

Dissertation Report  
On  
**“SUPPLY CHAIN MANAGEMENT IN INDIAN MADE  
FOREIGN LIQUOR MANUFACTURING PLANT OF M/S  
DIAGEO INDIA”**

Report being submitted for the partial fulfillment of the degree of Master of  
Business Administration

**DIAGEO**

**Prepared By:**

**CH. SRITAM PRAHARAJ**

**Enrolment no.: 19MBA003**

**Under the Guidance of:**

**DR. SOUMENDRA KUMAR PATRA**

Faculty, Department of Business Administration

**DR. BISWAROOP SINGH**

Faculty, Department of Business Administration



**DEPARTMENT OF BUSINESS ADMINISTRATION,  
RAVENSHAW UNIVERSITY,  
CUTTACK-753003  
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# DECLARATION

This is to notify that this report “Supply Chain Management in Indian Made Foreign Liquor Manufacturing Plant Of M/S Diageo India” has been prepared as a part of my dissertation formalities. It is an obligatory part of our MBA program to submit a dissertation report. Moreover, I was inspired and instructed by my guide Dr. Soumendra Kumar Patra Sir and Dr. Biswaroop Singh Sir, Ravenshaw University. In this regard, I would like to mention that this report has not been prepared for any other purpose like presentation or investigation for any other authorities and the information incorporated in this report is true and original to my knowledge.

Date:

Ch. Sritam Praharaj

Place:

Enrolment No.: 19MBA003

## **CERTIFICATE FROM THE GUIDE**

This is to certify that Ch. Sritam Praharaj, Roll No. 19MBA003, student of Ravenshaw University of MBA program has completed the dissertation report titled “Supply Chain Management in Indian Made Foreign Liquor Manufacturing Plant Of M/S Diageo India” successfully under my supervision.

I wish him every success in life.

Date:

Dr. Soumendra Kumar Patra

Place:

Ravenshaw university

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I wish him every success in life.

Date:

Dr. Biswaroop Singh

Place:

Ravenshaw university

## **ACKNOWLEDGEMENT**

The dissertation opportunity I had with Diageo India was a great chance for learning and professional development. I take this opportunity to acknowledge the efforts of the many individuals who helped me completing this project. At first, thanks to The Almighty who granted me to complete this project. I want to express my heartfelt gratitude to my academic instructor Dr. Soumendra Kumar Patra sir and Dr. Biswaroop Singh sir for giving me the opportunity to do my dissertation project. The supervision and support that he gave truly helped the progression and smoothness of this program. However, I accept the responsibility for any possible error of omission and would be extremely grateful to the readers if they bring such mistakes to my notice. The co-operation is much indeed appreciated. Finally, I would like to thank my family, and friends for their constant encouragement without which this assignment would not be possible.

Date:

Ch. Sritam Praharaj

Place:

Enrolment No.: 19MBA003

## **ABBREVIATIONS**

MRP- material requirement planning  
PO- purchase order  
RM- raw material  
PM- packing material  
FG- finished good  
NOC- non objection certificate  
PR- purchase requisition  
GRN- good receive note  
SKU- stock keeping unit.  
OSBCL – Odisha State Beverages Corporation Ltd  
Govt.-Government  
ENA-Extra Neutral Alcohol  
OIC-Officer in Charge  
SCM- Supply Chain Management  
QA- Quality Assurance  
MOQ-Minimum Order Quantity  
ISO- International Organization for Standardization  
MGF - Multi Grade Filter  
ACF - Activated Carbon Filter  
PSF - Pressure Sand Filter  
HCL - Hydrogen Chloride  
NAOH - Caustic Soda  
HBS - High Bucket Sprit  
IMFL-India Made Foreign Liquor

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## **EXECUTIVE SUMMARY**

Supply chain management (SCM) is the broad range of activities required to plan, control and execute a product's flow, from acquiring raw materials and production through distribution to the final customer, in the most streamlined and cost-effective way possible.

In today's global marketplace, effective supply chain management is seen as a significant competitive advantage for a business. The enterprise that conducts robust supply chain planning activities, delivers increased efficiencies. Supply chain managers plan, schedule, and control that flow of goods to help the company stay competitive and control costs. They build the bridges between suppliers, companies, and consumers.

Diageo India is one of the leading domestic organization in Bangladesh has been contributing to the economy by providing quality consumer product in a comparatively reasonable price. If the winning factor for Diageo India has been investigated, the result would be its outstanding supply chain procedure. The report tries to highlight how the supply chain activities of Diageo India help the company to be more efficient and competitive in the market. The supply chain of Diageo India has been described in this paper with the light of this concept. Increasingly, supply chain management is being recognized as the management of key business processes that comprise the supply chain. Optimized supply chain management can decrease total system cost, inventory and cycle times while significantly increasing stock availability and inventory turns. If these issues can be solved then, it will provide greater profits, improved customer service and competitive advantage to the company. Diageo India has been continually being benefitted by its outstanding supply chain management. It offers invincible professionalism and expertise in the entire commercial activities of Diageo India as well as gaining comparative advantage over its competition and gaining more customer trust and share.

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# **CHAPTER - 1**

## **INTRODUCTION**

## **1.1 INTRODUCTION**

As a result of Globalization; the organisations are linked in a networked supply chain, more established and accordingly appreciated. This strategic viewpoint has created the challenge of coordinating the entire supply chain more effectively and efficiently, from upstream to downstream activities. While supply chains have existed ever since businesses have been organized to bring products and services to customers, the notion of supply chain management (SCM), is a relatively recent branch of management.

## **1.2 SIGNIFICANCE OF STUDY**

At present in this competitive business world the Liquor industries have more than lots of brands in the battle field facing stiff competition in every segment's targeted. Even Diageo is also facing stiff competition even more years of heritage. But Diageo India managing its production process and distribution network so effectively. The topic is significant and very important which help us to understand a comparatively new term "supply chain management" in the business world along with its impacts and benefits. The research has a definite focus on the company Diageo India. This research will have a reflection on the supply chain activities of the mentioned company. It gives a complete over view about the company profile of Diageo India, understand the different strategies adopted by the organization to increase its market share and overcome its rivals, types of processes and activity carried out during manufacturing process and how to take right decision to increase their turn over and minimize their cost from supply, distribution and maximize their profit.

## **1.3 SCOPE OF THE STUDY**

At present in this competitive business world the Liquor industries have more than lots of brands in the battle field facing stiff competition in every segment's targeted. Even Diageo is also facing stiff competition even more years of heritage. But Diageo India managing its production process and distribution network so effectively. Through this study, the main problem that it studies is to find out the supply chain management of Diageo India and its products and the awareness of brand among the consumers of Odisha. The present study is taken with special reference to United Spirits Limited (A Diageo Group Company) located at Ekamkana, Nimapara, Puri, Odisha. The study is carried out by understanding its production process and distribution network through the industrial visit. The study is based on various data and information collected during the industrial visit.

## **1.4 OBJECTIVE OF THE STUDY**

The objective of the study are as follows:

- a) To get a complete over view about the company profile of Diageo India.
- b) To understand what activities of Diageo India has been entitled to supply chain activities and how this activity has been performed by Diageo India.
- c) To know the procedure of the Forecasting demand of the Raw materials & Packaging materials that will be needed.
- d) To know the company supplier sourcing, procurement and inventory management.
- e) To know how the manufacturing unit is linked with procurement to manufacturing to distribution to its immediate customer.
- f) To know the company Transportation, logistics and Distribution process.
- g) To understand the different strategies adopted by the organization to increase its market share and overcome its rivals.
- h) To understand different types of processes and activity carried out during manufacturing process.
- i) To aware lack of supporting information systems.
- j) To study the technology solution.
- k) To take right decision to increase their turn over and minimize their cost from supply, distribution and maximize their profit.
- l) To know the company's end customer supply & support process.

## **1.5 LIMITATIONS OF THE STUDY**

Limitations is a part from the needs and importance of the study, there are limitations also. It is important to stress several limitations of the research method used for this research:

- Since the research is limited in time and resources, it was impossible to perform an in-depth research into all the aspects for the supply chain activities.
- Lack of sufficient sources prevented verification of information.
- As the organization has its operation all over India and is bounded by respective state excise, it's difficult for in depth study of all state excise. Distribution process up to the customer varies from state to state. Hence, Study was limited to and as per prevailing practices of Odisha State Excise, Govt. of Odisha.
- Some aspects of the report may be considered confidential by the organization.

## **CHAPTER – 2**

# **LITERATURE REVIEW**



## **2.1 LITERATURE REVIEW**

Raw materials pass through multiple value adding transformation processes in the supply chain (SC) before getting consumed by the end customer. SC is defined as the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities to produce value in the form of products and/or services which is delivered to the end customer (Christopher, 2010).

Supply Chain Management (SCM) takes a systemic approach towards the SC as a whole to optimize its performance measures by managing various characteristics of SC such as flow of goods, inventory level, number and location of warehouses, push-pull boundary decision, etc. Two features namely, the SC network and nature of the relationship between each stage in the network have been of real interest for long time from an operational perspective Erengüç et al. (1999) identifies three distinctive stages that exist in every SC: supplier stage (procurement stage), plant stage (production stage) and finally distribution stage. Efficient operation at each stage depends on several factors such as nature of the manufactured product, policies and culture followed in the industry, nature of dependency between industries operating at different stages, etc. (Thomas & Griffin, 1996). However, the final distribution stage to end customers is least touched upon in both academic and practitioner literature. One of the probable reasons could be that, the design and coordination of downstream networks i.e. the distribution channels is considered to be the responsibility of more than one business function.

Sales and marketing departments, operations department, and supply chain department end up in conflict while deciding on owning the distribution process. Most of the documentations in past have discussed distribution process as a sales and marketing department activity rather than a SC design or operations activity (Wathne and Heide, 2004).

Erengüç et al. (1999) mentions that network design studies have lacked the operational considerations and have been mostly organized around market segments and as a function of the marketing strategy adopted by the company. They also felt the need to consider network design issues by integrating marketing and operations issues. Hence, in this study, authors have attempted to understand and provide clarity on the role and function of distribution network of Indian alcoholic beverage industry from the perspective of SC.

Chen and Paulraj (2004) have noticed that understanding the true dynamics of SCM is far more complex. Through their review, they convinced readers that the complex network of

interrelated activities in supply chains makes it challenging for managers to describe and comprehend how those activities are related and how they influence each other. Therefore, this study would also try to understand the interrelated activities in SC and documents its influence over other processes in the organization such as pricing, product launch, etc.

Alcohol arguably is both the oldest social beverage and the substance most widely used by human beings. Its power to change behaviours positively and negatively is extraordinary, although both the reasons and effects for drinking vary widely from culture to culture (Pettigrew and Charters, 2006 Measham, 2008; Ormrod, 2009).

It is widely accepted that alcohol is used to enhance positive emotions and to cope with negative emotions and that positive impacts are likely to result in positive life experience; while on the other hand, alcohol consumption can also lead to negative impacts, such as immorality and crime. Bailly et al (2001) agree by suggesting two main motivations for drinking: positive social motivations (that is, enhance social occasions), and personal psychological motivation (that is, to achieve more favourable self-perception or to cope with personal dissatisfactions).

Seigel, Naimi T.S., Nelson D, Boston (2010), conducted a research conducted to know about the type of alcoholic beverages preferred by youth. The analysis consisted around 7723 youth from whom the data was collected. Result was that almost all the people analysed, 99% had a drink in the last 30days. 43.8% youth preferred liquor, 36.6% preferred beer and malted beverages and only 7.1% youth preferred wine. Pattern was that most of the youth did it for getting intoxicated and they did binge drinking for that

The concept of a “lifestyle” business describes a scenario where the owner/proprietor either balances his/her economic and non-economic goals or is primarily motivated by a set of lifestyle aspirations that are given a higher priority than economic objectives (Lynch, 1998; Morrison, 2002; Morrison & Teixeira, 2003; Thomas, 2000; Williams Shaw, & Greenwood, 1989). Koewn and Casey (1995) found that the taste of the wine was a dominating factor for wine consumers.

Thompson and Vourvachis (1995) found that taste was the most highly correlated attribute relating to wine choice and noted that this was to be expected as it is frequently found to be the key attitudinal factor in studies of wine choice. Brand is another extrinsic attribute used in wine choice. Brands are the sum of all the images that people have in their heads about a particular company brands represent promises made regarding what we can expect from a product, service, or company (Gordon 2002).

## **CHAPTER – 3**

# **COMPANY PROFILE**

## **3.1 COMPANY PROFILE**

### **3.1.1 HISTORICAL BACKGROUND OF DIAGEO INDIA**

Diageo India is the country's leading beverage alcohol company with an outstanding collection of premium brands across spirits and wines – a business built on the principles and foundations laid by the giants of the industry.

We are India's leading beverage alcohol company with an outstanding portfolio of premium brands. We are a high performing business that is sensitive to consumer, community and societal needs. We are proud of being a responsible producer and marketer of beverage alcohol, and we champion responsible consumption as part of a balanced lifestyle.

A subsidiary of global leader, Diageo, our world class portfolio includes premium brands such as Johnnie Walker, Black Dog, Black & White, Vat 69, Antiquity, Signature, Royal Challenge, McDowell's No 1, Smirnoff, and Captain Morgan.

Our strength lies in our scale, the geographical diversity of our business and our desire to continuously improve our performance. We have 50 manufacturing facilities across states and union territories in India, a strong distribution network and a state-of-the-art Technical Centre. And our dedicated team of talented people are passionate about providing the best possible experience from every single one of our products.

Incorporated in India as United Spirits Limited (USL), Diageo India is listed on both the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

#### **Our Ambition:**

Our ambition is to create the best performing, most trusted and respected consumer products company in India.

#### **Our Values:**

Our culture is rooted in a deep sense of our purpose and values, the personal connections we have to our brands, our relationships and our passion to win in the marketplace. Our values underpin our business and guide how we work.

We're **passionate about customers and consumers** – our curiosity and customer and consumer insights drive growth. We care for our brands. We're courageous in pursuing their full potential. We're innovative, constantly searching for new ideas that drive growth, developing them across our business.

We give ourselves and each other the **freedom to succeed** because this fosters an entrepreneurial spirit. We trust each other; we're open and challenging. We always behave as a team – when we're together and when we're apart.

We're **proud of what we do** – we act sensitively with the highest standards of integrity and social responsibility. We enjoy and benefit from diversity.

We will strive to **be the best** – we are restless, always learning, always improving. We constantly set high standards and then try hard to exceed them. We deliver results, win where we compete and celebrate our success.

We **value each other** – we seek and benefit from diverse people and perspectives. We strive to create mutually fulfilling relationships and partnerships.

## **Our Responsibility:**

Promoting responsible consumption of alcohol is at the core of our business. We take seriously our obligation to market our brands responsibly, and to help people make informed decisions about drinking, including choosing not to drink. We champion responsible drinking and support road safety programmes all over India – programmes that we know are making a real difference.

## **What Drives Us:**

We are a company built and sustained through innovation, which gives us the drive to create new products, new categories and new experiences for consumers, to invent strong brands today and in the future for others to take further. As present day custodians of some of

the world's most iconic brands, it is our responsibility to ensure that they remain as relevant today as they have done in the past, and to pass them on to the next generation in even better shape.

## **Our Legacy:**

Our business is built on the principles and foundations laid by the giants of the industry. Angus McDowell, Alexander Walker, Arthur Guinness, and all those who followed in their footsteps, cared deeply about the people and businesses they fostered. They were driven to produce the best beverage alcohol brands, working hard to be successful, delivering the best performance possible and creating opportunities for people and their communities. Today we stand on the shoulders of these giants and act with the same entrepreneurial spirit and determination.

