessed December 18, 2018, www.adageindia.in/marketing/cmo-strategy/the-parle-story-from-a-humble-beginning-to-an-inspirational-success/articleshow/59682801.cms. [↑](#endnote-ref-22)
23. Ibid. [↑](#endnote-ref-23)
24. “Biscuits,” Parle Products Pvt. Ltd., accessed December 24, 2018, www.parleproducts.com/biscuits. [↑](#endnote-ref-24)
25. Ajita Shashidhar, “Parle Plans Big Overseas Push,” *Business Today*, April 23, 2013, accessed January 4, 2018, www.businesstoday.in/opinion/interviews/parle-ajay-chauhan-and-arup-chauhan-on-future-endeavour/story/194344.html. [↑](#endnote-ref-25)
26. Ad Age India Bureau, “Parle Aims to Increase its Market Share to 25% in Premium Biscuit Category,” Ad Age India, May 7, 2017, accessed December 5, 2018, www.adageindia.in/marketing/news/parle-aims-to-increase-its-market-share-to-25-in-premium-biscuit-category/articleshow/58564497.cms. [↑](#endnote-ref-26)
27. Soumya Gupta, “80 Years on, Parle-G Continues to Dominate Biscuit Market,” *Livemint*, December 19, 2017, accessed November 27, 2018, www.livemint.com/Companies/TdvnbHiNpTKA4KnTVeM2yM/80-years-on-ParleG-continues-to-dominate-biscuit-market.html. [↑](#endnote-ref-27)
28. Ibid. [↑](#endnote-ref-28)
29. Ibid. [↑](#endnote-ref-29)
30. “Glucose Biscuits Parle G Parle-G Biscuits,” *Indiamart*, accessed December 24, 2018, www.indiamart.com/proddetail/parle-g-biscuits-6763719533.html. [↑](#endnote-ref-30)
31. Shruti Venkatesh, “Cookies and Beyond: How Parle Products Has Ditched Its Mass Brand Image by Scaling Up Its Premium Offerings,” *Outlook Business*, June 8, 2018, accessed March 27, 2019, www.outlookbusiness.com/strategy/feature/cookies-and-beyond-4397. [↑](#endnote-ref-31)
32. Ibid. [↑](#endnote-ref-32)
33. Ibid. [↑](#endnote-ref-33)
34. Amit Bapna, “Parle Goes Premium,” *ET BrandEquity*, August 22, 2018, accessed December 5, 2018, https://brandequity.economictimes.indiatimes.com/news/business-of-brands/parle-goes-premium/65495701. [↑](#endnote-ref-34)
35. Ad Age India Bureau, op. cit. [↑](#endnote-ref-35)
36. Press Trust of India, Parle Eyes 50% Market Share of Super Premium Biscuits,” *Business Standard*, April 30, 2018, accessed March 28, 2019, www.business-standard.com/article/pti-stories/parle-eyes-50-market-share-of-super-premium-biscuits-118043000740\_1.html. [↑](#endnote-ref-36)
37. Ibid. [↑](#endnote-ref-37)
38. Ministry of Food Processing Industries, Government of India, *High-Growth Segments of Indian Food and Beverage Industry* (Kolkata, India: Ernst & Young LLP [EY] and Confederation of Indian Industry, 2017), accessed December 17, 2018, https://foodprocessingindia.co.in/pdf/high-growth.pdf. [↑](#endnote-ref-38)
39. Ibid. [↑](#endnote-ref-39)
40. Ibid. [↑](#endnote-ref-40)
41. Srivastava, op. cit. [↑](#endnote-ref-41)
42. Ibid. [↑](#endnote-ref-42)
43. Karuna Sharma, “How Mass Market Biscuit Maker Parle Became a Leader in Luxury Chocolate Segment with Friberg*,”* Best Media Info, October 17, 2018, accessed December 25, 2018, http://bestmediainfo.com/2018/10/how-mass-market-biscuit-maker-parle-became-a-leader-in-luxury-chocolate-segment-with-friberg/. [↑](#endnote-ref-43)
44. “Gum in India,” Euromonitor International, August 2017, accessed December 18, 2018, www.euromonitor.com/gum-in-india/report. [↑](#endnote-ref-44)
