

TITAN – Inside India's Most Successful Consumer Brand

TITAN – The 'Intrapreneurial Organisation'



For the uninitiated, Spark Consumption Desk's Not Marked to Market (NM2M) series is our attempt to take a break from our usual TP/Recommendation/Projection based research. Hence, we take a periodic detour to look beyond our daily occupation to strengthen our analytical framework to differentiate between BAD-GOOD-GREAT businesses.

In this chapter of NM2M-BOOK VALUE, we are sharing our key takeaways, insights and learnings from the book *'TITAN – Inside India's most successful consumer brand'* by [Vinay Kamath](#).

As analyst(s)/investor(s), we all have witnessed the spectacular >2 decade of wealth creation journey of TITAN. However, most of our understanding has been restricted to numbers, top management interactions, channel checks etc. This book offers a rare opportunity to comprehend and appreciate the history, the challenges, the choices (which could have gone either way) and most importantly THE TEAM which made TITAN India's top power house of ICONIC CONSUMER BRANDS and above all The Most Successful Lifestyle Retailer in the country.

Mr. Kamath has penned a very detailed account of the events, people and thoughts behind the evolution of iconic consumer brands – Titan, Tanishq, Fastrack, Eyeplus, and emerging brands like Skinn and Taneira. Evidently, the trust that the author enjoys from the whole Titan and Tata ecosystem offers the readers a rare access to some of the vital 'off-the record' events in the TITAN saga. Hence, the book is a must read to understand what goes into the making of a 'Rs. 1,00,000 Crores (ONE LAKH CRS) B2C empire.

Our Key Takeaways from the book -

- The Tata Factor** – Though not that apparent for the outsiders, the events in the book highlights the importance of the TATA Factor in the Titan success story. JRD's undeterred commitment to the idea, TATA's vast talent pool, Gols|Regulators' accommodative approach for a TATA company played mention worthy roles in the TITAN saga. Apart from these, even in the TITAN brands portfolio, there is an embedded TATA trust for vendors, employees, channel partners and above all for the consumers.
- JV with TIDCO*, a blessing in disguise?** – After Maruti, TITAN is perhaps the most successful public-private partnership in India in B2C space. In fact, we believe, at some level, TIDCO's antipathy to dilute and/or put more equity in the company restricted TITAN's growth aspirations to organic growth plans only. This could be a possible reason that unlike many Tata cos. TITAN didn't embark on any audacious overseas inorganic growth plan.
- Owners but no Ownership** – The most puzzling (and troubling too) part for us was that the team which created ~1 lakh crore of wealth for shareholders, had no upside from the same, no ESOPs. This reminded us of a famous saying that *a great leader is one who can transfer ownership to the management without making them owners*. Throughout the book, we witnessed a team of spirited individuals motivated to create something big which should outlast themselves. From Mr. Xerex Desai to Mr. Anil Manchanda to Mr. Bhaskar Bhat and many more, we were inspired to see the commitment to excellence.
- Learnings for the Retail sector** – The book is loaded with the nuggets for the Retail sector, some of those are -
 - Exhausting KYC (Know Your Client)** - Before venturing into any new space, TITAN puts disproportionate energy in understanding the consumer, gaps in current offerings vs. consumer needs and the competitive space. Remaining true to the end consumer is the success mantra followed.
 - Choose your battles carefully** – Even with the illustrious success record behind them, TTAN hasn't gone into an overzealous mode of getting into any difficult terrain. Underserved consumers, unorganised competition and Titan's ability to add value to consumers have been the key points of choosing the new categories.
 - Serendipitous ideas but Meticulous Execution** - Though most of brand ideas in Titan has been serendipitous, the execution of the same has been extremely meticulous. Eye(s) for details is impeccable. Many instances on the same are in the book.
 - Pilot before Scaling up** – Learning from its European venture's fiasco, Titan adhered to the format of getting the concept correct at pilot stage before scaling it up at national level.
 - Control over all the elements of value chain** – In spite of their impeccable marketing and distribution prowess, TITAN never gave into the temptation of becoming just a marketing-branding company. In fact, across verticals, TITAN has put a very serious effort in developing a solid manufacturing base.