## **3.2 VISION AND MISSION**

### **3.2.1 Diageo Mission Statement:**

To fulfil our ambition, we know that we must earn the trust and respect of everyone we deal with. That's why our culture is rooted in a deep sense of our purpose and values. These values underpin our business and guide how we work.

### **3.2.2 Diageo Vision Statement:**

Our ambition is to be one of the best performing, most trusted and respected consumer products companies in the world. We are in a strong position to achieve this due to our scale, the geographical diversity of our business and our desire to continuously improve our performance.

## **3.3 EVOLUTION**

### **1826**

An enterprising Scotsman Angus McDowell sets up McDowell and Co as a trading company with its headquarters in Madras.

**1951**

Vittal Mallya acquires McDowell & Co initiating a new era in the history of the company.

**1959**

McDowell's sets up its first distillery in Kerala. The Cherthala plant is on the banks of Kerala's famous Vembanad Lake. It starts bottling Bisquit Brandy and Dorville French Brandy from imported concentrates.

**1963-64**

McDowell's launches its own McDowell's No.1 Brandy after the import contract for No.1 Bisquit Brandy gets terminated.

Vittal Mallya acquires Carew & Co with distilleries in Rosa (Uttar Pradesh), Asansol (West Bengal) and Darsana (East Bengal, now Bangladesh). The Rosa plant was known for manufacturing Carew's Rum, India's only 10-year-old rum. Carew's other popular brands include Blue Riband Gin, Booth's Gin, Carew's Dry Gin, Carew's Imperial Whisky, Carew's Fine Brandy and Doctor's Brandy. He also acquires Phipson & Co., Calcutta, creating a national footprint for the spirits business.

**1968**

McDowell's No. 1 Whisky launches and is an instant success. Today, it is the definitive flagship brand of Diageo India.

McDowell's commissions the Hyderabad distillery. This is followed by distilleries in Ponda (Goa) in 1971 and in Hathidah (Bihar) in 1973.

**1973**

USL acquired Herbertsons & Co. Defying all odds to acquire a host of breweries during Prohibition in India.

**1977-80**

Vittal Mallya goes on a distillery acquisition spree in Udaipur, Alwar, Mirganj and Serampore. He also sets up a plant in Pondicherry.

**1979**

Production of the first batch of McDowell's No. 1 Whiskey Traveler at the Kumbalgodu distillery.

**1980**

Master blenders at Shaw Wallace & Company (which was later acquired by McDowell's) perfect Royal Challenge (popularly called RC). Royal Challenge wins the hearts of whisky drinkers across India. It is now the sole millionaire brand in the premium whisky segment.

**1990**

McDowell's No.1 Rum is launched in two variants -- Celebration (Dark) and Caribbean (White).

**1991-1992**

McDowell's acquires the spirits business of Forbes Campbell & Company Ltd with a plant at Nashik and its brand portfolio.

**1992**

McDowell's launches Asia's first Single Malt, Duet Gin and Vodka variants.

Shaw Wallace & Company (which was later acquired by McDowell's) launches Antiquity Rare Premium Whisky, a blend of exclusive Scotch, fine Indian malts and premium neutral alcohol. India's first joint venture in alcohol beverages — United Distillers India Limited — is formed with United Distillers plc of United Kingdom. Black Dog 12 Year Old Deluxe Scotch, Black and White, VAT 69 and White Horse are bottled in India at the company's Nashik Unit.

**1994**

McDowell's Signature, slated to be the 'Best Indian Whisky,' is introduced. An immediate success, the brand creates waves internationally too.

**1995**

Carew Phipson Limited, Consolidated Distilleries Ltd and some other companies merge with McDowell's.

**1998**

McDowell & Co Ltd celebrates its centenary with five millionaire brands in its portfolio: No.1 McDowell's Whisky (annual sales of over 2.5 million cases), No.1 McDowell's Brandy (annual sales in excess of 2 million cases) and Celebration Rum, Old Cask Rum and Diplomat Whisky with sales of over one million cases each.

**2005**

McDowell's completes the acquisition of its traditional competitor Shaw Wallace & Company. Celebrated brands such as Royal Challenge, Antiquity, Director's Special, and White Mischief are now part of the portfolio.

**2006**

United Spirits Limited (USL) is created through the merger of McDowell & Co Limited, Herbertsons Limited, Triumph Distillers and Vintners Private Limited, Baramati Grape Industries India Limited, Shaw Wallace Distilleries Limited and four other companies.

The company acquires Bouvet Ladubay, a subsidiary of France-based Taittinger.



**2007**

USL acquires Whyte and Mackay, the United Kingdom's leading Scotch whisky distillers. USL now becomes the world's third largest spirits group after Diageo plc of Great Britain and Pernod Ricard of France.

USL acquires Liquidity Inc., makers of Pinky vodka.

**2008**

USL introduces McDowell's No. 1, Royal Challenge and Antiquity in a new, international pack. Whyte & Mackay Special, bottled at the Nashik facility, is also launched.

**2009 – 2010**

Black Dog 18 Year Old and Four Seasons Barrique Reserve are launched, changing the luxury paradigm for the Indian consumer.

**2011**

United Spirits creates history. It sells 114 million cases and establishes its volume leadership in the world alcohol beverage market.

McDowell's No 1 Platinum — a 100 percent grain based whisky crafted by Richard Paterson, Master Blender of Whyte & Mackay — reaches the millionaire milestone in its debut year. Indian cricket skipper MS Dhoni endorses its soda extension.

McDowell's VSOP follows the McDowell's millionaire tradition in 2011.

**2013-2014**

Diageo plc acquires 54.8 percent shareholding in USL, making India one of its largest markets. Diageo plc is a global leader in beverage alcohol with an outstanding collection of brands across spirits, beer and wine categories.

**2015**

McDowell's No.1 is ranked 14 in the 2015 BrandZ™ Top 50 Most Valuable Indian Brands rankings.

Royal Challenge undergoes a brand renovation, the first in several years. It boasts of stunning new packaging, liquid and positioning.

The new identity of McDowell's No. 1 Soda is launched through a unique yet simple and powerful logo that represents how close friends hug each other.

**2016**









Mr. Mahendra K Sharma is appointed the Chairman.

**2021**

Hina Nagarajan has replaced Anand Kripalu as the managing director and chief executive officer, with effect from July 1, 2021. With this, she will be the first woman to be appointed as chief executive of USL.

### **3.4 EXECUTIVE COMMITTEE**

#### **Executive Committee**

			
<b>Anand Kripalu</b> Managing Director and CEO	<b>Pradeep Jain</b> Chief Financial Officer	<b>Prathmesh Mishra</b> Chief Commercial Officer	<b>Julie Bramham</b> Chief Marketing Officer
			
<b>Abanti Sankaranarayanan</b> Chief Strategy and Corporate Affairs Officer	<b>Kedar Ulman</b> Chief Supply Chain Officer	<b>Mamta Sundara</b> General Counsel	<b>Aarif Aziz</b> Chief Human Resources Officer

As on 5<sup>th</sup> March 2021.

### **3.5 STRATEGIC BUSINESS UNIT**

DIAGEO INDIA is having its Registered office at:

UB Tower, Level-9  
# 24, Vittal Mallya Road,  
Bangalore - 560 001.  
Landline: +91-80-2221 0705  
Fax: +91-80-3985 6862  
Email: [contactus.india@diageo.com](mailto:contactus.india@diageo.com)  
Website: [www.diageoindia.com](http://www.diageoindia.com)

It is having its manufacturing unit across India represented as **United Spirits Limited**. It has 19 manufacturing units across India in the name of United Spirits Limited out of which 2 manufacturing units are in Odisha, one located at Gopalpur-on-sea in Dist-Ganjam and another located at Ekamkana in Dist-Puri.

### Joint Ventures:

DIAGEO India manufactures its product also in contract and associate distilleries across India. It also operates different types of production and distribution activities.

## 3.6 PRODUCT PROFILE OF DIAGEO INDIA

### Brands:

It's a matter of pride for us that consumers across India enjoy our brands. After all, we have a brand for every occasion and celebration.

Our outstanding portfolio includes over 50 spirits and wine brands that are enjoyed across India. Old and new, large and small, global and local – the depth and breadth of our product portfolio is second to none, with brands at almost every price point in every category to meet consumer demand.

Crafted using the finest ingredients and tested techniques, our brands – whether global or local - suit every occasion and celebration, big or small.



**Fig 3.1: Brands of Diageo India**

## Global giants: Iconic brands

We are the proud custodians of internationally renowned brands that have been built over centuries. They have not only laid the foundation for our business but are also our inspiration to scale new heights.

## Home-grown leaders: The Indian stars

Our local brands have traditionally been leaders in the Indian market. These instantly recognisable brands reflect the tastes and trends of people in our country.

## Reserve: A multi-award-winning portfolio

Each of our fine spirits has its own story to tell. Heritage, craftsmanship, innovative production and inspiring design all combine to offer our consumers a once-in-a-lifetime experience.



**Fig 3.2: Reserve Brands of Diageo India**

## **CHAPTER – 3**

# **RESEARCH METHODOLOGY**

## **4.1 RESEARCH METHODOLOGY**

Research methodology is the systematic approach to solve the research problem with some logic behind it and to evaluate the success of organizational design the two types of data sources are considered. Primary Source as well as Secondary Source. Primary data was collected through a structured closed / open-ended questionnaire and interviews with senior officials of Diageo India, its employees and customers. Secondary data was collected through internet, newspapers, magazines, journals and annual reports.

## **4.2 RESEARCH DESIGN**

A research design is the specification of method and procedure for accruing the information needs. It is overall operational pattern of frame work of project that stipulates what information is to be collected for source by the procedures. It specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyses, and communicates the findings and their implications.

Descriptive Research design is appropriate for this study.

Descriptive study is used to study the situation. This study helps to describe the situation. A detail description about present and past situation can be found out by the descriptive study.

## **4.3 SAMPLING METHOD**

There are two types of sampling methods:

- 1) Probability sampling methods
- 2) Non probability sampling methods

In this study the non-probability sampling has been used using convenience-sampling technique. This is because probability sampling involves random selection, allowing you to make statistical inferences about the whole group and non-probability sampling methods involves Convenience sampling, Voluntary response sampling, Purposive sampling and Snowball sampling. It is helpful because population elements were scattered over a wider area and specific category could not be find out.

For the kind of research study sampling plan must be designed for appropriate result. A part of the population is known as a sample and here Convenience sampling is used.

## **4.4 DATA COLLECTION METHOD**

The search of answer to research questions called of collection of data are facts, figures, and other relevant materials, past, and present servings as based for study and analysis.

Data are of two types

- Primary data
- Secondary data

As this research was Descriptive in nature, the report has been written based on both the primary as well as the secondary form of information.

### **4.4.1 PRIMARY DATA**

Primary data were the collected data directly from the officials. I have discussed the aspect of the relative supply chain activities to the related executive official and used their responses as primary data. Also, the experience I have gained during the Industrial visit is also a source of my primary data in this report. I have discussed the aspect of the relative supply chain activities to the related executive official and used their responses as primary data and consumer response through various questionnaire.

### **4.4.2 SECONDARY DATA**

The secondary data were, company's yearly business review report, marketing report, annual budget, in-house training material, company manual, internal meeting minute, textbook and information from internet etc.

For the Secondary data, the instruments are used: -

- Diageo website
- Diageo newsletter
- Diageo magazine
- Retailers data
- Local Newspaper
- World Wide Web / Internet
- Journals
- Product brochures
- Booklets etc.



## **4.5 RESEARCH DESIGN AND PHILOSOPHY**

The research is designed in such a way that the reader of this can easily get an idea of the entire message of the report very easily. Here the data that are used to complete the research are collected from the both primary and secondary source. There only qualitative data is used to climb the stair of the decision because of the nature of the subject itself. The research philosophy followed here is pragmatism philosophy. Pragmatism is a rejection of the idea that the function of thought is to describe, represent, or mirror reality. Instead, pragmatists develop their philosophy around the idea that the function of thought is as an instrument or tool for prediction, action, and problem solving. Pragmatists contend that most philosophical topics. Such as the nature of knowledge, language, concepts, meaning, belief, and science, are all best viewed in terms of their practical uses and successes rather than in terms of representative accuracy.

## **4.6 DATA LIMITATIONS**

Limitations is a part from the needs and importance of the study, there are limitations also. It is important to stress several limitations of the research method used for this research:

- Since the research is limited in time and resources, it was impossible to perform an in-depth research into all the aspects for the supply chain activities.
- Lack of sufficient sources prevented verification of information.
- As the organization has its operation all over India and is bounded by respective state excise, it's difficult for in depth study of all state excise. Distribution process up to the customer varies from state to state. Hence, Study was limited to and as per prevailing practices of Odisha State Excise, Govt. of Odisha.
- Some aspects of the report may be considered confidential by the organization.
- The study is confined to United Spirits Limited (A Diageo Group Company) located at Ekamkana, Nimapara, Puri, Odisha. Not all plants around the world.
- This study is based on the information given by the customers. The conclusions drawn are subjected to the information provided by various buyers contacted.



## 4.7 TOOLS & TECHNIQUES OF DATA ANALYSIS

There are different tools and techniques of data analysis.

### 4.7.1 DATA ANALYSIS TOOLS

There are several data analysis tools available in the market, each with its own set of functions. The selection of tools should always be based on the type of analysis performed, and the type of data worked.

Here Ms Excel and IBM SPSS Statistics are used for data analysis.

#### MS EXCEL

It has a variety of compelling features, and with additional plugins installed, it can handle a massive amount of data. So, Ms Excel is a very versatile tool for data analysis.

#### IBM SPSS Statistics

IBM SPSS Statistics is the world's leading statistical software designed to solve business and research problems by means of ad hoc analysis, hypothesis testing, geospatial analysis and predictive analytics.

### 4.7.2 DATA ANALYSIS TECHNIQUES

There are different techniques for data analysis depending upon the question at hand, the type of data, and the amount of data gathered. Each focuses on strategies of taking onto the new data, mining insights, and drilling down into the information to transform facts and figures into decision making parameters. Here Techniques based on Visualization and Graphs are used. Some of them are as follows: -

- **Column Chart, Bar Chart:** Both these charts are used to present numerical differences between categories. The column chart takes to the height of the columns to reflect the differences. Axes interchange in the case of the bar chart.
- **Line Chart:** This chart is used to represent the change of data over a continuous interval of time.
- **Area Chart:** This concept is based on the line chart. It additionally fills the area between the polyline and the axis with colour, thus representing better trend information.
- **Pie Chart:** It is used to represent the proportion of different classifications. It is only suitable for only one series of data. However, it can be made multi-layered to represent the proportion of data in different categories.
- **Funnel Chart:** This chart represents the proportion of each stage and reflects the size of each module. It helps in comparing rankings.

