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Parle G The followingcase studyis from the Richard Ivey School of Business. It is about the development of a leading Indian biscuit manufacturer, called Parle Products Pvt. Ltd. Company overview The company was found in 1929 as a candy manufacturer and started producing biscuits in 1939. At this time only few processed and ready-to-eatfooditems were available. Parle G are glucose biscuits and the company's flag brand. It became the largest selling biscuit brand by volume in 2002.

The company was using a mass market strategy which is why the price of the Parle G biscuits has maintained 1$ per Kilo since 1990. In 2009 the company had 74% of the market shares of the Indian glucose biscuit category. The biscuits were sold in 2. 5 million outlets. Other brands of Parle Products Pvt. Ltd. are Marie in the tea time category and Hide n Seek and five other brands in the premium category. In 2008/2009 the company recorded sales revenues of INR35 billion. 68 percent came from Parle G. The company is known all over India for offering high value for a low price (value formoney).

The products are available in India, Bangladesh and South Africa because the company had adopted a " follow the costumer" strategy in order to maintain low marketing costs. The two main target groups are 5-14 year old children and their mothers next to institutions. Until 1992 there was only little competition in the sector when Surya Food & Agro Limited entered the market. From 1999 on several companies such as Britannia Industries Ltd. and Hindustan Unilever Ltd. also entered the market because of the high potential in the premium category due to the change of income in Indian households.

Problem statement Since 2004 the company had to deal with rising costs of the two main raw materials - sugar and wheat. In 2004 the company tried to raise the prices of its most popular product the 100g packet by 12. 5%. Within 6 month the sales dropped by more than 40%. In 2008 the raw material prices raised again. The management decided to do a hidden raise in price by reducing the weight of the 100g package slowly to 82. 5g without losing high sales. In 2009 the margin from Parle G had fallen from 15 to 10% of the revenue within the last 18 years, which is why Parle G needs a new strategy.

The consumers' perception was rooted so strongly in the low price that it was undermining other product attributes such as quality and taste. This made it impossible to raise the price. The company tried to deal with this problem by changing to a cheaper packaging material and dealing directly with the raw material deliverers. Alternatives There are several approaches to restore the margins to minimum 15% of the revenues again. To evaluate the different strategies two criteria have been selected – costs and time.

One approach would be repositioning the brand as a qualitatively high and tasty product for which the costumers do not mind spending more money on. This strategy would be cost intensive and would take at least 12 – 18 month to see the first results. The brand also exists since 1939 which is why it would be very difficult to change people's prescription of the brand. Therefore it is not the best strategy at this moment. The second strategy could be introducing product variations like for example with different flavours which can be sold for 20 – 25% more expensive than the normal Parle G.

The costs for this would be high because of the different researches that have to be conducted, the increasing production costs and the upcoming marketing costs. It would take 6 – 12 month to introduce a new product. This is why this strategy is also not ideal. The third strategy is offering one more brand in the premium category because of the increasing demand in this sector. The fact that Parle Products Pvt. Ltd. already offers 6 brands in the premium category, as well as the high costs of research, production and marketing are the reason to dismiss this idea.

It would also again take 6 – 12 month to introduce the new product which is why a better strategy needs to be found. Plan of Action Another approach would be offering only 4 or 5 instead of 12 different price categories to safe packaging costs. The costs for this action would be very low compared to the other strategies. The time this strategy needs would also be short which is why this a very good short term approach. In order to also find a long term strategy the idea of exporting into more than 2 countries should be reconsidered. A brand can only grow to a certain point f it does not become an international brand. Parle G is at the point where it is no longer enough to only sell within India, Bangladesh and South Africa. The company has to expand in countries with a high amount of Indian citizens, low competition and an increasing demand in biscuits. Therefore several researches have to be conducted because this measure is very costly and also very time intensive. But it is necessary for Parle Products Pvt. Ltd. to become a global player in order to restore the margins to minimum 15% of the revenues again and to secure company growth within the next 15 – 20 years.

Therefore both criteria time and money can be neglected. The best course of action is changing the offers from 12 to 4 price categories starting within the next 10 – 14 days as a short term plan. The long term plan is exporting Parle G into at least 3 different countries within the next 15 month and 10 countries within the next 3 years. The company should try to conquer the institutional sectors first by offering at least 5-7% discount on bulk purchases at the beginning and create a demand within the rest of the population (pull-concept).