**Tamil Nadu Industrial Development Corporation*

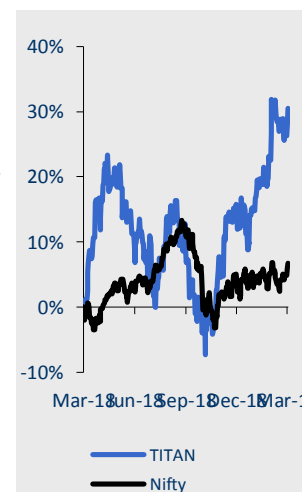
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**Tamilnadu Industrial Development Corporation*

CONSUMER SECTOR
March 11, 2019

Stock Recommendations

Company	Rating
TTAN IN	ADD



RESEARCH ANALYSTS

TEJASH SHAH

tejash@sparkcapital.in

+91 22 6176 6802

MADHAV PVR

madhav@sparkcapital.in

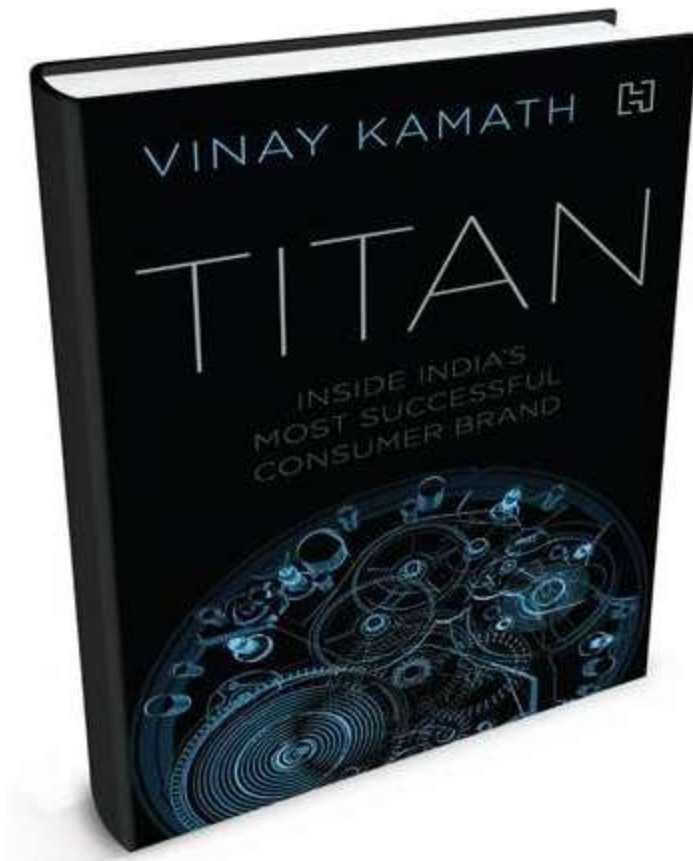
+91 44 4344 0060

SANTOSH KUMAR

santoshkumar@sparkcapital.in

+91 44 6660 3037

The Book & the Author

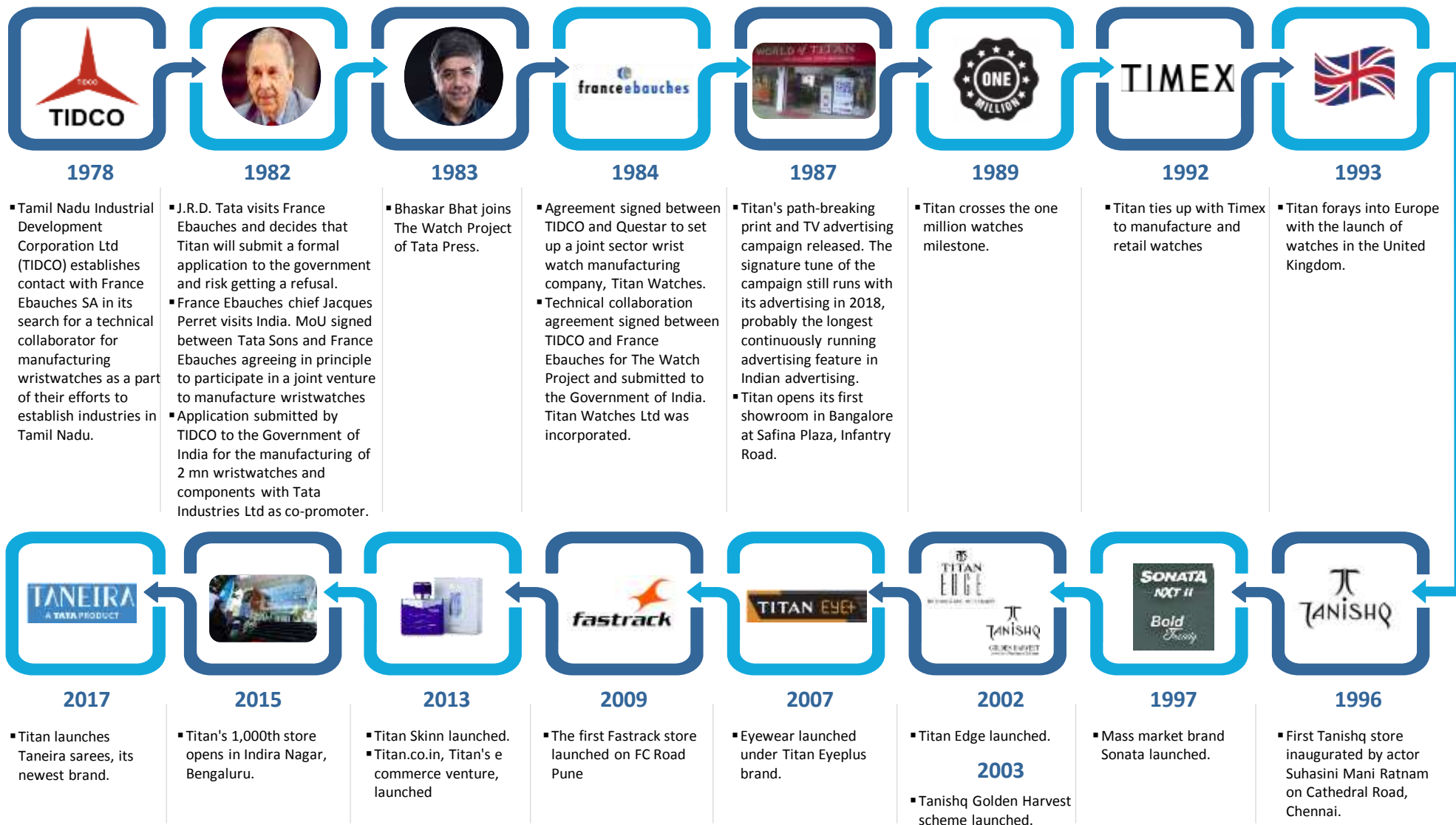


Vinay Kamath – Author

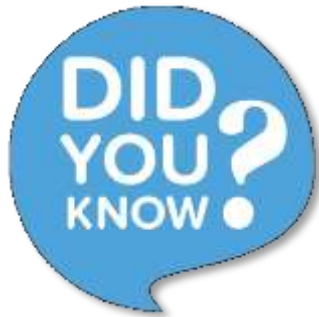
Mr. Vinay Kamath is an associate editor with The Hindu BusinessLine based in Chennai. Prior to joining BusinessLine in 1998, he did a short stint in

television with TV18, where he was the chief of news bureau, Chennai. He earlier worked with Financial Express, BusinessWorld, Times of India & Economic Times. A graduate in economics from Vivekananda College, University of Madras, Mr. Kamath earned a diploma in journalism from the Times School of Journalism, New Delhi, in 1986, and was also a member of the first batch of the Chevening Young Journalists' Fellowship Programme at the University of Westminster, London, in 1995, a scholarship offered by the British Foreign & Commonwealth office.

The 'TITAN' TIMELINE



DID YOU KNOW?



Mr. Shaktikanta Das (the current RBI Governor) was the chairman of Titan from 2006 to 2008.

Current RBI Governor was the Chairman of Titan



TITAN has paid more than Rs.450 Crores in cumulative dividends to TIDCO over the years.

Super Normal return for TamilNadu Government



- TITAN is an acronym for Tata Industries & Tamilnadu (TIDCO - Tamilnadu Industrial Development Corporation)
- TITAN's revenues & PAT have grown at a CAGR of ~15% & ~19% respectively from inception till March 2018.



During the late 1980's when the TITAN management had to travel to Europe for official purposes, the RBI sanctioned a mere \$100 per day as foreign travel expenses.

RBI 'Magnanimous' sanction for Forex

In December 1986, from the initial batch of TITAN watches manufactured, Mr. J.R.D Tata was gifted a watch. To the embarrassment of the Titan team, the Quartz watch which was given to Mr. Tata was not working. A thorough check revealed that a particular batch of batteries had been on the shelf too long which made the watches go slow/stop working altogether.