## **CHAPTER – 5**

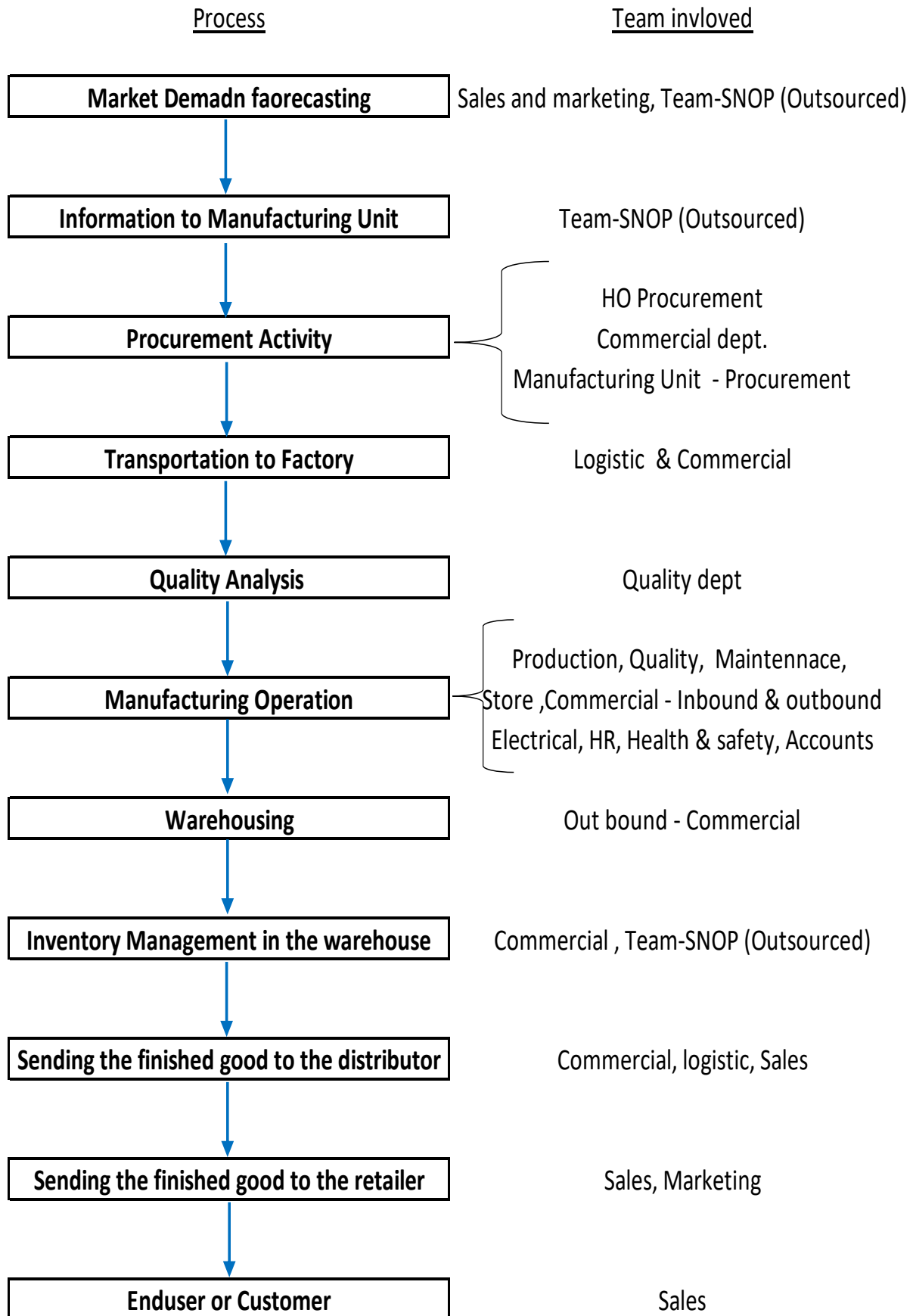
### **SUPPLY CHAIN PROCEDURE OF DIAGEO INDIA**

## **5.1 SUPPLY CHAIN PROCEDURE OF DIAGEO INDIA**

Supply chain management has a very important role to play within the organization because it involves with the responsibility for predicting and satisfying end customers' demand back through to the supplier and creates opportunities for the procurement professional to contribute to the organization's success. The objective of supply chain management is to create the most value for the entire supply chain network, including the end-customer. Successful supply chain management involves the coordination of activities within the firm and between members of the supply chain.

Within the organization, the supply chain refers to a wide range of functional areas. These include Supply Chain Management-related activities such as inbound and outbound transportation, warehousing, and inventory control. Sourcing, procurement, and supply management fall under the supply-chain umbrella, too. Forecasting, production planning and scheduling, order processing, and customer service all are part of the process as well. Supply Chain Managers have a vital role to play in managing cost, as they are in a position to monitor and influence the whole cost base across the business and the supply chain.

Commercial Department of DIAGEO INDIA is one of the most vital functional departments of the Company which deals with the supply chain activities of DIAGEO INDIA. In order to keep all the businesses running flawlessly, the dedicated and hardworking employees of this department maintain a good liaison with the customers. The Commercial Department is consistently achieving the best prices for the products that they purchase, ensuring enormous amount of cost savings for the company. It offers invincible professionalism and expertise in the entire commercial activities of DIAGEO INDIA. SCM process of DIAGEO India:



**Fig5.1: Process Flow of Supply Chain Procedure of Diageo India**

## 5.2 MARKET DEMAND FORECASTING

Push production is based on forecast demand and pulls production is based on actual or consumed demand.

In general, DIAGEO INDIA uses Push production through Statistical forecasting techniques to forecast future demand. Statistical forecasting techniques provide an insight into historical and seasonal trends and help to evaluate the impact of promotional activities. But DIAGEO INDIA recognized that statistical forecast can act only as a guideline and the best forecast is one that is arrived at through Collaboration of all concerned parties. The demand planning solution provides a base statistical forecast and a framework for collaboration and monitoring with the retailers.

DIAGEO India is doing this forecasting by an outsourced agency SNOP Team (currently the software giant Accenture is leading this project of demand forecasting and acting as a link between sales and manufacturing team.

Sales team track and maintain MIS on daily basis for all brands & share the tracking reports to all concerned manufacturing unit & Team – SNOP.

Demand is forecasted in the last week of a month for a period of next 3 month and a week-wise demand is forecasted for the next month only with a variation of 5%. Both manufacturing unit and sales agrees to the plan and is locked for a month only. There is a approximate demand for 2<sup>nd</sup> & 3<sup>rd</sup> month also but final demand comes for a particular month in the last week of previous month with a variation of 10%.

Below is the illustrative diagram for the same.

Demand is for both what Sales are going to push into the market and according to Manufacturing is going to produce

		Demand forecasting before the start of each month for a period of 3 months				
Month	Week	Month1	Month2	Month3	Month4	Month5
Month1	Week1	5% variation				
	Week2	5% variation				
	Week3	5% variation				
	Week4	5% variation				
Month2	Week1	10% variation	5% variation			
	Week2	10% variation	5% variation			
	Week3	10% variation	5% variation			
	Week4	10% variation	5% variation			
Month3	Week1	10% variation	10% variation	5% variation		
	Week2	10% variation	10% variation	5% variation		
	Week3	10% variation	10% variation	5% variation		
	Week4	10% variation	10% variation	5% variation		
Month4	Week1		10% variation	10% variation	5% variation	
	Week2		10% variation	10% variation	5% variation	
	Week3		10% variation	10% variation	5% variation	
	Week4		10% variation	10% variation	5% variation	
Month5	Week1			10% variation	10% variation	5% variation
	Week2			10% variation	10% variation	5% variation
	Week3			10% variation	10% variation	5% variation
	Week4			10% variation	10% variation	5% variation
					Continued	Continued

**Fig5.2: Market Demand Forecasting of Diageo India**

Let say on Last week of Jan'20, a demand plan is given for Feb'20 (@ 5% variation) week-wise plan, Mar'20, Apr'20.

Again, on last week of Feb'20, a demand plan is given for Mar'20 (@ 5% variation) week-wise plan, Apr'20, May'20.

For 2nd & 3rd subsequent month demand forecast varies 10% which is corrected with 5% variation just in last week of previous month for a particular month.

### 5.3 PRODUCTION PLAN

Production Manager or concerned production personnel along with Commercial & Procurement team plan according to 3 months forecasting and freeze the plan with SNOP team. For a major variation prior justification is given to avoid any business demand variance.

## **5.4 SOURCING SUPPLIER**

As Diageo India finds itself in a highly globalized and digitally connected business environment, it increasingly relies on third-party suppliers for raw materials; manufacturing of components or even complete products; assembly; logistics and distribution; and more. The importance of suppliers increases the need for collaborative supplier relationships. Developing a collaborative relationship requires time and effort.

### **5.4.1 Approved Vendor List:**

Commercial Department maintains a vendor list of Raw Material and Packing Materials according to prescribed format of international Standard Organization. Such vendor list needs to be approved by Quality Analyst. Commercial also maintains a vendor list for Finished Goods and repacking items. Such vendor list needs to be approved by Business unit or quality analyst.

### **5.4.2 Vendor Enlistment:**

To work with Diageo India, each local vendor needs to be enlisted beforehand. Vendors submit all necessary papers along with forwarding letter to Materials Controller in prescribed format. Commercial then investigate about his competency as a supplier and visits his site if required. After satisfactory result, supplier is issued a letter for his qualification as a vendor to work with Diageo India.

Generally, Vendors are categorised into two types: HO approved vendor (Supply to all units of Diageo India) and Local Vendor (Regional vendors having their presence or supplying 2-3 units or to a particular states or unit)

### **5.5.3 Preferred Supplier:**

The items which required special design or process to follow, Commercial can consider preferred supplier concept of selecting and authorizing a supplier based on the cost, reputation, reliability and timeliness. For considering a supplier as preferred supplier, detail item wise cost analysis with regular review is done. After that an agreement is done with such supplier.

#### **5.5.4 Vendor Evaluation:**

Vendor needs to be evaluated in each year by Regional Supply Quality Performance manager (SQPM). Such vendor evaluation needs to be done in prescribed format. Vendor is informed regarding the evaluation and they are asked to improve where required.

#### **5.5.5 Vendor Profile:**

Commercial department prepares vendor profile containing the following information:

- a) Details address of Vendor
- b) Name of contact person with detail address
- c) List of products
- d) Financial strength
- e) List of other companies they supply
- f) Address of factory
- g) Purchase history of Diageo India from this supplier
- h) Non-Compliance Report, Problem notification and other Quality Analysis report regarding this supplier
- i) Claim status

#### **5.5.6 Sample Management:**

Commercial department collects required sample from supplier with all supportive documents. The required quantity and the required documents are determined by Quality Analyst. They follow ISO procedure and instruction for sample approval process. They forward all sample with supportive documents to Quality Analyst for approval as per ISO prescribed process and format. Quality Analyst tests the sample of Commercial department then starts procurement process after Quality Analyst approval. After sample is being approved, suppliers are listed in approved vendor list.

#### **5.5.7 Alternative Source Development:**

Commercial department gives best effort to increase supplier base to get competitive price and other supply chain benefit.



## **5.6 PROCUREMENT**

Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfil its strategic objectives. Procurement exists to explore supply market opportunities and to implement resourcing strategies that deliver the best possible supply outcome to the organization, its stakeholders and customers.

As a practicing SCM organization, Diageo India has changed the system of procurement from bid and buy system to an involvement of key suppliers in the product development phase. This action reduces product-cycle time. Therefore, strategic alliances between buyer and supplier have to be built on a global basis. The steps taken by the procurement Department are discussed below:

### **5.6.1 Material Requirement Planning (MRP):**

The desired purchase requisitions are generated along with production plans. Material requirements generated therefore are synchronous with the distribution and production requirements generated downstream. By regenerating material plans at the same frequency as production plans, Diageo India can maintain low raw material inventory. But the supplier needs to be equally flexible and part of the material planning process to ensure success.

Commercial department prepares a MRP based on production plan in the very first week of the month. Based on lead time, uses of corresponding Finished Good, Considering Finished Good coverage, material stock and lead time, a purchase requisition (PR) is generated for opening L/C in the month. A unique number is given to each PR and each PR is generated in “SAP” system. While preparing MRP, the following consideration should be made:

- Information from MRP file
- Next 3 months requirement
- Month wise requirement Production requirement
- Lead time
- Sales trend
- Current stock
- Last 3 months consumption
- Any expired items which can be used after retest
- FG coverage

- Price and MOQ
- Possibility of any shortage in future
- Any RM, PM and other crisis worldwide that will hamper production in future
- Any urgent requirement by business and production

### **5.6.2 Requisition:**

Commercial can also purchase based on requisition raised by business. Marketing department provides requisition as per prescribed format providing ROFO, Current Stock, other necessary documents with approval from head of business. Commercial department issues a Purchase Requisition number for each requisition.

### **5.6.3 Purchase Order:**

Commercial collects quotations from all approved manufactures/suppliers time to time and is updated on SAP system Unit commercial place PO as per the requisition to suppliers. No need to seek quotation, take approval every time as supplier is approved one and rate is updated in the system time to time with valid contract and intend letter to supply.

### **5.6.4 Quality Analysis Report:**

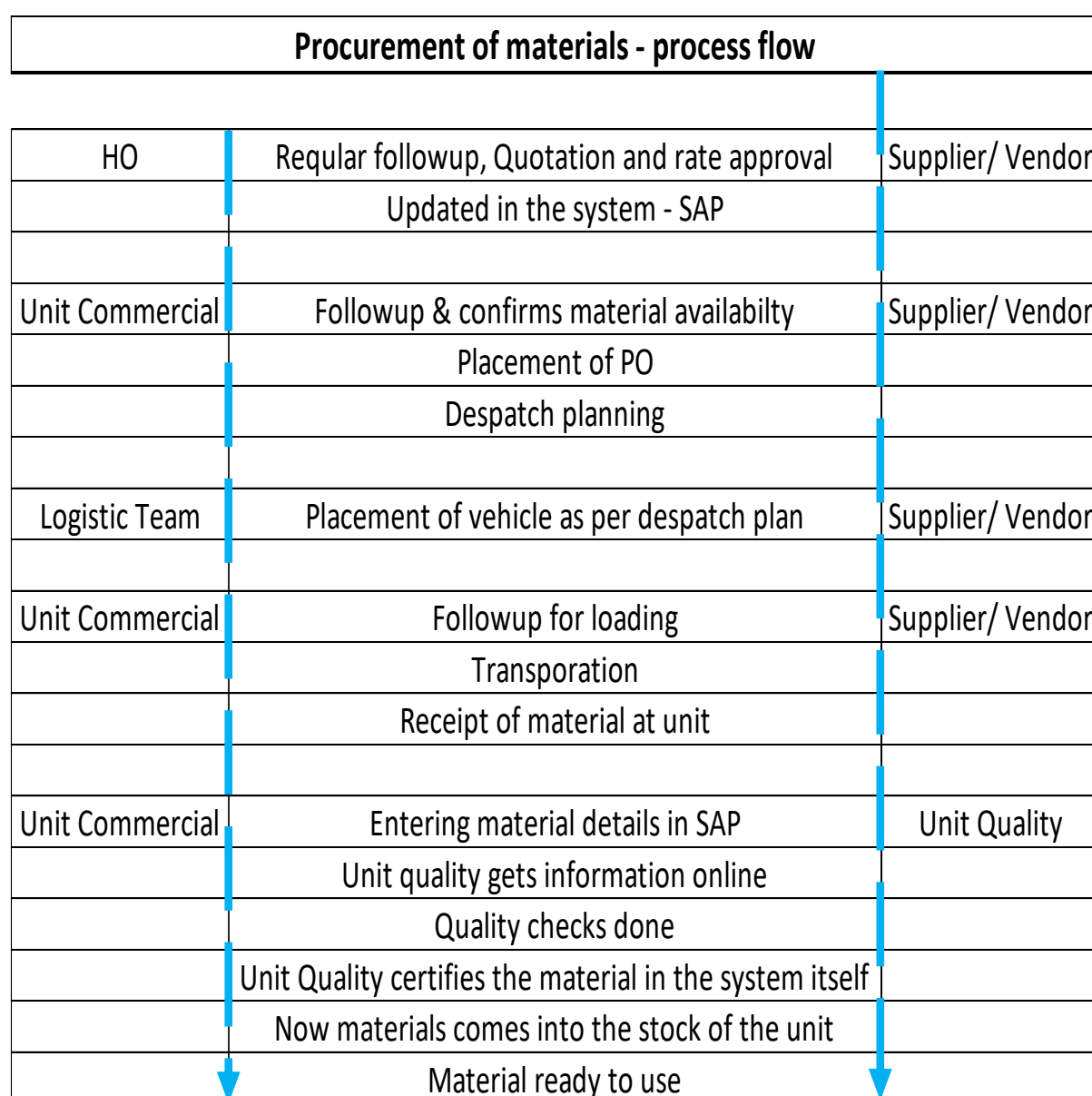
It is to be expected that, QA will test the material within 2 working days from the GRN date. Any major anomaly found by QA should be addressed to Commercial immediately. Based on anomaly found, commercial will raise and resolve claim following previous two procedures. QA should notify commercial and Finance in case of any anomaly immediately for any insurance claim.