45. Manu Balachandran, “Parle-G Makers Have Found a Sweet Way to Tackle the GST Pinch – by Turning Back to Toffees,” Scroll.in, August 24, 2017, accessed November 2017, https://scroll.in/article/848223/parle-g-makers-have-found-a-sweet-way-to-tackle-the-gst-pinch-by-turning-back-to-toffees. [↑](#endnote-ref-45)
46. Srivastava, op. cit. [↑](#endnote-ref-46)
47. “Market Share of Salty Snack Companies in India in 2016, by Select Company,” Statista, accessed December 26, 2018, www.statista.com/statistics/725855/salty-snacks-market-share-by-key-company-india/. [↑](#endnote-ref-47)
48. Venkatesh, op. cit. [↑](#endnote-ref-48)
49. Ibid. [↑](#endnote-ref-49)
50. Srivastava, op. cit. [↑](#endnote-ref-50)
51. Ibid. [↑](#endnote-ref-51)
52. Ibid. [↑](#endnote-ref-52)
53. Sangeeta Tanwar, “How Parle Markets Dal,” Rediff.com, August 16, 2017, accessed December 25, 2018, www.rediff.com/

    business/report/parle-dal-fry-anyone-/20170816.htm. [↑](#endnote-ref-53)
54. Ibid. [↑](#endnote-ref-54)
55. Ibid. [↑](#endnote-ref-55)
56. Press Trust of India, “Parle Products Enters Pulses Category,” *Business Standard*, June 5, 2017, accessed December 19, 2018, www.business-standard.com/article/pti-stories/parle-products-enters-pulses-category-117060500899\_1.html. [↑](#endnote-ref-56)
57. Jurgen Maerschand and Maxime Willaert*, Growing Opportunities in the Indian Food Market* (Mumbai, India: Flanders Investment & Trade, 2018), accessed December 26, 2018, www.flandersinvestmentandtrade.com/export/sites/trade/files/

    market\_studies/20180515GrowingOpportunitiesInTheIndianFoodMarket.pdf. [↑](#endnote-ref-57)
58. Kunti Kachave, “Indian Biscuit Market Projected to Reach $7.25 Billion Next Four Years,” *Food Beverage News*, May 2, 2018, accessed March 27, 2019, www.fnbnews.com/Bakery-Biscuits/indian-biscuit-market-projected-to-reach-725-billionin-next-four-years-42107. [↑](#endnote-ref-58)
59. Purvita Chateerjee, “Biscuit-Makers Want Tax Exemption Cap to Be Raised,” *The Hindu Business Line*, February 25, 2015, accessed March 27, 2019, www.thehindubusinessline.com/economy/budget/biscuitmakers-want-tax-exemption-cap-to-be-raised/article6933574.ece. [↑](#endnote-ref-59)
60. Nirmal John, “The Biscuit that Made Parle,” *Fortune India*, October 5, 2012, accessed March 27, 2019, www.fortuneindia.com/enterprise/the-biscuit-that-made-parle/100794. [↑](#endnote-ref-60)
61. “Indian Biscuits Market Is Forecast to Record Twofold Revenues by 2023 – 6Wresearch,” 6Wresearch, November 17, 2017, accessed November 30, 2018, www.6wresearch.com/press-releases/india-biscuits-market-share-trends-forecasts-size-growth-opportunity-players-media-news-cagr-insights.html. [↑](#endnote-ref-61)
62. Ibid. [↑](#endnote-ref-62)
63. Ibid. [↑](#endnote-ref-63)
64. Govind, op. cit. [↑](#endnote-ref-64)
65. Ibid. [↑](#endnote-ref-65)
66. Miranda R. Goode and Ramasastry Chandrasekhar, *Parle-G* (London, ON: Ivey Publishing, 2010). Available from Ivey Publishing, product no. 9B10A022. [↑](#endnote-ref-66)
67. Ibid. [↑](#endnote-ref-67)
68. Shruti Venkatesh, “Cookies and Beyond: How Parle Products Has Ditched Its Mass Brand Image by Scaling Up Its Premium Offerings,” *Outlook Business*, June 8, 2018, accessed March 27, 2019, www.outlookbusiness.com/strategy/feature/cookies-and-beyond-4397. [↑](#endnote-ref-68)