

# Parle g: marketing

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Parle G is the world's largest manufacturer of biscuits by volume or tonnage and has been in the numerous number one spot since a very long time. It has done so primarily by positioning its product, Parle G Biscuit, at optimally affordable rates which caters to customers from all walks of life especially the low income groups in the Bottom of the Pyramid. Of late, due to inflation and evolution of economic factors, the input of two major raw materials, sugar and wheat which constitutes 55% of the manufacturing cost have risen provoking the management to rethink on the pricing strategy.

The outcome of this inflation has resulted in the decrease in the margin it used to command. The dip has been from 15% to 10% of margins of its total revenues. Management is now mulling over to raise the price to reinstate the margins at 15% as previously mandated. Proving Giuliani, the GM of Parle Products has to take two major decisions regarding the above scenario and they are as follows:- These questions need to be addressed as soon as possible because of the presence of competitive products and companies in the same domain.

The other very visible trend that management bore witness to, was the gradual migration of consumer spending to high-end biscuit segment belonging to the sweet, cream and milk categories. This trend was seen to be taking place within the portfolio of Parle G products and in the industry it was operating in. The Pricing Strategy Decision One of the methods to zero in on a pricing strategy is a careful analysis of the existing product by a business the price and the quality. Parle G biscuit, as can be inferred from the case, is a high quality biscuit with a low price.

High Quality here does not mean premium biscuits as the like of Bourbon or Ore; It means that the utility generated Day ten product is very null. O Turner Loretta, take ten example AT Monika Phones that are available in the market. The range varies from INNER 1200 (approve) to figures substantial than that. The lower segment phone still generates world class service that comes within such price. Hence, the quality being high and the price being low, the company has followed Penetration Strategy. This allows for the marketing objective of proportioning increasing sales volumes or market share rather make profits.

This method of Pricing has the following advantages:- ; It can create goodwill among the early adopters segment. This can create more trade wrought word of mouth. ; It creates cost control and cost reduction pressures from the start, leading to greater efficiency. ; It discourages the entry of competitors. Low prices act as a barrier to entry (Porter 5 forces analysis). ; It can create high stock turnover throughout the distribution channel. This can create critically important enthusiasm and support in the channel.

The major disadvantage of Price Penetration is that it establishes long term price expectations on the part of the consumers and hence companies find it difficult to raise prices later in the years to come. Studies have shown that switchers (bargain hunters) are attracted by such pricing strategies and that is the reason why Parole G witnessed a dip in sales after it went ahead with a price increase. We can further say that the huge customer base that Parole G has garnered are extremely price sensitive individuals and will switch once prices rise.

All said and done, if we again carefully examine the situation of Parole G before the mentioned inflationary setbacks hit them, we see the following points that do merit mentioning:- ; Product demand is highly price elastic. Substantial economies of scale are available. The product is suitable for a mass market as a result of high demand ; The product has a chance to face stiff competition in the future For Parole G to win in the market place it has to devise strategies centered on Price Penetration since following any of the other strategies will have immediate ramifications or would not fit into the scheme of things.

In short, Price increase is not the best feasible options Parole G has. Product Life Cycle On the Product Life Cycle front, it's absolutely important to trace where Parole G lies. As on the date of the case, it's very visible that the product had attained maturity and NY change in marketenvironmentor internal strategy could either destabilize leading the product to dip or sustain the current traction of maturity. Parole G, being excessively price sensitive should ensure to stabilize the product and that would mean adopting practices and strategies which would ensure penetration without changing the price.

The other option we can thus look into is reducing grammar. This was done before with success and it can be replicated again however this has to be done without compromising on quality Ana calorie. I en toner long term Implication AT tens P owe the other products of Parole G are faring. Hide & Seek and Milan are both on a growth stage while at the same time the growth potential of the premium market is pegged at 20% annually, more

than 15% in the glucose category. Parole G can hence focus on this segment proactively as well.

This is not proposed to offset the decline in the glucose segment but to De-risk the company and take advantage of the booming middle class of India that grows significantly every year. From Exhibit 2, the population of seekers and aspires are growing significantly. The Representation of the data is as follows:- Recommendations and future plan of action:- 1. Proposed reduction in grammar of INNER 4 from 82. G to egg Rationale: The INNER 4. 00 SKU contributes 1 1. 9 billion (2008-09) which is 34% of Parse's total Revenue and 50% of Parole G revenue.

This SKU caters to the largest segment of consumers. As mentioned before, the price of the product cannot be changed due to high price elasticity of demand, therefore to mitigate the fall in margin, we propose a decrease in the grammar of this SKU from 82. G to egg. This reduction of 2. 5 g would lead to a reduction in the costs of 3. 03% per unit of INNER 4 SKI-J. Since the margins are a direct function of the cost and this particular SKU comprises of a large percentage of the business, this reduction in grams would increase the margins considerably. 2.

Target the socioeconomic classes of RI, RE, RE and RE Rationale: This segment consists of the rural population of 145. 7 million households out of which 68. 3 million households are current consumers of the brand. Thus 53. 1% of this segment is still untapped which we believe is a tremendous potential for the company. This segment, also referred to as the BOP, is primarily attracted by the low prices and therefore the smaller SKU s. If we

can increase our customer base in this segment, the decrease in cost in the SKU by reduction in grammar would be able to overcome the fall in margins.