### **5.6.5 Development of Packing Material:**

Business department is responsible for the development of new PM. After collecting design, sample, dimension, Artwork or specification from business, commercial asks for quotation from enlisted vendor. Commercial will prepare a comparative statement with the quotations collected.

After rate approval from business in CS and delivery confirmation in due date, Business will handover approved design/sample/dimension/Artwork/specification to approved vendor. Vendor will submit his produced sample to QA for approval.

Business will coordinate with vendor and QA for any requirement of change in such sample. After QA approval, Business will initiate change control process to QA for final approval. Commercial will issue PO for delivery after final approval from QA. Any change required in approved specification needs to be initiated by Business. Commercial will only purchase based on approval from QA.



**Fig 5.3: Process Flow of Procurement of Materials**

## 5.7 MANUFACTURING

List of Raw materials and Packaging Materials directly used for the manufacturing of finished product (IMFL)

List of Raw material & Packaging Materials used for the manufacturing of finished product		
Raw Materials	Pacakaging Materials	
	Primary PM	Secondary PM
Extra Neutral Alcohol	Glass Bottle	Label
Special Spirits	Cap (Aluminium Cap, Plastic cap)	Outer carton
Colouring substances		Monocarton
Flavouring substances		Adhesive
		BOPP tape
		Excise Adhesive label

**Fig 5.4: List of Raw materials and Packaging Materials**

After the procured raw and packing material reaches into the factory premises, the quality of them are checked and ensured by the quality analyst of the factory. If the materials are not satisfactory, these materials are rejected. If the materials are of good quality as expected then they are permitted to go to the factory and start production.

Extra Neutral Alcohol is procured from Distillery and transported to bottling plant by tanker. ENA is unloaded from the tanker by pump and food grade PVC pipe / SS pipes. Extra Neutral Alcohol is stored in SS (Stainless Steel) tanks.

In Blending Process, Extra Neutral Alcohol is transferred from storage tank to SS make blending tanks as per requirement. Then DM water is added to reduce the ENA strength followed by circulation through pump. After that colour, food grade flavour and special spirits

are added (ingredient depends upon various types of IMFL i.e. Rum, Whiskey, Vodka etc. and brand). Then DM water is further added as per calculation to meet the alcoholic strength as directed by state excise and kept for maturation. Then sample from that blend is collected through Excise Officers and sent to State Drugs and Research Laboratory, Bhubaneswar for chemical testing to get it certify whether it is fit for consumption or not.

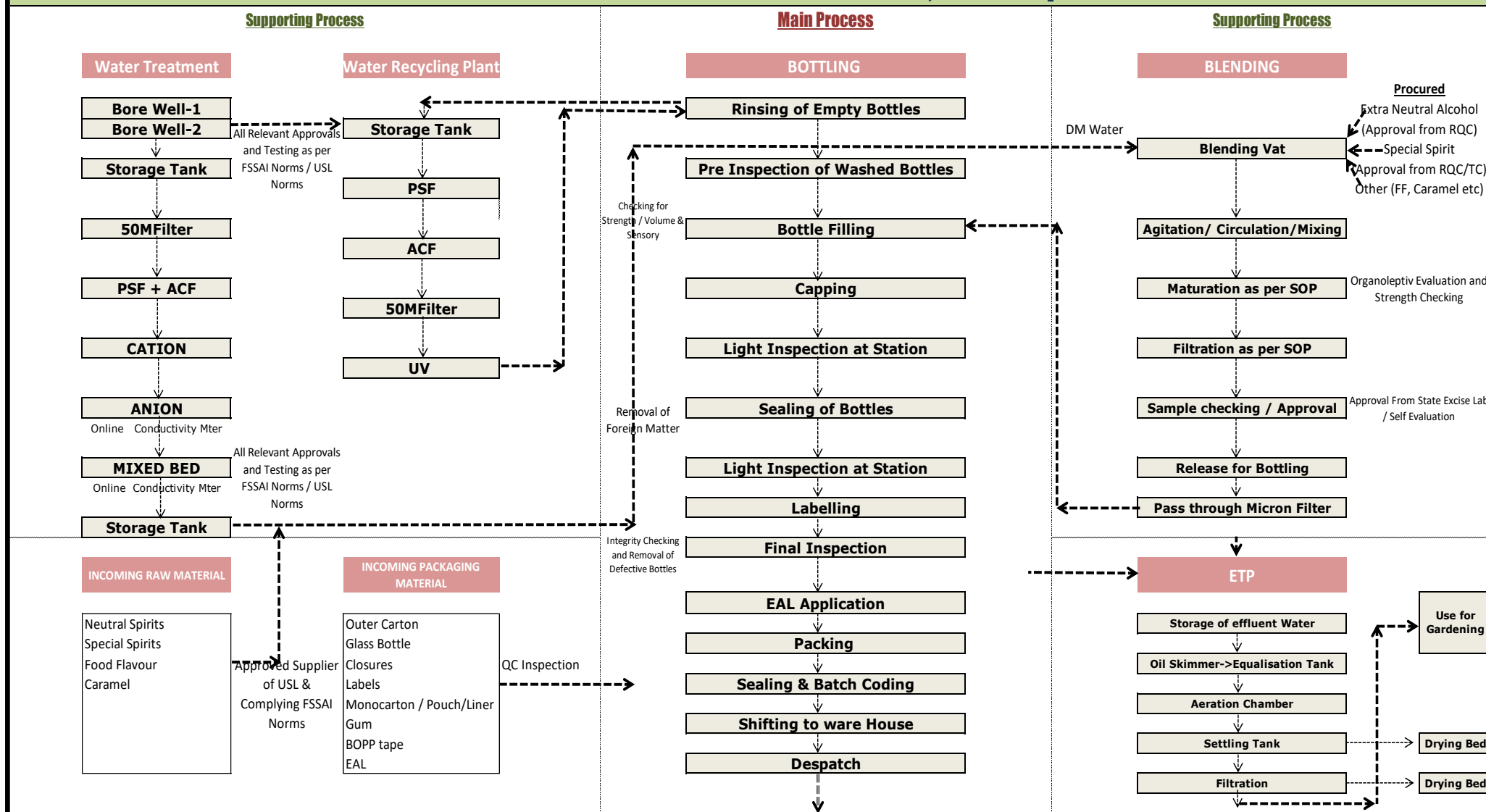
All the Packaging Materials like Bottles, Closures, Labels, Mono Cartons and master cartons are purchased from supplier and checked as per internal quality standards.

During Bottling Process: Blend is transferred to service tank through pump and Food Grade flexible clear PVC pipe/ SS pipes. Service tank provides blend to filling machine. On the other side empty bottles are washed in rinsing machine and washed empty bottles are fed to filling machine. After filling of blend filled bottles are sealed with caps followed by inspection. After that bottles are labelled with registered label and packed in Corrugated Boxes.

Finished goods are kept in bonded warehouse and are dispatched to depot by vehicles with Excise Permit

All the above works are conducted at utmost care to avoid any food safety hazard as per regulation and in presence of excise authority.

## IMFL - MANUFACTURING PROCESS FLOW CHART , USL Nimapara



### **5.7.1 DEMINERALISED WATER TREATMENT PLANT (DMW PLANT)**

Demineralised water treatment plant act as a supporting process of main manufacturing process and water treatment is done here. During this process the raw water is collected from the borewell one and borewell two by the submersible pump of 5 HP and 3 HP respectively. Raw water is stored in a storage tank through the respective flow meter. There are two outlets from the storage tank, one for domestic use and another outlet is connected to DM plant.

In DM plant there is a 30 Kl raw water storage tank and from this tank water is flowing to the MULTI GRADE FILTER tank by the 1.5 HP pump. In the MGF tank both ACF (Activated Carbon Filter) and PSF (Pressure Sand Filter) process are done. In this process water is flown from downward where raw water firstly processed with ACF where the unwanted odour is removed from the water and then the water processed with PSF where the small particles are removed and waste particles are drained by the drainage line. Then the processed water is flown through the 50 Micron bag filter where the micro particles are removed and drained. After that the water flow to the CATION tank through the acid dosing system and the tank is charged with HCL (Hydrogen Chloride), and the upward motion of water is done where all the positive ions like Na, Mg, H, Ca are discharged. Then after the water moved to the ANION tank through caustic dosing system and the tank is charged by NAOH (Caustic Soda), here the upward motion of water is done and all negative ions are discharged. Then the water is flown through the conductivity meter and acid and caustic dosing system to the MIXED BED tank where both cation and anion process is obtained and it is charged with NAOH and HCL. When the air is blowing through the tank, both cation and anions are separated and when the water is flown from downward the remaining anions are discharged and then the remaining cations are discharged. Then the water is out from the tank through the conductivity meter of demineralised form and the waste water is drained through the drain line. After that the DM water is stored in a 30kl storage tank. Then the DM water is moved to the Blending section where DM water is stored in blending section in a 15kl tank.

The waste water which is drained from different tanks is moved to the regenerated acid storage and processed and out from the tank then moved to the regenerated caustic storage and processed and out from the chamber and move to ETP section where the waste water is processed to the reuse purpose or disposal to the environment.

### **5.7.2 BOTTLE WASHING WATER RECYCLING(BWWR)PLANT**

Bottle Washing Water Recycling (BWWR) plant act as a supporting process of main manufacturing process and water recycling process is done here. During this process water is collected from borewell and water is flown through the water flow meter to the sand filter where the solid particles are removed then the water moved to the carbon purifier tank where the unwanted odour is removed. Then the water is moved to the 1st storage tank and the is moved through the water flow meter to input line of the washing machine section which is situated in the Production Hall by the feed pump.

After the washing the bottle the drain water is coming from the outlet of washing machine and their chlorine dosing and alum dosing is happened and stored in the collection chamber. After Bar Screening process the water moves to Oil Skimmer chamber. Here after processing the clean water moves bottom flow to the next chamber. Then water moves to Still Water Chamber which is 15 Kl capacity of storage in top flow manner when the water overflows from the chamber. Here the water moves to Suction Chamber which is 15 Kl capacity of storage in top flow manner. From the suction chamber the water moves to sand filter through the water flow meter by the feed pump. Here solid particles are removed from the water and the water flows through OPRP Meter, pH meter, Acid dosing system to the Carbon chamber where it removes flashy odour from the processed water. Then the water flows through OPRP meter, if there is any problem happened the water is drained through solenoid valve otherwise the water moves to 50M bag filter where the 50 Micron particles are removed and the water flows through UV LAMP and water flow meter to the washing machine input point which is located in production hall. Then after bottles are washed by the recycle water also.

### **5.7.3 BLENDING SECTION**

The DM water is stored blending section. Then it flows to Blending VAT and there the demineralized water, ENA (Extra Natural Alcohol) (Approval from RQC), HBS (High Bucket Sprit) (Approval from RQC) and other ingredients are added in an appropriate manner in the blending vat. Then it agitates, circulates, mixes properly, then the solution is organoleptic evaluated and strength checked. Then it matures or marries as per approved recipe or SOP (Standard Operation Procedure). After that it goes to filtration where it filters as per approved



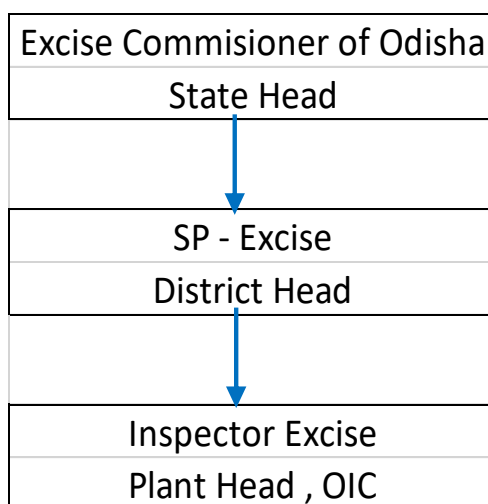
SOP. Then the Sample is checked or approved by authorized panel. After approved by panel it releases for bottling, then the solution passes through MICRON or GUARD Filter, where it filters the micro particles. At last, the solution goes to Bottling Section.

#### 5.7.4 BOTTLING SECTION

Bottling Section is the main process of the manufacturing process and bottle filling and packaging process is done here. In this section bottles are washed by processed water or recycled processed water and thoroughly inspected. Then pre inspected washed bottles are filled with solution, then the bottles are moves to capping chamber where the bottles are capped properly. Then after the filled bottles move to light inspection station where the filled bottles are checked whether some foreign particles are inside or not and also checking for volume and strength at filling. Then bottles are sealed and then again light inspection at the station. After that bottles are labelled and it goes to final inspection station where they check the integrity and removal of defective bottles. After inspection bottles are moved to packaging station, then bottles are sealed and batch coding done on the bottles. Then bottles are shifted to warehouse and after that the bottles are dispatch to IMFL warehouse then it provides to retailers.

#### 5.8 ROLE OF EXCISE DEPARTMENT, GOVT. OF ODISHA

As per State Excise Act, the industry is under the control of Excise Dept., Govt. of Odisha. One Excise Inspector and one Constable is appointed in the manufacturing unit at Nimapara Plant. Number of Excise staff may increase with increase in capacity of plant or as per Odisha State Excise requirement.

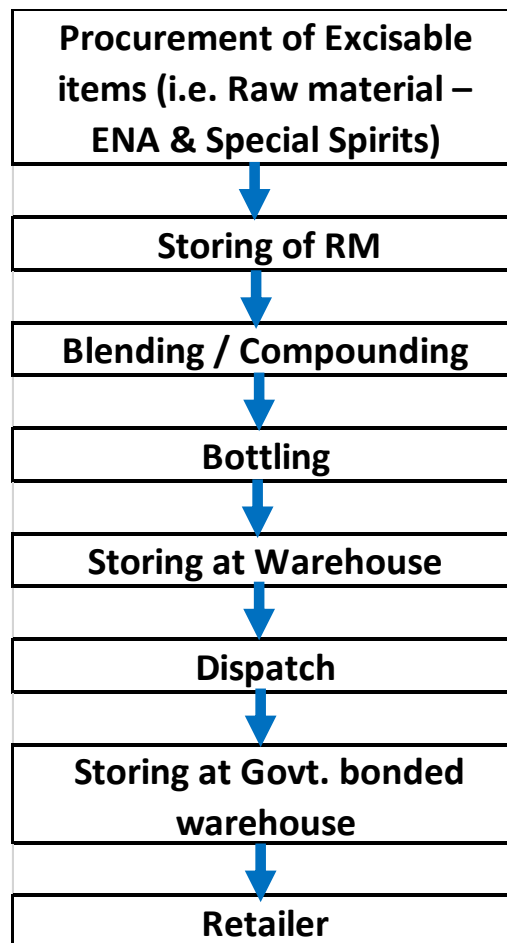


**Fig 5.5: Role of Excise Department**

Extra Neutral Alcohol (ENA) and Indian Made foreign Liquor (IMFL) belongs to Excise Dept. Plant is run as per Excise policy and regulations only.