J.R.D Tata received a defective watch from the first batch



Titan's international foray included Europe, Middle east and Australia among others. However, with a gloomy economy in Europe, the company was incurring losses and finally had to shut its European operations. The accumulated losses from Europe amounted to Rs.182 Crores which took Titan years to recoup.

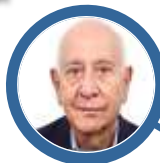
Titan expanded to 11 European countries in the late 90's itself



The 'TITANians'

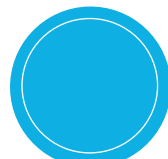
Mr. Xerxes Desai began his career with the Tata group as a member of the Tata Administrative Service, and worked in Tata Chemicals, Tata Industries, Indian Hotels and Tata Press. Mr. Desai started Titan Industries in the early 1980s, revolutionised the watch industry in India and made Titan the most admired Indian watch brand. In 1994, he was inducted into the Advertising and Marketing Hall of Fame. In 1997 he was rated India's 5th best CEO in a survey conducted by Business World. In June 2016, Mr. Desai passes away at the age of 79.

Mr. Xerxes Desai



Anil Manchanda was the Vice-President, Business Development (TITAN) and was working in Tata Press in the 1970s. He was student of the Indian Statistical Institute and also worked earlier with the TIFR team. He along with Mr.Xerxes Desai were part of the founding team of Titan.

Mr. Anil Manchanda



Bhaskar Bhat has been associated with the Tata Watch Project since 1983, later to become Titan Watches Ltd., and now Titan Company Ltd. At Titan, Bhaskar dealt with Sales & Marketing, HR, International Business and various general managerial assignments. Currently, he is the Managing Director of Titan. Mr. Bhaskar is a B.Tech (Mechanical Engineering) degree holder of IIT - Madras, and a post graduate diploma holder in Management from IIM - Ahmedabad,

Mr. Bhaskar Bhat



Mr. IK Amitha joined Titan in 1985 when the Tata group received a licence to manufacture watches. Prior to joining Titan he headed HMT Watches as director and is known as the father of the watch industry in India. Such was his reputation and prominence that when he chose to move to Titan, many of his trusted associates from HMT moved too. Under his guidance, Titan grew to be a dominant force in the watch business in India, surpassing HMT in time.

Mr. I K. Amitha



Mr. Subramaniam is a CA and ICWA by profession with over 25 years of experience. He has been driving strategic finance and has been a part of the top management teams for the past 10 years in Titan. He has also held senior positions with ITC, Essar Group, BPL Mobile, Mannai Corporation, Doha, etc.

Mr. Subramaniam



Mr. Harish Ramananda Bhat



Mr.Bhat served as a Head of Marketing & Customer Centricity at Tata Sons Limited and also served as a Head of Tata Brand since November 4, 2016. He also served as the MD and CEO of Tata Global Beverages Group Ltd. He joined the Tata Group in 1987 as an Officer in the Tata Administrative Service and has completed 30 years of service. He served as EVP and CEO of Time Products at Titan Industries Ltd (now Titan Company Ltd). Holds a PG Diploma (MBA) in Management from IIM, Ahmedabad and also holds B.E. Degree in Electrical and Electronics from Birla Institute of Technology and Science, Pilani.

Mr. Ronnie Talati



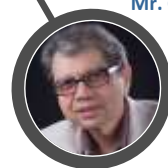
Ronnie Talati is a B.Com, LLB from Bombay University. A Sports and fitness enthusiast, he joined Tata Press in 1976. Ten years later with Titan Industries, Ronnie as GM Finance was largely responsible for setting up the Finance Department. In 2005, he headed the new business unit to target the youth ('Fastrack'). In 2013, he took over as the Chief Marketing Officer of Watches and Accessories division. He is currently the CEO of the Eyewear Segment.

Mr. C K Venkataraman



Mr. Venkataraman has been heading the Jewellery Division since January 2005. He is a post graduate diploma holder in Management from IIM-Ahmedabad. Venkataraman joined Titan Company Limited in 1990, and worked in the Advertising and Marketing functions before becoming the Head of Sales & Marketing for the Titan brand in 2003.

Mr. S Ravi Kant



Mr. Ravi Kant heads the Watches & Accessories business of the company as its CEO and Executive Vice President. He holds a Masters in Business Management. Mr. Kant joined Titan in 1988 and headed Direct Marketing, followed by Retailing and Exports. He took over the International Business Division – for watches as well as jewellery in over 25 countries. As the CEO - Eyewear, he established Titan Eye Plus as a national chain of optical stores. He took over the watches business in 2015.

