

Modern Trade Capability Development

Background Information for Modern Trade Capability Development:

During your Training Programme with Asbicon, we will be using a case study to enhance your learning. Below is some background information that we will be useful for the training programme. In the case study, you will be a National Account Manager for Chisbury Foods and you will be dealing with a Modern Trade retailer Walco.

It would be very helpful if you could read the information as we will start by asking you a few questions and then the weekly training will be built on this Case Study

Key Information about Chisbury Foods:

CHISBURY FOODS



Chisbury Foods is a Delhi based manufacturer that deals in the production and marketing of baked foods which includes Breads, Biscuits, Cakes, Pastries and many other sweet and savoury products. Its core brands are Freshly (their core bread brand), Danishly (their core pastry brand) and Tastily (their core biscuit brand). These three brands were launched in the Indian market in the mid 1990s and are now well-established brands with each brand having many sub-brands within them. e.g. for the Tastily biscuit brand there are over 20 varieties e.g. Tastily Bourbons, Tastily Custard Creams, Tastily Sponge Fingers, Tastily Shortbread etc.

Chisbury has all three brands stocked in Walco with a number of variants of each range listed. In the past Chisbury had a great strategic relationship with Walco but this has become more strained recently with Walco demanding more investment both on straight margin and also asking for deeper promotions to allow them to compete with new discounter retailers such as Pack n Save. Chisbury has seen their own margin diluted over the past 3 years with the amount of trade spend as a percentage of overall spend increasing year on year. In 2019, Chisbury ran promotions on their biscuit brands for 26 weeks of the year with a INR 1.5 crores increase (15%) in promotional spend but only a 2% increase in overall sales.

Chisbury has done little in the way of innovation in the biscuit category in the past few years and many of their traditional varieties are seen as tired and old fashioned. Chisbury corporate focus has been on their bread brands with a re-launch of 3 bread brands in 2018. In the biscuit

category, Chisbury has continued to lose market share to new innovative brands in the market place and they are keen to address this in 2020.

LAUNCH OF “TASTILY HEALTHY”



Chisbury Foods intend to launch a new range of healthier biscuits within the Tastily range. These biscuits will be known as Tastily Healthy and the purpose of the new range is threefold:

- Bring back category value to the declining biscuits sector
- Introduce a higher margin, more premium range to the Tastily brand
- Combat the impact of some of the new innovative small players in the marketplace

Within the Tastily Healthy range there will be 3 key SKUS:

- **Tastily Healthy Gluten Free Gliders** – a gluten free biscuit made with oat flour and coconut to meet the rising needs of the gluten free sector
- **Tastily Healthy Vegan Vanilla Bites** – a puffed biscuit made with no animal products including no dairy or egg
- **Tastily Healthy Ballz of Energy** – a high protein energy ball made using cashew nuts, coconut oil and dates with no added sugar.

The margin for retailers on the biscuit category tends to be around 15% – 20%, however, the Tastily Healthy range will be launched with a Margin of 28% and a price premium of 25% versus the base Tastily business so will also drive cash profit and total category value if launched correctly.

Chisbury Foods has been facing a number of challenges over the last 18 months:

- Coming up with a valid growth plan for the entire biscuit category, and not only its products. Walco is now looking to work with a number of strategic partners within the supplier community to answer the challenges that they have in terms gaining back market share whilst delivery value for its shoppers. Incremental margin on existing products is critical to deciding who to partner with

- A rising share of sales achieved under promotions has further increased the pressure on the Chisbury Foods P&L. This dependence on promotional support is a key challenge for the Sales team to overcome, as they now face significant internal pressure to reduce customer margins in order to maintain and even increase the profitability of the key customers that account for over 70% of total revenue. The Finance and Marketing teams have been particularly vocal about the need to focus more on the value that these iconic brands represent to consumers and shoppers and to increase category value and reduce promotional spend.
- Chisbury Foods main competitor, Biscuits & Breads Inc. has been gaining share with a number of innovative launches that it has supported through heavy promotional campaigns. They have grown their share from 24% to 27% in the last 18 months. Chisbury Foods has been impacted by this growth with their share falling from 22% to 21%. Tastily products have also lost 2% (16% down to 14%) as their range of fruit smoothies has lost share to the new healthier variants launched by Breads & Biscuits.

WALCO



Walco is a successful Supermarket Chain in India. The first store was opened by its founder, Bisham Kiyani in 1990 in a suburb of Delhi with a second store opening in 1994 in the centre of Gurugram. Originally selling kitchen equipment wholesale to the restaurant trade, the company diversified initially into foodstuffs for restaurants and then in 1996 into a range of Grocery products that it made available to the general public via its City centre store. Over the next 10 years, the company moved away completely from its initial restaurant focused business and became one of the leading Grocery chains with stores located all over the country.