Starting from Procurement of Excisable items (i.e. Raw material – ENA & Special Spirits) to Blending to bottling to Storing at Warehouse to Dispatch to Govt. bonded warehouse to retailer is under the scope of & require written permission of State Excise authority.

Procurement department can not purchase and excisable items without the permission of Excise neither manufacturing and despatch can take place without Excise dept.



**Fig 5.6: Procurement of Excisable Items**

Govt. makes its major revenue from this industry by collecting excise duty at every stage of operation mentioned above.

## **5.9 VALUES**

The Diageo India group has consistently demonstrated its commitment towards its workers, employees and the environment over the years. It has been recognized as the practitioner and promoter of socially responsible business behaviour. Diageo India is committed to maintain the harmonious balance of our eco-system and therefore constantly seeks ways to manufacture and produce products in an eco-friendly manner so that the balance of nature remains undisturbed and the environment remains sustainable. In pursuit of this goal, Diageo India constantly tries their best to –

- Comply fully with all local and national environmental regulations.
- Conserve natural resources like water and energy for sustainable development, and adopt environmentally safe processes.
- Ensure appropriate treatment of all effluents prior to discharge, to prevent pollution or degradation of environment.
- Ensure appropriate communication and cooperate with internal and external interested parties on environmental issues.
- Create awareness on environmental issues among our employees and suppliers.
- Adopt modern waste management technology.

## **5.10 DISPATCH & DISTRIBUTORS**

Sales team seek excise permission to lift finished good from manufacturing unit as per the demand planned on weekly basis to fulfil the market demand. If approved by concerned authority of Excise bonded warehouse and excise authority, then only requisition comes to manufacturing unit.

Manufacturing unit plan to dispatch as per stock availability and production plan and ask logistic to place trucks.

Manufacturing unit seek permission from Excise authority to dispatch the approved amount of finished goods and upon approval dispatch takes place.

As dispatch is done in favour of Odisha State Beverages Corporation (OSBCL) which is a govt. bonded warehouse and is under the provision of state excise, DIAGEO India sales or make invoices to OSBCL only. No IMFL can be sold directly to retailer or any other distributor. In Odisha, there are 9 depots namely: Khurda, Berhampur, Nargundi, Chandikhol, Balasore, Sambalpur, Bolangir, Rayagada, Anugul.

Retailers across Odisha have to procure from these warehouses assigned to them.

**LIST OF OSBC DEPOTS AS ON 01/01/2019**

Sl. No.	Depot Name	Depot Address	Area (in Sqft)	Contact Person with Designation	Contact Number	e-Mail ID
1	Angul	At/PO - Rantalei, VIA – Huluri Singha ( NH 55, Sambalpur Road ), Dist- Angul, Odisha PIN 759132	31,538	Sri Manas Ranjan Suar (Assistant Manager)	+91-9938816886	amangu.osbc-od@nic.in
2	Balangir	At- Kamakshi Nagar P.O- Khujenpali P.S- Sadar, Dist- Bolangir Pin-767002	7,815	Sri Laxmidhar Biswal, (Junior Manager)	+91-9437283262	ambola.osbc-od@nic.in
3	Balasore	Kay Vee Are Godown, At- Sergarh, NH-5, Dist-Balasore, Odisha PIN 756060	36,575	Kailash Chandra Biswal, (Assistant Manager)	+91-9438096736	ambala.osbc-od@nic.in
4	Berhampur	At-Tulu Road, Kanishi, (7 Kms from Jagannathpur towards Vizag NH-5), 0.5 Kms from Kanishi Hata Chhack (left Side) Dist- Ganjam, Odisha PIN 761008	27,868	Prasanta Kumar Samantaray, (Assistant Manager)	+91-9438363585	amberh.osbc-od@nic.in
5	Chandikhol	At- Chandikhole, N.H. 5, Shantilata Transport Premises, Dist- Jajpur, Odisha PIN 754296	20,410	Basanta Kumar Kar, (Superintendent)	+91-9861654579	amchan.osbc-od@nic.in
6	Khurda	Utkal Weavers Co-Op Spinning Mill Ltd, Khurda, By-pass Road, NH-5, Dist- Khurda, Odisha PIN 752057	47,401	Pratap Chandra Bastia, (Superintendent)	+91-8895266470	amkhor.osbc-od@nic.in
7	Nirgundi	At- Tarata, PO- Harianta, Near Nigundi Toll Gate NH 5, Dist- Cuttack, Odisha PIN 754025	70,600	Ashok Kumar Nayak, (Asst. Manager)	+91-8895266470	amnirgu.osbc-od@nic.in
8	Raygada	At-Debodala, Mauza- Kumutipeta, Dist-Raygada, Odisha. PIN 765001	21,309	Bijay Kumar Mishra, (Asst. Manager)	+91-7008345445	amraya.osbc-od@nic.in
9	Sambalpur	At- Sadasingha, SH - 10, PO/PS - Sasan, Infront of Badriprasad Engineering College, Jharsuguda Road, Dist-Sambalpur, Odisha PIN 768200	59,400	Anil Kumar Panda, (Assistant Manager)	+91-7008622534	amsam.osbc-od@nic.in

**Fig 5.7: List of OSBC Depots**

## 5.11 TRANSPORTATION & LOGISTIC

Logistics is the management of the flow of things between the point of origin and the point of consumption in order to meet requirements of customers or corporations. By maintaining low transport costs through optimization of the transportation model, DIAGEO India makes significant savings. This optimization is combined with inbound, internal and outbound movements to deliver maximum value. This is achieved by collaborating with suppliers and retailers, along with third party logistics providers.

- a) **Inbound logistics:** Inbound logistics is an integral element of business operations for a manufacturing firm, involving the processes of receiving, storing and distributing raw

materials for use in production. Inbound logistics is one of the primary processes of logistics, concentrating on purchasing and arranging the inbound movement of materials, parts, and/or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores.

- b) **Outbound logistics:** The number of customer locations (retail shops) to be serviced in a day, coupled with the customer's demands for delivery timings makes optimizing the transportation routes a unique challenge. Outbound logistics is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user.

DIAGEO India has its Logistics functionals placed at Head Office and managing all India operation by the help of unit commercial. All are managed in technical mode. Unit requiring vehicles to be placed at supplier end during procurement of goods has to apply online in the software and automatic request goes to the approved vendors, vendors accept the request who can arrange on the request date and nearer to the place.

Similar is the case in case of outbound, when dispatch is planned, request is made online and truck is placed based on the acceptance of request.

However, Unit commercial play a vital role and following up the smooth process flow and placement of vehicles on time, in place.

## **5.12 DISTRIBUTION**

Distribution system of Diageo India is a very complex affair because the supply is not to meet an immediate demand – it is to replenish stock at the immediate customer location, which in turn will be used to fulfil demand. But the complexity of the distribution network presents itself in the form of an opportunity – because the perfectly effective and efficient distribution system can be a strong comparative advantage.

Main issue in replenishment of stock at retailer end is, it's the arrangement of retailer in taking required quantity from the govt. bonded warehouse. Diageo India only has to push for its product to be lifted up first and it depend upon its marketing strategy.

A retailer when takes IMFL from a bonded warehouse takes brand of different companies rather than of Diageo India based on its demand. Marketing strategy decides and changes the mindset of retailer towards Diageo India.

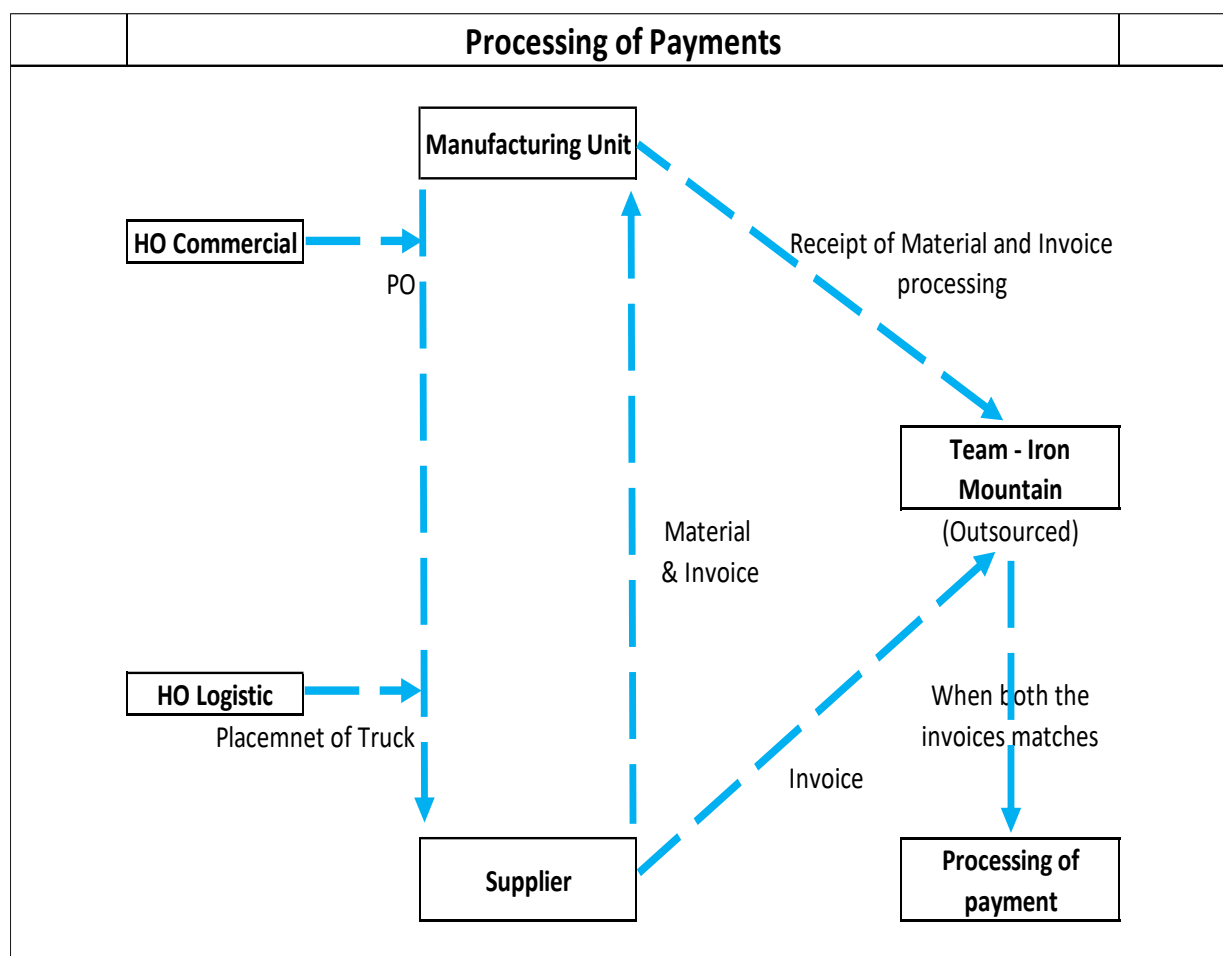
The products of Diageo India are not served directly to the customers; but via retailers. From the local warehouses, products go the various retail shops. Diageo India has employed salespersons who convince the retailers to put Diageo India products on display or sell to the retail shops. From the retail shops the Diageo India products finally go to the end user consumers. The company maintains strategically located sales centres in all district and states across the country. It has developed an advanced distribution system through its more than 2500 skilled (own and outsourced)

The distribution system is capable of handling continuing volume of diverse range of products from the various businesses. The company's distribution centres are highly streamlined, computerized and automated.

### **5.13 MANAGEMENT OF FINANCIALS**

One of the most important function of smooth running of Supply Chain Management is the management of finance of a company. Timely payment, regular cash flow, strong financial position of an organization which built trust among stake holders are the key for SCM.

Supplier when send a material to manufacturing unit has to send two invoices; one along with materials and one to Diageo India payment processing centre managed by an outsourced organization. Generally, Invoices sent to Payment processing centre reached early, get scanned and booked in the system. Invoice sent along with material reaches as per transit period, get unloaded and then material comes to stock after quality pass. Then only unit can scan and process the invoice online. When invoice is processed at unit, it automatically get linked to the previously booked invoices, booked by payment processing centre and process is initiated as per payment term automatically as defined and under processed at payment processing centre.



**Fig 5.8: Processing of Payments**

Strong financial status of an organization helps to build trust among its suppliers and stake holders. Below is the audited statement of DIAGEO India for F19.

## DIAGEO India in F19



### F19 IN A NUTSHELL

**UNITED SPIRITS**  
A DIAGEO Group Company

Net sales	+10%
Prestige & Above net sales	+15%
Gross margin	48.8%; +21bps
EBITDA margin	14.3%; +175 bps
Interest costs	-18%
Profit after tax	659 Cr; +17%

\* Gross margin for F18 has undergone a change due to a reclassification to maintain conformity – please refer to Annexure in Press Release for further details.

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**Fig 5.9: Diageo India In F19**

**CHAPTER – 6**

**DATA ANALYSIS, PROCESSING  
& INTERPRITATION**



## **6.1 DATA ANALYSIS**

The systematic application of statistical and logical techniques to describe the data scope, modularize the data structure, condense the data representation, illustrate via images, tables, and graphs, and evaluate statistical inclinations, probability data which derive a meaningful conclusion.

Here to analyse data different types of tables, chats, images and graphs are used.

## **6.2 DATA PROCESSING & INTERPRETATION**

Tupperware have a unique business strategy, strong selected direct selling over retailing, effective different marketing strategy, strong supply chain management and it effectively manages its upstream flow and down stream flow.

### **6.2.1 THE LIQUOR INDUSTRY IN INDIA**

In India, ‘drinking’ has remained a bad word, clubbed with the other vices. While the liquor market continues to grow at an impressive rate even against and economic recession, the social stigma remains in place, which manifests itself in antigrowth state policies. Liquor industry has been growing at an impressive rate. In sharp contrast to the trend the world over, beer is losing ground to hard liquor in India. Amidst beers, the current trend is that lager beer is giving way to strong beer. Even as the liquor manufacturers could hope to garner the people who are shifting from beer to liquor, there is a vast country liquor market and a sizable grey market to contend with. United Breweries (UB), Shaw Wallace and McDowell (part of the UB Group) presently dominate the liquor market. The market on its part is set to undergo a sea change with the arrival of MNCs. The removal of quantitative restrictions (QRs) on the import of bottled alcoholic beverages only makes the competition tougher. The MNCs looked forward to good business after the removal of QRs but the Government nullified it by slapping new taxes. The foreign bottle, therefore, remains as costly as ever. To survive in the highly competitive environment, the MNCs as well as the domestic majors are coming up with various strategies. Acquisitions and alliances appear to be the order of the day. Several such deals are already underway while more are in the offing. The domestic majors are also reorganizing their operations so that they can forge a deal with an MNC if the need arises. What plagues the industry most is a very complicated set of laws and taxes. Each state has a different excise duty structure, import and export levies and other regulations regarding licensing fees and sales of new brands. This puts tremendous pressure on the industry players. They cannot transport their

products from a market that has excess capacity to one where there is a short supply. Amidst all the competition and tough laws, the industry sees vast potential in the market. Consumption is set to rise with higher disposable incomes and standard of living.

The Indian liquor industry can be analysed by segmenting into three Parts:

- a) Country Spirit
- b) Indian Made foreign liquor
- c) Foreign Liquor

### **COUNTRY SPIRIT**

This is the unorganized sector occupying about 60% of the liquor market. Country spirits are distilled spirits mixed or unmixed with spices or other ingredients in small quantities to impart taste and aroma. This spirit is most common among the lower class; it is manufactured by local methods and has local names the most common being Tharra.