The TATA Factor

The IFC Factor

- The International Financial Corporation which invested and also extended foreign currency loans of Rs.18 Crores when Titan commenced initially heard the proposal only because it was from the house of Tata's. The IFC team bought wealth of international experience during the project assessment stage and in fact visited Titan's international collaborators at their own cost in order to evaluate how they planned the technology transfer and technical training. In fact the IFC themselves insisted on an equity stake in the company.

'Owners, though no ownership'

- As observed in our executive summary, the most puzzling part for us was that the team which created ~1 lakh crore of wealth for shareholders, had no upside from the same, no ESOPs. This reminded us of a famous saying that a great leader is one who can transfer ownership to the management without making them owners. We believe perhaps it was the intangible aspect of working in a TATA company.

'Pull' Factor in Franchising

- TITAN had successfully negotiated the tricky business of sales and distribution by working out an effective franchisee model which cut out the middlemen and offered retailers a slightly better margin that it labelled as a cash discount. While this was a significant win-win for the franchisee, TITAN's biggest benefit (perhaps one of the reasons which has aided it become the most successful retailer in the country) was that from inception it fostered a culture of 'no credit' and even today, it maintains a cash and carry system with dealers. The fact that the trade partners took that much risk on an unproven brand was also because of the trust on the TATA brand.

'TATA Trust' in Jewellery

- When TITAN planned to venture into the jewellery segment, an informal survey revealed that the downside was that business practices were vested with families and craftsman. However, the company believed that the TATA name could bring its weighty reputation for trust and fairness as it was an open secret that customers seldom really got all the gold they paid for; since 'undercaratage' was rampant.

Acute Foresight

- During the inception of the company, the management had to take a very critical decision on whether to go ahead with manufacturing of either quartz watches or mechanical watches technology. It was a momentous decision with the company foreseeing that 'Quartz was the technology of the future' and went ahead with the same. Mr.Xerxes stated that 'Quartz has fewer moving parts, is cheaper and easier to make and maintain, its lighter and slimmer, and its right by the consumer'.

Managing Channel Conflict

- Since it was still in the late 1980' and early 1990's during the time pre-LPG India, the thinking of the retailers at that time was that anyone who wanted to buy a watch would come to the shop regardless of what it looked like. And hence despite making huge profits dealers were not willing to invest to upgrade their showrooms. However, TITAN wanted to change the 'rules of the game' and ventured into direct retailing in order to motivate the dealers to 'upgrade their stores'. The company launched their first direct store with modernized interiors. However, to ensure no cannibalization of business, it decided to keep the first showroom small and assured the retailers that it was a little experiment of theirs and would share all the learnings.

TITAN deciphered 'Secret Sauce'

SECRET SAUCE**BETTING on People**

1

- Mr. Kamath elucidates that when the idea to start Titan was proposed, most of the senior directors were opposed to getting into the watch business. However, Mr. JRD even without looking at the numbers trusted Mr. Minoo Mody implicitly and fully supported the proposal and pushed the project ahead. Betting on People is an integral part of the Titan culture.

'Choosing the Battles Carefully'

4

- TITAN had to wind up its European operations which ended in a fiasco. The book quotes Mr. Bhaskar Bhat who outlined "the big lesson we learned was that we needed to do pilots before any big launch. We went to 11 countries simultaneously and we took a big risk there"

'Setting the Tone STRONG' on Trade Terms

2

- The company took a stance that it would directly deal with retailers since all the distributors at that point of time were beholden to HMT. TITAN would supply only against advance payment, a practice unprecedented until then, to ensure that retailers' cash was tied up in TITAN inventory.

'Best Visits' for Best Practices

5

- Since there was no precedence of retailing when Titan opened their first store in 1987, we understand from the book the architect of the store took a trip to Switzerland and France to see what was happening there in contemporary retailing and ape the same in India. Stretching itself to offer the best customer experience seems to be the underlying theme across.

'Owing the Customer Vs Owning the Trade'

3

- A critical component of TITAN stores we note was that from the start the company set up a service network alongside the showrooms. Dealers themselves were encouraged to open service centres, with subsidized watch-repair kits provided and staff trained by TITAN.