Bisham Kiyani retired in 2005, leaving the business to his son Jay who had ambitions to take the business across India. From 2007 to 2010, he opened Walco stores in Mumbai, Indore, Bhopal, Kolkatta, Lucknow and Bengaluru. This proved to be very successful and by 2015 their expansion plan took Walco to over 1000 outlets in India and a market share high of 32%. Jay Kiyani then floated the company on the stock exchange in 2016 and retired from the business. For a period of time Walco became the #1 Retailer in India maintaining its market share at c.30%. However, in recent years poor management decisions and a loss of focus on its offer has allowed Star Store to overtake it.



Walco currently operates 80 Hypermarkets (Walco Extra) of over 70k sq ft, 400 Supermarkets (known as Walco Town) of between 20k sq ft and 60k sq ft and 650 convenience stores (Your Walco) of below 3k sq. ft. These businesses all operate within India. They have also recently expanded globally and now have 200 stores out of India mostly in ex-pat regions in UAE and South East Asia.

Walco is facing a challenge, as it has been continuously losing market shares over the last 2 years to a number of other retailers. It has borrowed too heavily for the capital investment outside of India and has lost its focus on its core Indian business. Walco is keen to re-establish itself as the market leader in India and win back share from Star Store and offer a more complete portfolio of products than discount retailers such as Pack n Save. This will form a key pillar of the new strategy to provide the right range for the different needs that shoppers have through ensuring that they cover the different shopping occasions in their 3 different outlet formats. In the past 5 years, the focus has very much been on providing value to shoppers through deep discounting and regular promotions in order to maintain market share vs Star Store and Pack n Save. In many categories this has devalued the total category value and encouraged shoppers to shop around for the best deal rather than creating loyalty.

In addition, relationships with suppliers are extremely strained due to the pressure on margin and trade spend that Walco has been putting on suppliers in order to maintain its ever-increasing heavy discounting and promotions.



WALCO'S CORPORATE OBJECTIVES

MISSION STATEMENT

Create value for shoppers in order to earn their Lifetime loyalty

1. Meet the needs of the shopper better each day and better than competitors
2. Appeal to the shopper in a sustainable way that delivers long term shareholder value
3. Develop the right offer for different store formats
4. Find efficiencies in how we run our business and to pass these through to our shoppers through improved value
5. To look after our community and environment

There are a number of initiatives that Walco has put in place in order to try and achieve its corporate objectives, as well as deal with the short-term loss in share to some of its rivals.

They are currently asking all suppliers to increase investment levels by **3- 5% based on current revenues**. This support will need to be delivered both through front margin and promotional investment. There has been significant press coverage as some of the smaller suppliers have begun to struggle with this increased requirement and are seeking public support in helping fend off the growing demands of retailers. At the same time, some larger suppliers are challenging Walco regarding this up-front fee and are looking for valuable concessions in return. The Trading team have taken a dim view of this cynical approach and have de-listed SKU's from suppliers that see this as a negotiation opportunity.

There are a number of supply chain and logistics projects that have been initiated to remove costs in supplier packaging and reduce store and RDC stockholding. This requires suppliers to be more flexible in delivering products at short notice and creating customer specific packaging that meets the criteria for less material and easy merchandising.



With an eye on improved efficiency, store operations are in the process of re-writing policies on what in-store promotional materials can be deployed in different store formats. Their Store Operations Director believes that any POP materials slow shoppers down, causing congestion in store and reduce sales by confusing shoppers. This is based on some feedback that he has had from a number of store managers in other states where promotional materials and dump bins have caused complaints from a number of shoppers with children who were unable to negotiate the cluttered aisles and eventually left without purchasing anything.

The focus on efficiency has also led store operations to seek to reduce the number of staff in each store by 10%. They are doing this by demanding more shelf-ready packaging, ensuring that merchandising product is simplified and reducing the need for store staff to place any promotional materials in store. As a result, any new promotions will need special sign off by the Store Operations Director with speed to execute in store used as a key selection criteria on what can be placed in store and where it can be placed.

The store format team are coming to the end of a 3-year programme targeted at helping each store Format to 'Go Green' by using less power and recycling. This was a high-profile project when it was launched, but with the increasing focus on the loss of Share to Star Store and Pack n Save this has recently been de-prioritised.

The Marketing department have recently launched a campaign entitled 'Families on the Go' focusing on how Walco helps Mum find solutions to the rapidly changing and varying needs of her family during the week. Walco is keen to provide the right proposition for a large family shop with a wide range of brands priced competitively to provide value and choice. There is also a recognition that as the plans of the family change throughout the week, Mum may need to top up at convenience stores which have the right range for her family and great fresh product.

The challenge for the Marketing Team is that the Shoppers seem to believe that Star Store provides a better all-round proposition and instore environment for families and that Pack n Save has a more compelling value proposition. They have been encouraged by the Trading team to run a number of campaigns entitled 'Value to shout about!' focusing more heavily on some of the deep price promotions that the Trading team have negotiated with key suppliers.

-----**Thank You**-----