### **INDIAN MADE FOREIGN LIQUOR**

This liquor is not the contemporary Indian liquor. In these category products like whisky, rum, brandy and vodka are there. British's had brought in this liquor to India later they set up distilleries and brewery to manufacture it in India. In post-independence period there were 28 distilleries and 5-6 breweries. Today there are 233 distilleries and 75 breweries in India. This shows the tremendous growth and acceptance of IMFL brands in India.

### **FOREIGN LIQUOR**

This is the imported liquor includes Beer and IMFL brands but the most common is scotch. Imported scotch is in great demand in India but the Indian Govt. bans the import of bottled scotch whisky, though a limited quantity can be brought in for duty free shops, five star's hotels and in bulk for local bottling by joint ventures.

The liquor industry in India is constrained by a multitude of factors:

#### **Capacity Restrictions:**

The industry is not allowed to expand without the prior approval of the Central government, as it among the few industries still under the licensing policy. State governments have a part to play as well, since companies have to get their approval too before commissioning a unit.

**High Duty Structure:**

The States earn a significant portion of the revenues from liquor. In some States, the duty is as high as 200%. The duty structure varies so much with each State that for a company operating at the national level, it is like dealing with 28 countries.

**Ban on Advertising:**

One major restriction throttling the industry is the ban on advertising.

**The Black Market:**

In any industry where there are restrictions, prohibitions and controls, a black market thrives. So too, in the liquor business.

**Fragmented Structure:**

One fallout of the various restrictions is that, except for a few brands, the liquor market is fragmented. Nearly 40% of it is serviced largely by regional players

**Retailers' Grip:**

Retailers have a major role in popularizing and making available a brand, as they have a virtual monopoly over the distribution of liquor in each State. The absence of self-service counters also limits customer choice. There are also restrictions on the business hours of these outlets as also their location vis-à-vis schools, colleges and so on, apart from where they can procure their requirements. There are restrictions in selling through restaurants and hotels too.

**Regulatory Scenario**

- Regulatory hurdles spanning production and distribution are an entry barrier to the industry. There is also ban on advertising.
- Each state has its own excise & tax structures, levies & regulations regarding licensing fees and labelling requirements restricting free interstate trade.
- More than 60% of the price is captured by government taxes. This is the major source of state government revenue.
- Alcohol distribution in majority of the states, accounting for nearly 70% of sales is in government monopoly control.
- Share of Country Liquor has fallen from approximately 70% some years back to about 60% today.

- Health hazards posed by Country Liquor, combined with greater aspiration and higher spending power is reducing the share of Country liquor.
- Retail universe very limited. Has grown from 40,000 about 6 years ago to 67,000 now, while industry volumes have increased by about 117%.

## **6.2.2 DIFFERENT ALCOHOLIC DRINKS**

### **1. WHISKY:**

Whisky is amongst the most popular distilled liquor known all over the world. It is made of malt and molasses spirit, which is obtained by distillation of mash or cereal grains like maize, rice barley malt. Better the malt better the whisky. Large quantities of IMFL are manufactured in India and is the maximum sold alcohol. The alcohol content in whisky is 42.8%.

### **2. RUM:**

Rum is a distillate from the fermented juice of sugarcane or molasses. RUM is characterized with its taste and aroma. The alcohol content of Rum is 42.8%.

### **3. BRANDY:**

Brandy is generally obtained from fruits, though the most commonly used fruit is grapes. The best quality of brandy is cognac, which is made in France.

### **4. VODKA:**

Vodka is a spirit resulting out of distillation at very high proof. This is neutral, even after dilution required for palatability. The traditional source of making vodka has been potatoes.

### **5. BEER:**

Beer is not a distillate like the drinks mentioned above but it is a beverage made by fermentation of malt obtained from carbohydrate rich material barley. Hops are used to add taste while yeast is used to ferment the beer. Beer is of two types: Pilsner or Lager & Draught Lager. Beer is the most common bottled Beer found in almost all the retail shops in the country. This Beer is served chilled and is of two types. Mild Beer alcohol content 6.75%. Strong Beer alcohol content 8.75%. Draught Beer is served chilled in mugs and is generally available in Pubs only. It can be stored for 72 hours only and does not have any brand name.

## 6. GIN

It is sweetened or unsweetened grain spirit flavoured with essential oil juniper berries and some other product including angelica roots, orange peel, cardamom, bitter almonds give it a kick and taste.

Whisky	Brandy	Rum	Vodka & Gin
<ul style="list-style-type: none"> <li>• Bagpiper</li> <li>• McDowell's No.1</li> <li>• Director's Special</li> <li>• Old Tavern</li> <li>• Haywards</li> <li>• McDowell's Green Label</li> <li>• Gold Riband</li> <li>• Royal Challenge</li> <li>• DSP Black</li> <li>• Signature</li> <li>• McDowell's No.1 Platinum Whisky</li> <li>• Derby Special Whisky</li> </ul>	<ul style="list-style-type: none"> <li>• McDowell's No.1</li> <li>• Honey Bee</li> <li>• McDowell's VSOP Brandy</li> </ul>	<ul style="list-style-type: none"> <li>• McDowell's No.1 Celebration Rum</li> <li>• Old Cask Rum</li> <li>• Bagpiper Rum</li> </ul>	<ul style="list-style-type: none"> <li>• White Mischief</li> <li>• Romanov</li> <li>• Carew's Dry G</li> </ul>

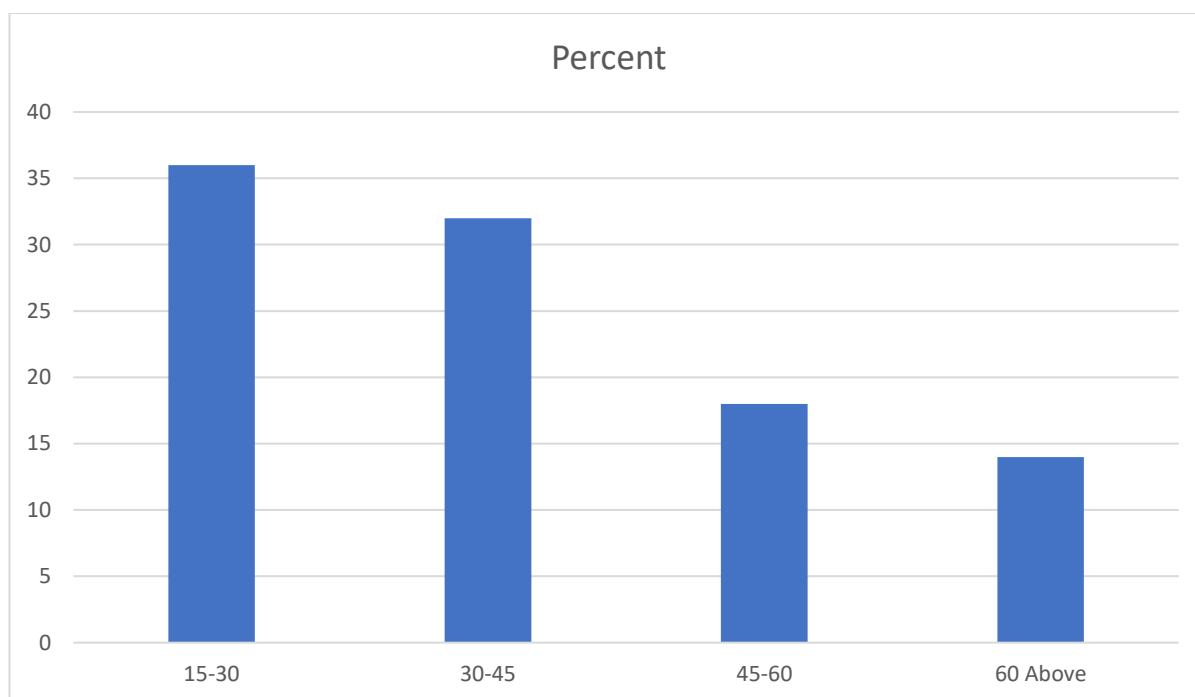
## 6.3 TABLES AND CHARTS WITH INTERPRETATION

### 6.3.1 DEMOGRAPHIC PROFILE OF THE RESPONDENTS

**Table 6.1: Age Group of Consumer Consuming Liquor**

AGE GROUP OF CONSUMER CONSUMING LIQUOR	
Age Group	Percent
15-30	36
30-45	32
45-60	18
60 Above	14
Total	100

The above table shows the age group of consumer consuming liquor and found that between 15-30 age group maximum number of consumer (36%) consumes liquor & 60 above age group is consuming less liquor (14%).



**Fig 6.1: Age Group of Consumer Consuming Liquor**

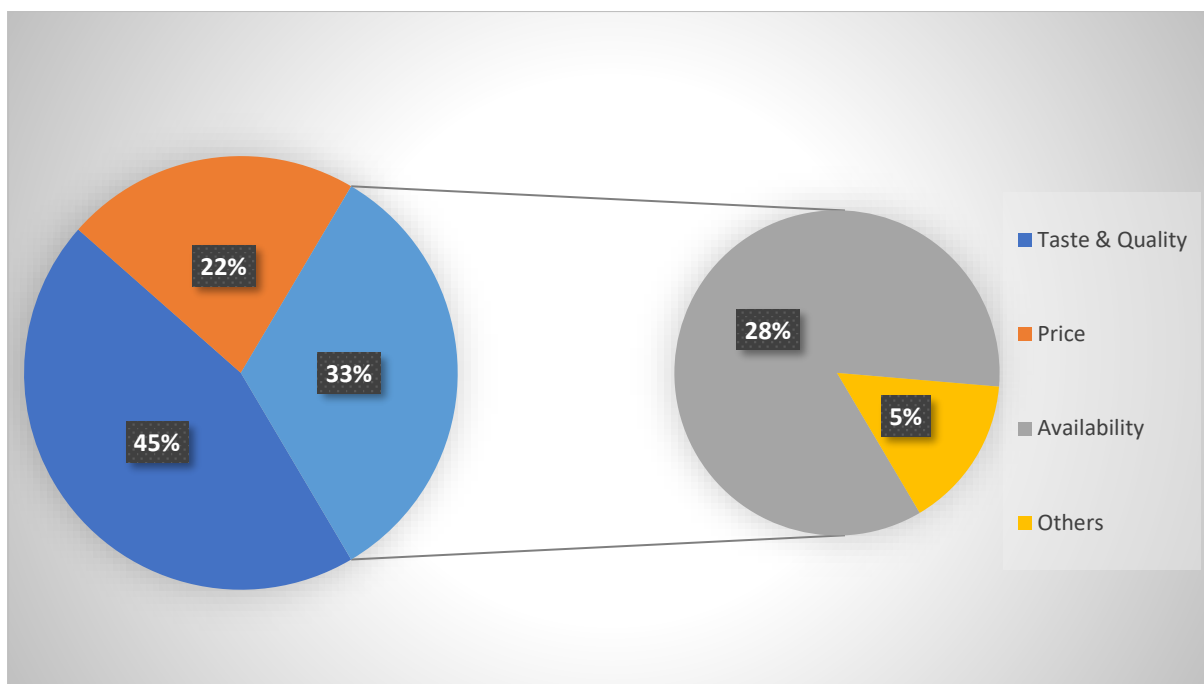
The above bar charts represent the age group of consumer consuming liquor.

Between 15-30 age group maximum number of consumer (36%) consumes liquor after that between 30-45 age group 32% of consumer consumes liquor. Between 45-60 age group 18% of consumer consumes liquor and at last 60 above age group is consuming less liquor (14%).

**Table 6.2: Criteria of preference of brand**

Criteria of preference of brand	
Particulars	Percent
Taste & Quality	45
Price	22
Availability	28
Others	5
Total	100

This table shows that how consumer choose their brand according to different criteria and the maximum number of consumer (45%) prefer the taste and quality criteria of the product.



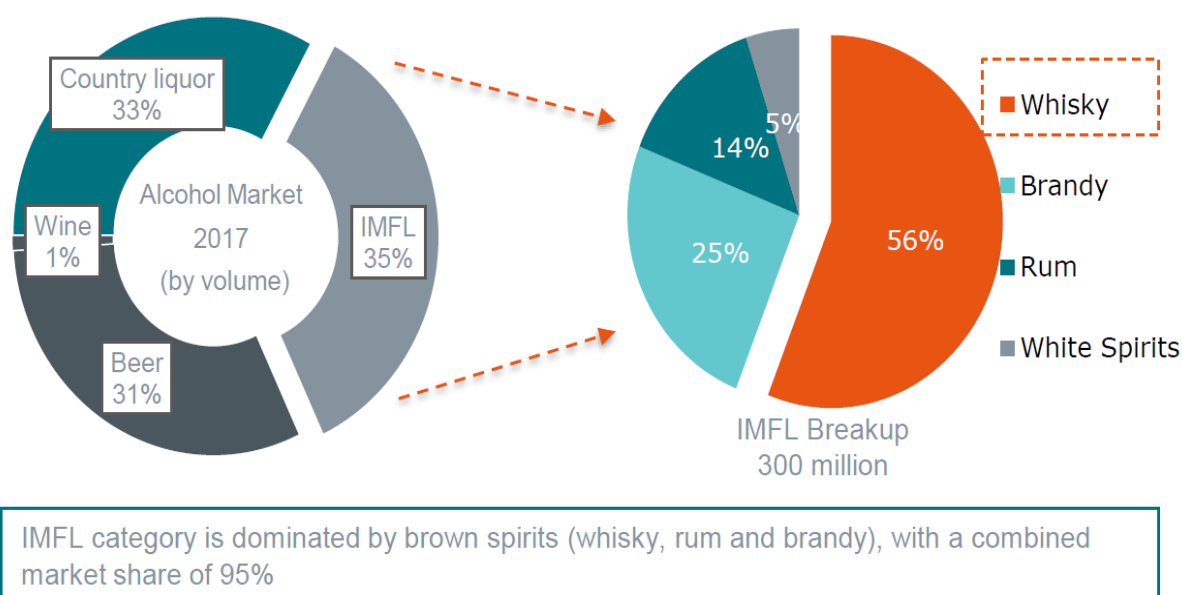
**Fig 6.2: Criteria of preference of brand**

The above diagram shows the criteria of preferences of brand. According to taste and quality 45% preferred their brands, according to price 22% preferred their brand, according to availability 28% preferred their brands and according to others factors 5% preferred their brands.

### 6.3.2 LIQUOR INDUSTRY OUTLOOK

India ranks among the most attractive alcoholic beverage markets in the world. The alcohol industry is comprised of mainly- Indian Made/Manufactured Foreign Liquor (IMFL), IMIL (Indian Made Indian Liquor), Wine, Beer and imported alcohol. Whiskey dominates the IMFL category in India, whereas Officer's choice, Imperial Blue, Royal Stag, McDowell's No. 1 are prominent. During 2018-22 period, IMFL sales value is expected to <sup>1</sup> grow at a CAGR of 5.8 per cent and sales volume at 2.6 per cent. IMFL category is dominated by brown spirits (whisky, rum and brandy), with a combined market share of 95 per cent.

Market share breakup of Indian alcoholic beverages and IMFL market (by volume)



Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.3: Market share breakup of Indian alcoholic beverages & IMFL market (by volume)**

The above diagram shows the market share break up of Indian alcoholic beverages and IMFL market by volume. By volume alcohol market share divides 35% by IMFL, 33% by Country Liquor, 31% Beer and 1% by wine. IMFL market share divides 56% by Whisky, 25% by Brandy, 14% by Rum and 5% by white spirits.

India is the third largest market for alcoholic beverages worldwide, with a market size of ~GBP26.8bn (2017) by value. Due to higher average selling prices (ASP), IMFL accounts for ~65% share of the market in terms of value.