'Ability to Let Go'

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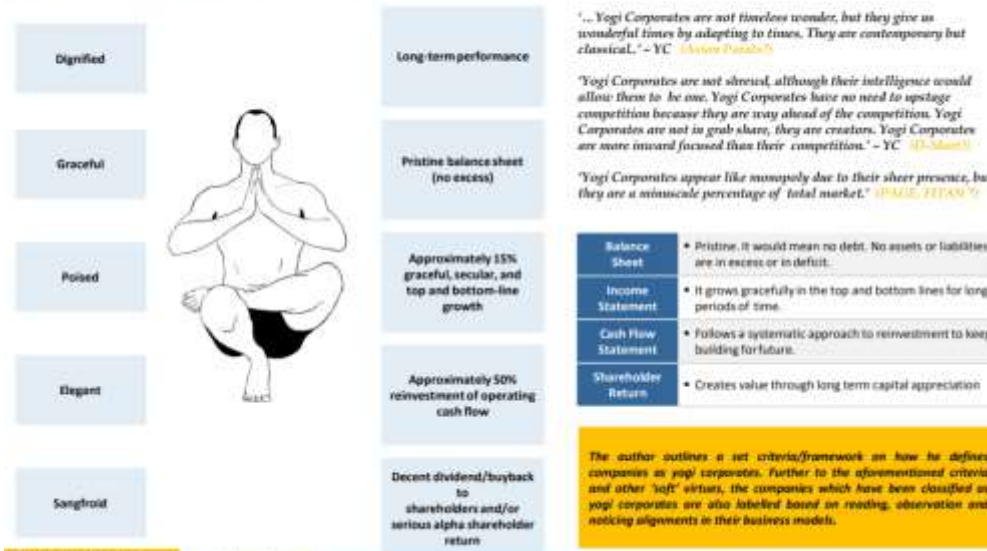
- In the book, the author elucidates on the how the Spectra range of watches which Titan's designers were proud of, was a flop with the customers and was swiftly dropped. We note that the company's strong corporate ethic of 'the ability to let go of things that didn't work' helped create the brand that Titan became.

NM2M Series: Previous Edition - Consumption Sector Takeaways from the book Yogi Corporates by Mr. Ashish Patil

Not M2M Series: Yogi Corporates – Key Takeaways



What are the characteristics of a Yogi Corporate?



Spark Views/Opinions -

Source: Yogi Corporates

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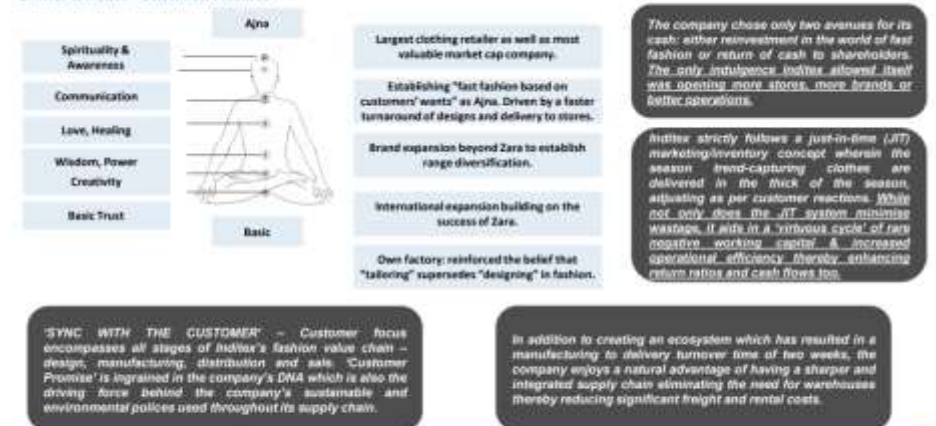


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Not M2M Series: Yogi Corporates – Inditex



Chakras & Inditex – Select Best Practices



Inditex's singular and unwavering focus in its line of business without digressing/diversifying to other businesses or chasing faster growth through mergers and acquisitions was a reflection of a yogi's base qualities of wisdom, awareness and balance. Letting the brand advertise itself (till date Inditex doesn't spend on advertising) and ensuring continuity at the top management with only three CEO's since inception also communicates a culture of love and basic trust. Despite operating in the cut-throat fast fashion industry, sticking to its old age values of not having any star designers/marquee real estate advertising, the company has developed "best practices" for the modern retail world to ape.

Source: Yogi Corporates

Spark Views/Opinions -

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