- In terms of volume, the size of the industry is ~850 million cases, wherein a case equals nine litres of alcohol (12 X 750 ml).
- The three main segments –country origin liquor, Indian made foreign liquor (IMFL) and beer –have almost the same market share in volume.
- Market is dominated by domestically produced spirits, with foreign imports accounting for a mere 1% of the market.

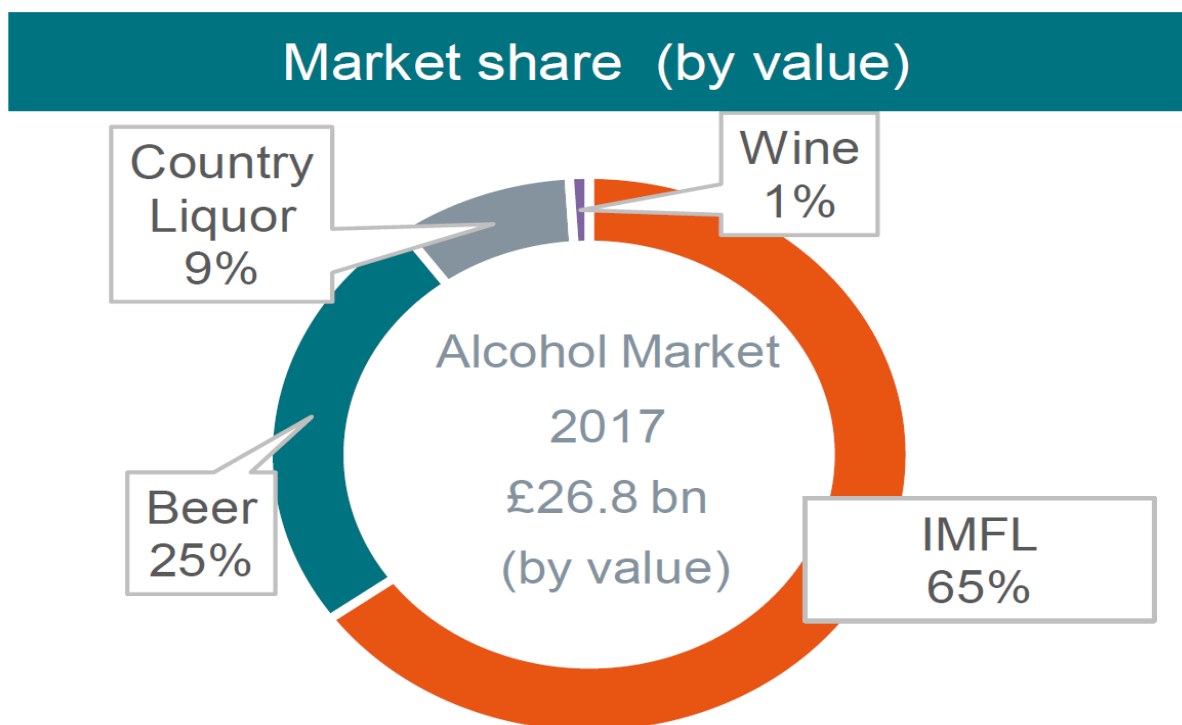




Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.4: Most Popular Alcohol Beverages in India**

The above bar chart shows the most popular alcohol beverages in India 57% likes Whisky, 55% likes Beer, 29% likes Wine, 26% likes Vodka.

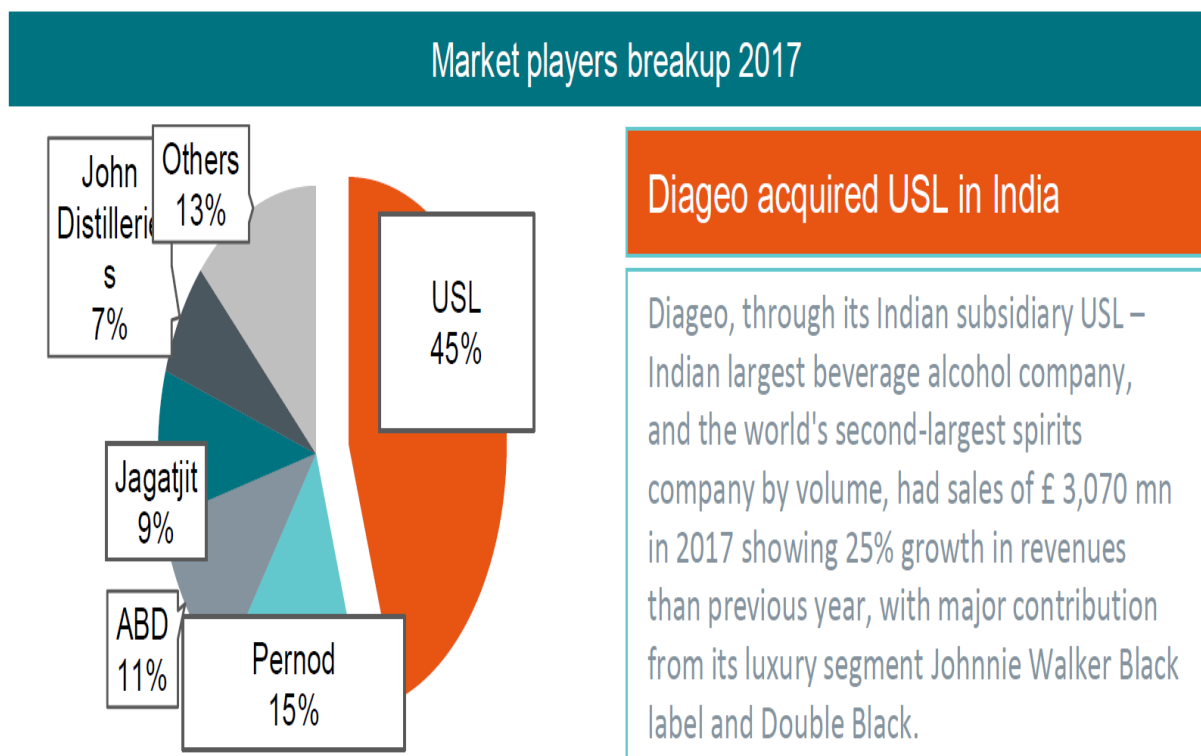


Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.5: Market Share (by volume)**

The above pie chart is the market share of alcohol by its value. Market share divides 65% by IMFL, 25% by Beer, 9% by country liquor and 1% by wine.

In India, annual per capita alcohol consumption increased by 38 per cent in seven years to 5.9 litres (ltr) in 2017, up from 4.3 litre in 2010. Globally, alcohol intake increased from 5.9 litre per adult per year in 1990, to 6.5 litre in 2017, and the total volume of alcohol consumed per year went up by 70 per cent — from 20,999 million litre in 1990 to 35,676 million litre in 2017.



Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.6: Market Players Breakup**

The above pie chart represents Indian market breakup. 45% by USL, 15% by PERNOD, 11% by ABD, 9% by Jagatjit, 7% by John Distilleries, others by 13%

## WHISKY

Whisky is the dominant spirit choice for India; for instance, India consumed 48 per cent of the world's whisky produced in 2017. In 2017, the total consumption of whisky was recorded 1775 million liters.

Whisky is decidedly the spirit choice of India. India consumes 48% of the world's whisky produced in 2017.

- India drinks over three times more whisky than any other country. In 2017, the total consumption of whisky was recorded 1775 mn liters.
- The market for whisky grew at a CAGR 5.8%, in value, to £14 bn from 2011-17. Whisky accounts for 61.2% of India's total spirit market by volume in 2017.
- Whisky accounts for 60%, i.e. £135 mn of the total alcohol imports in 2017.
- UK is the largest exporter of whisky in India, accounting for 69% of the total export of whisky in 2017, followed by France and USA.

**Table 6.3: Whisky Sales (in million - litre cases)**

Sl No.	Category	2014	2015	2016	2017	2018
1	Indian Whisky	115	156	160	158	176
2	Scotch Whisky	66	66	66	68	70
3	American Whisky	25	26	27	28	30

Source: Highway Ban hangover cured, Indian whisky joins Party' (18 June 2019) Economic Times

The above table shows Whisky sales (in million - liter cases); Indian Whisky sales in 2014 - 115, 2015-156, 2016-160, 2017-158, 2018-176.

Scotch Whisky sales in 2014-66, 2015-66, 2016-66, 2017-68, 2018-70.

American Whisky sales in 2014-25, 2015-26, 2016-27, 2017-28, 2018-30.

**Table 6.4: Bestsellers Indian Whisky Brands in 2018 (Per Cent growth of sales in 2018 over 2017)**

Sl No.	Brand Name	Per Cent growth of sales in 2018 over 2017
1	Officer's Choice	6%
2	McDowell's No.1	10%
3	Imperial Blue	19%
4	Royal Stag	16%
5	Original Choice	5%

Source: Highway Ban hangover cured, Indian whisky joins Party' (18 June 2019) Economic Times

The above table shows the bestsellers Indian whisky brands in 2018(% growth of sales in 2018 over 2017)

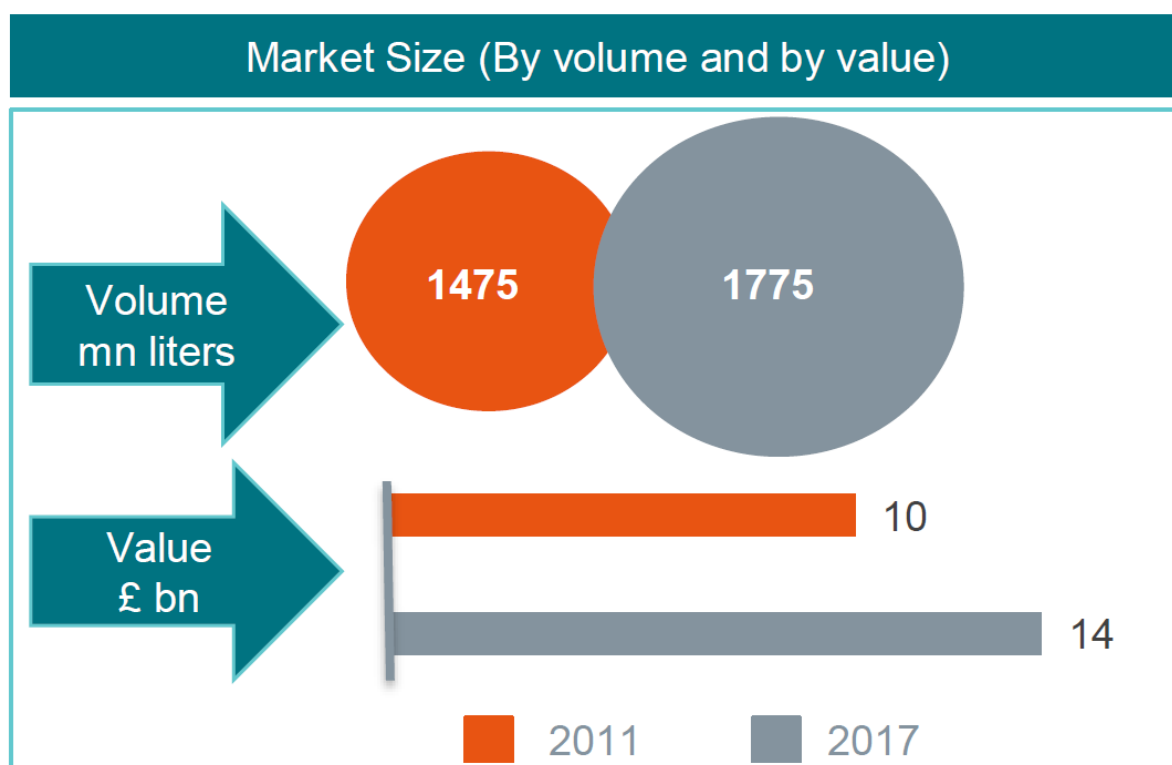
Officer's Choice growth by 6%, McDowell's No.1 growth by 10%, Imperial blue growth by 19%, Royal Stag growth by 16%, Original choice growth by 5%.



Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.7: Whiskey Consumption in 2017**

The above bar chart represents whisky consumption in MN liters. In India 1775 MN liters, in USA 465 MN liters, in UK 80 MN liters. Indian consumes 48% of world Whisky produced in 2017.



Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.8: Market Size (By Volume and by Value)**

The above diagram shows the comparison volume in MN liters, and value bn £. In 2011 market size in volume is 1475 MN liters and in 2017 it would be 1175 MN letters and in 2011 the market size in value is 10 bn£ and in 2017 it would be 14 bn£.

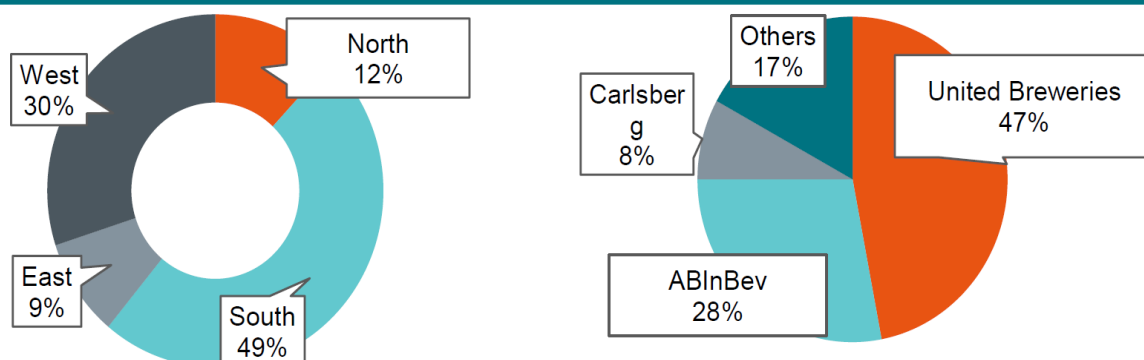
## BEER

Beer emerged as the second most popular alcoholic beverage after whisky in India, having 4.7 bn liters sales by volume in 2017 and expected to reach 6.5 bn liters in 2022 with a CAGR growth of 6.9%, owing to rise in the disposable income.

The beer market in India was valued at ~GBP 6.7 billion in 2017, and is projected to grow at a CAGR over 7.6% during 2017-2022 to reach GBP 9.7 billion.

Indian Cider market is at a nascent stage, contributing 4% of global market and is expected to grow at a CAGR 15% during 2017- 23. Beer and Cider consumption is mainly in south region of India, followed by west, north and east. Beer is the second most imported alcoholic beverage in India after whisky. Belgium is the largest exporter of beer(43%) in India, in 2017. Corona and Hoeg Whit are the topmost brands imported in India.

Beer and Cider consumption, by region (middle), and Indian beer industry players breakup, by volume (right)



#### IMPORT TRADE:

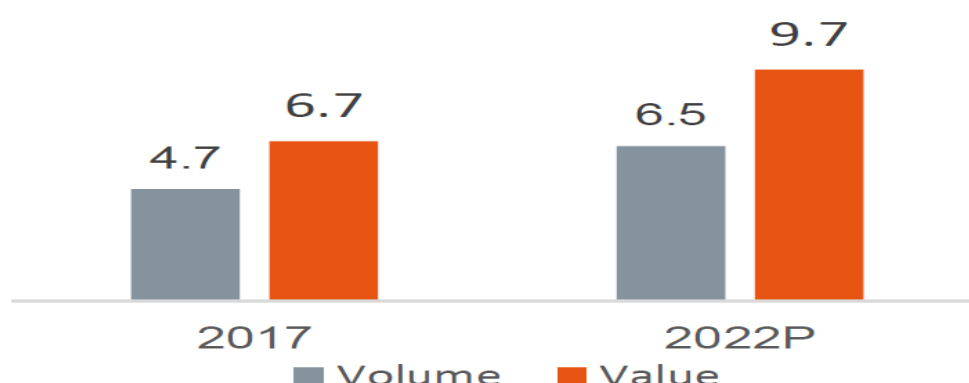
Beer is the second most imported alcoholic beverage in India after whisky. Belgium is the largest exporter of beer(43%) in India, in 2017. Corona and Hoeg Whit are the topmost brands imported in India.

Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.9: Beer and Cider consumption, by region and Indian beer industry players breakup by volume**

The above pie chart shows Beer and Cider consumption, by region and Indian beer industry players breakup by volume. Beer and Cider consumption by region ;49% by south,30% by west,12% by north,9% by east. Indian beer industry players breakup by volume; 47% by United breweries,28% by ABInBev,8% by Carlsberg,17%by Others.

Beer sales in volume (bn litres) and value (£bn)

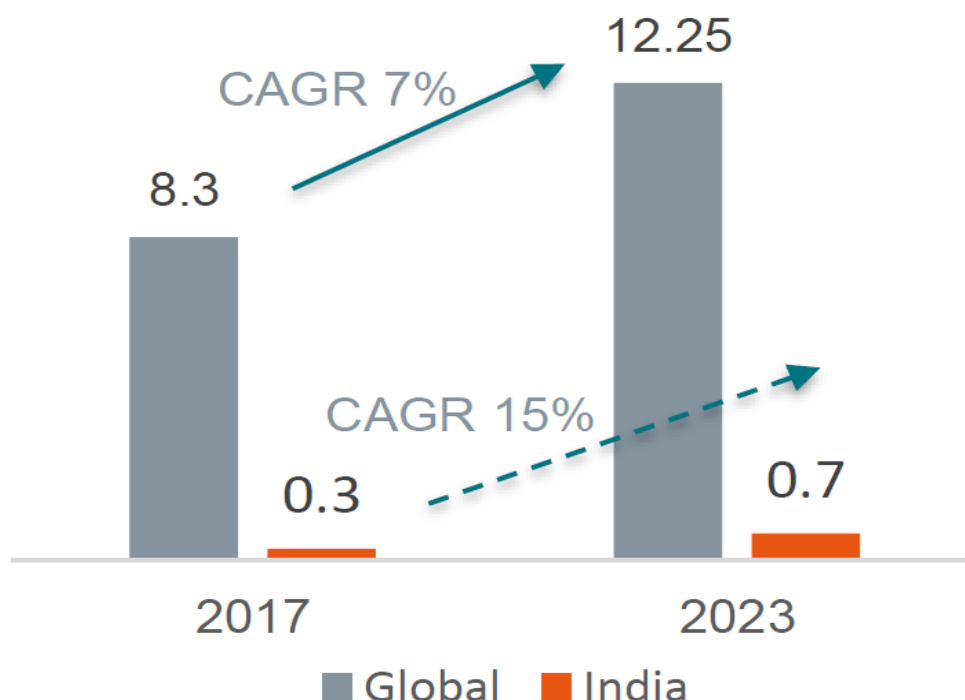


Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.10: Beer Sales in Volume and Value**

The above bar chart shows the beer sales in volume and value in 2017 4.7 bn liters and 6.7 bn£ and in 2022 6.5 bn liters and 9.7 bn£.

## Cider Market – Global vs India (£ bn)



Source: Indian Brand Equity Foundation (IBEF) Report.

**Fig 6.11: Cider Market in Global Vs India**

The above bar chart shows the cider market in Global vs India in 2017 cider market for Global is 8.3 bn£ and for India is 0.3 bn£ in 2023 cider market will be for Global approx. 12.25 bn£ and for India is 0.7 bn£

## WINE

India is eyeing good grape harvest and higher crushing of grapes for wines. Industry leader Sula Vineyards has planned to crushed 20 per cent more grapes during 2019. To meet these targets, Sula has increased their cultivation. Demonetisation during 2016 and liquor sales ban in 2017 led to higher inventories with wineries. Sula winery off Nashik in Maharashtra caught the attention of wine connoisseurs in recent years and emerged to become the first Asian winery outside China to sell 1 million cases in a year. While the domestic wine industry has an annual turnover of just Rs 600 crore now — global wine sales were to the tune of \$327 billion in 2018 — Sula Wines accounts for three-fourths of it. Maharashtra has emerged as an

important state for the manufacture of wines. There are more than 35 wineries in Maharashtra, and around 1,500 acres of grapes are under cultivation for wine production in the state.

## **VODKA**

According to Belvedere, Globally, vodka represents 26 percent of spirits consumption, and in markets like North America it's 33 percent; it is the biggest category, bigger than all types of whisky combined. What's happening across all the categories is that there is a rising interest in craftsmanship: Consumers want to know where the product comes from, how it's created and look for a premiumness in terms of quality. Super Premium & Premium Vodka remained one of the fastest growing segments with 2012-17 volume growth of 16.7 per cent and 9.4 per cent, respectively. Overall Vodka industry volume is expected to grow by 4.2 per cent and value by 9.7 per cent during 2018-2022 period indicating a strong premiumization trend.

### **6.3.3 GROWTH DRIVERS**

Major driver in India alcoholic beverages market is growing consumption of alcohol owing to rapid urbanization, rising income and favorable demographics in the country. Huge population in India are migrating towards bigger cities, where they are exposed to a wider variety of alcoholic beverage products, including IMFL and significantly contributing to the market growth. Consumption is projected to reach 7.6 liter per adult by 2030, the highest rise being forecasted in middle-income countries such as China, India, Vietnam and Myanmar. Aggressive marketing and promotion by the alcohol industry, low health literacy on alcohol-related harm in the general population, and political dependence on excise revenue drives the liquor trade in many developing countries. The sociodemographic factors that are playing a role in rising consumption in Asia are changing social norms that make it easier for both young men and women to drink, and higher life expectancy that increases the years of drinking among consuming adults, which raises gross national consumption.



### 6.3.4 GLOBAL CONSUMPTION PATTERN OF ALCOHOL

Alcohol intake grew in low- and middle-income countries, while the total volume of alcohol consumed in high-income countries has remained stable or dropped substantially, notably in Europe. Between 2010 and 2017, the highest increase was in Vietnam, where per capita intake went up 90 per cent, from 4.7 litre to 8.9 litre. In the other end of the spectrum, Azerbaijan recorded an 82 per cent decrease in alcohol use. Moldova has the highest alcohol intake (15 litres per adult per year), while Kuwait has the lowest (0.005 litres per person per year).

**Table 6.5: Per Capita Consumption Projection of Pure Alcohol (in litres)**

Sl No.	Region	2020	2025
1	African Region (AFR)	6.3	6.3
2	American Region (AMR)	8.1	8.4
3	Eastern Mediterranean Region (EMR)	0.5	0.6
4	European Region (EUR)	9.8	9.8
5	South-East Asia Region (SEAR)	5.3	5.3
6	Western Pacific Region (WPR)	7.6	7.6
7	World	6.6	6.6

Source: WHO Report, 2018 and Nirmal Bang Report (13 December 2018)

The above table shows the Per capita consumption projection of pure alcohol in liters. European Region consuming more alcohol (9.8) than others.

Europe recorded a 12 per cent decline, mainly due to decreases in Azerbaijan, Kyrgyzstan, Ukraine, Belarus, and Russia, which recorded a 22 per cent reduction. Russia successfully managed to lower alcohol consumption using several measures over the past years, such as restriction of availability (e.g. alcohol only available off premise between 9 am and 8 pm); increasing the price via multiple taxation increases, especially for spirits; a ban on advertisement and marketing of alcoholic beverages; minimum unit price (i.e., no alcohol can be sold under a threshold price); and measures to reduce illegal alcohol. There was a

slight drop in the UK (12.3 to 11.4 litres), but consumption went up slightly in the United States (9.3 litre to 9.8 litre) and China (7.1 litre to 7.4 litre).

### **6.3.5 REGIONWISE CONSUMPTION PATTERN OF ALCOHOL IN INDIA**

Geographically, South India accounted for the largest market share of more than 45 per cent in terms of alcohol consumption owing to significant rise in urban and female alcohol consumers in the region. North India and Western India are expected to be fastest growing markets owing to growing number of urban cities in these regions and presence of favorable demographic factors. The states of Andhra Pradesh, Telangana, Kerala, Karnataka, Sikkim, Haryana and Himachal Pradesh are amongst the largest consumers of alcohol in India. The most popular channel of alcohol sale in India is liquor stores as alcohol consumption is primarily an outdoor activity and supermarkets and malls are present only in the tier I and tier II cities of India.

Price point led consumers are price sensitive and, unlike brand-name led consumers and experience led consumers, display no brand loyalty. Members in this segment regularly close their workday by consuming liquor and have incomes that are far lower than those of people who consume branded liquor and experience led consumers. Many such consumers fall in the lower middle class and many are also daily labourers. They don't have any brand loyalty and will easily switch from one brand to another as long as doing so saves them money. Naturally large established liquor brands don't serve this segment; rather this segment is served by many regional players and by Indian players as well.

### **6.3.6 MAJOR PLAYERS**

Radico Khaitan, SABMiller India Ltd., Crown Beers India Private Limited, Carlsberg India Private Limited, United Breweries Ltd., Mohan Meakins, United Spirits Ltd (USL), Tilak agar Industries Ltd. (TIL), Some Distilleries & Breweries Ltd., Globus Spirits Ltd, Heineken NV and Beam Suntory.

## 6.4 SWOT ANALYSIS

### STRENGTHS

The following are the strengths of Diageo:

- **Market Leadership:** In the global alcoholic market which is estimated at 183 billion USD the market leader is Diageo with popular brands across a variety of liquor categories and a market share of around 28 %.
- **Top brands:** Out of the world's top 20 brands of spirits 8 brands are owned by Diageo. Some of these popular brands include Smirnoff Vodka, Johnnie Walker, Baileys, Guinness, Captain Morgan, Crown Royal etc.
- **High investment in advertisements:** Diageo is one the world 's biggest advertisers and has been associated with innovative advertisements which won a lot of accolades. Their advertising budget for the year 2016 was 360 million USD.
- **Long-term perspective:** Diageo through a relatively new company has the brand which is vintage some of which have been in existence for more than 350 years. Most of the company's decisions have been taken from a long-term perspective and their strategies are directed towards the creation of shared value.
- **Geographical reach:** One of the core strengths of Diageo is their wide geographical reach. The brand has the presence in more than 180 countries which are divided into 21 geographical regions. 43% of Diego's businesses are in emerging economies which is where new opportunities are emerging.
- **Presence across price points:** The brewer has the presence across multiple price points and deal in various types of liquor like vodka, rum, whiskey and beer ensuring that they have something for all types of customers.

### WEAKNESSES

Some of the key weaknesses of Diageo are:

- **Poor presence in wine:** In Europe and the UK the demand for wine is higher than other types of alcohol. However, Diageo does not own popular brands of wine which adversely affects their business in those markets.

- **Low penetration:** In comparison to local players though Diageo is focusing on emerging economies it is losing out. Developed economies like Europe and USA are stagnated in the alcoholic category and the only hope are on the emerging economies.
- **High costs:** Diageo also faces numerous challenges in managing costs since procurement of licenses, legal formalities as well as distribution demand high levels of investment from the company.
- **Brexit:** Diageo got into a lot of financial trouble from Brexit and related trade restrictions since most of the Scotch whiskey which makes up more than 25 % of their global business is manufactured in the United Kingdom.

### Opportunities in the SWOT analysis of Diageo

- **Retail consumption:** In comparison to earlier days when customers preferred to drink in bars or pubs there is a change of trend. Today many customers drink at home especially in emerging economies where retail consumption of liquor is on a rise.
- **Growing awareness:** There is a growing awareness regarding various types of alcohol across the world and people are more aware of global brands and prefer to serve well-known brands of alcohol at home or ask for specific brands when they go to bars or pubs. Global companies like Diageo can benefit from this growing awareness.

### THREATS

Some of the threats include:

- **Competition:** Some of the major competitors of Diageo are Sab Miller, Anheuser Busch and Carlsberg Group.
- **Health concerns:** The customers of alcohol are concerned about the ill effects of consumption of the drink and this is likely to affect the sale of hard liquor in future. However, in certain cases, this may emerge as an opportunity for premium brands since people prefer to spend on known brands that low-quality ones when they choose to consume alcohol.
- **Regulatory framework:** There is a stringent regulatory framework in most countries regarding the sale and consumption of alcohol. Most liquor companies find it immensely challenging for breaking these legislative barriers and this is a challenge that even Diageo faced.

**CHAPTER – 7**

**FINDINGS, CONCLUSION AND  
RECOMMENDATION**

## 7.1 MAJOR FINDINGS OF THE STUDY

The major Findings of Tupperware are as follows:

- India is the third largest market for alcoholic beverages worldwide.
- In India, annual per capita alcohol consumption increased by 38 per cent in seven years.
- Indian consumes 48% of world Whisky produced in 2017.
- According to Per capita consumption projection of pure alcohol in liters European Region consuming more alcohol than others.
- The age group of consumer consuming liquor are in maximum number in between 15 to 30 age group and minimum number in case of 60 above age group.
- Consumer choose their brand according to different criteria and the maximum number of consumers prefer the taste and quality criteria of the product.
- Indian consumes maximum time prefer Whisky and Beer then Wine and vodka.
- IMFL captures major share in Indian market.
- Strong financial status of an organization helps to build trust among its suppliers and stake holders.

## 7.2 CONCLUSIONS

A company's supply chain stretches from supplier's supplier to the end user customer. A typical supply chain has five different steps. Products start out as raw materials. In the second step, the manufacturer takes raw materials and turns them into products. The third step occurs when the finished products get shipped to the distribution. In step four, the distributor uses the products to stock a retail store. In the final step, the products get delivered to the hands of the consumer. The supply chain of Diageo India has been described in this paper with the light of this concept

Increasingly, supply chain management is being recognized as the management of key business processes that comprise the supply chain. Optimized supply chain management can decrease total system cost, inventory and cycle times while significantly increasing stock availability and inventory turns. If these results can be achieved, it can provide companies with greater profits, improved customer service and competitive advantage. It has been continuously benefitted by its outstanding supply chain management Department. It offers invincible professionalism and expertise in the entire commercial activities of DIAGEO INDIA as well as gaining comparative advantage over its competition and gaining more customer trust and share.

### 7.3 RECOMMENDATIONS

The major Recommendations are as follows:

- Demand planning is fully automated and assured by outsourced organization, as it is generated automatically by historical statistics like last few year, few times it fails to provide production plan though the brand has performed very low in last few months.
- Demand is high but manufacturing capacity much lesser, hence unit has to work on extra hours, Automation of current production line is required to increase the productivity and CPMH.
- Comprehensive database of all suppliers so that the buyer can easily get the information about the supplier.
- Online billing and access to real time update automation.
- Ensure all documents and accuracy must be online. Still manual entries are going on as team is not yet familiarized with automation job/ data entry.
- Online statutory duty payment based on bill of entry must be arranged by the organization, not by the outsourced organization who make payment for all activities, statutory payments are getting delayed which should be done exceptionally out of organization's standard.
- Implementation of customer feedback / customer complaint must be effective.
- Training on supply chain management, IT, communication and leadership.
- Training on customs acts, import policy should be increased.

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## **ANNEXURE – QUESTIONNAIRE**

Q.1. Which age group are you belonging?

(a) 15-20 (b) 30-45 (c) 45-60 (d) 60 Above

Q.2. Do you like to consume Hard Drink?

(a) Yes (b) No

Q.3. What do you like in Hard Drink?

(a) Rum (b) Beer (c) Wine (d) Whisky (e) Vodka

Q.4. Which Criteria do you prefer while choosing brand?

(a) Taste & Quality (b) Price (c) Availability (d) Others

**Thank you for giving your valuable time to us!**