

Indian tobacco company analysis



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Indian Tobacco Company

ITC Limited, a Rs. 8000-crore Indian conglomerate, and a market leader in the tobacco industry has been strategically diversifying into other related and unrelated businesses since 1970 in the order to reduce its dependency on its tobacco business. It has forayed into the arenas of FMCG (fast moving consumable goods), information technology and agri business to obtain the different revenue streams and also to enhance the brand image. The corporation has been successful in its hotel business known as the ITC-Welcome and collaborated with the international groups market its hospitality services. IT has also packaged foods, branded apparel, greeting cards and stationary, paperboards, packaging and incense sticks businesses in its portfolio. Through the application of effective diversification of its corporate portfolio, ITC has successfully spread its business and market risks across the whole spectrum of the Indian economy and abroad.

ITC Group is known as to be one of the most successfully diversified companies, and is also known for its projects on social upliftment like women`s empowerment, primary education, and integrated watershed development program. It has 15, 000 employees in India, 3500 in Europe and 2500 in USA. It was incorporated on 24th august 1910 under the name Imperial Tobacco Company of India Limited. As an Indian management team took ownership of the company from its British counterparts in 1974, its name was changed to I. T. C limited.

- In 1975 ITC entered in Hotels
- In 1988 entered in agro business.
- In 2000 entered in Fashion Retail shop

- In 2000 entered in Software business.
- In 2001 common base like greeting cards and stationary market.

MARTIN-make worries into ash.

The new brand of ITC cigarette

New brands viz., MARTIN is introduced. Long-term agreements were entered into with the unions of factories located at Calcutta, Saharanpur and Munger.

ITC CIGARETTE and tobacco is the core business of ITC and market leader in India with a market share of 60% both respect of value and volume. It earns 78% of its total revenues from this business and has a profit margin of 40%. It accounts for two-third of India`s present annual cigarette sticks market of 90 millions of which 18% is exported in cigarettes in country. The company markets popular cigarette brands are available in the market but some are Wills, insignia, India kings, Classic, Gold Flake, Silk Cut, Navy Cut, Scissors, Capstan, Berkeley, Bristol and Flake etc.

The company`s focus has been to deliver the highest product quality and value to consumers in the cigarette and tobacco business, which has helped the company maintain its leadership in that industry. To boost the sales growth momentum, it has helped the company maintain its leadership in that industry. To boost the sales growth momentum, it has introduced festival packs of brands like `Flake Filter`, `Bristol Filter`, and `Scissors Filter` in select markets of Kerala.

ITC Cigarette is coming with new brand and i. e MARTIN

The company had that much of capability to build a leadership position because of its single minded focus on to create the value for the customer; to make the customer most valuable person in the company by attractive product design, quality, and innovation in the product, production technology, marketing and distribution in the market.

Due to all reason ITC is serving the customers from the long period of time. This strategic focus on the consumer has paid ITC fantastic profits.

ITC`s has international competitiveness is reflected in the overseas markets too. In the extremely competitive US market, ITC offers high-quality, value-priced cigarettes & on ready to serve the customers. In West Asia, ITC has become a key player in the GCC markets through growing volumes of its brands.

ITC`s cigarettes are produced in state those are – Bangalore, Munger, Saharanpur and Kolkata. These factories are known for their high levels of quality, by their technology and work environment.

- Market Leadership.
- Powerful brands across whole segment.
- Consumer acceptable prices.
- Extensive distribution network
- Over 900 wholesale dealers serving more than 1 million retail outlets.
- World- class state-of-the-art technology and product.
- Investment Rs. 10 billion in six years.

Leaf Tobacco: ITC pioneered the cultivation and development of leaf Tobaccos in India. The Leaf Tobacco business partnership with the farmer is almost 100 years old. ITC is the largest buyer, processor and exporter of leaf tobaccos in India- creating a global bench mark for the single largest integrated source of quality tobaccos.

Composition:

- Filter is made of 95 % cellulose acetate.
- Tipping paper to cover the filter.
- Rolling paper to cover the tobacco.
- Tobacco blend.

BUSINESS MISSION AND VISION

Mission is To enhance the wealth generating capability of the enterprise in a globalizing environment, delivering superior and sustainable stakeholder value.

Vision is Sustain ITC`s position as one of India`s most valuable corporations through world class performance, creating growing value for the Indian economy and the Company`s stakeholders.

ITC`s CORE VALUES

- Honesty towards work.
- Customer Focus.
- Respect for People.
- Excellence in quality and service.
- Innovation in ideas & Product.

MARKETING OBJECTIVE

To make the world class or world known brand by providing the best quality and satisfy the customer need with delightful feeling. To retain the position as a market leader in marketplace. And make more than 85% revenues of Cigarettes in the year 2010-2011.

Best in Internal Vitality, market standing, profitability.

SITUATION ANALYSIS**COMPETITORS:**

In India, three major cigarette players dominate the market, primarily ITC with 75% market share, Godfrey Phillips with 14% and VST with 4% share of the market.

SEGMENTATION, TARGETTING & POSITIONING:

As concern about segmentation, they are segmented according to the needs and taste of the customer. In every business they segmented the products with the level of income. Products are available according to their purchasing capacity. Products are available with the lowest price as well as higher price. As in the hotel ITC provide categories of the hotel rooms.

As targeting is concern ITC targeting the youth mainly with the taste for trendy style and started offering quality; they are concern about the quality not quantity.

SUPPLY CHAN MANAGEMENT:

The following components are in supply chain management.

- Production: It all about where business focus on how much to produce, where to produce it and what are the suppliers to use.

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- Inventory: It all about where the business decides where to store their products, and how much to store.
- Distribution: where the business address questions about how their should be moved and stored.
- Payments: It concern about where business look for the best ways to suppliers and get paid by customers.

Manufacturing Process:

- Cigarette manufacturing process involves processing of tobacco leaf and stem to different tobacco blends, which is cut tobacco.
- Cut tobacco is then converted to cigarette using other raw materials for making cigarettes and packing them in various forms as per the trading requirement.
- ITD receives various grades of Tobacco Leaf and stem from Indian Leaf Tobacco Division (ILTD) based mainly in Guntur, Andhra Pradesh.
- The cut tobacco is then sent to the secondary manufacturing division (SMD) for making and packing cigarettes.
- At SMD, there are two processes: Making and Packing
- Making is the process is the rolling of cigarette.
- Packing process is packing of these cigarette sticks in the cigarette packets of various pack styles.

MARKETING STATERGY

CORPRATION STATERGY: Do the right things to the right place at the right time. Sustain multiple drivers of growth matching internal capabilities with emerging market opportunities. Pursue world class competitiveness in all businesses and across the entire value chain.

As we talk about the pricing strategy ITC cigarettes using Pricing penetration because of their high name in the market. From the starting they taking the high prices. And after getting the relevant profit they low down the prices. But with that the price range is widely varied catering to the low and high-class consumer segment, ITC has made capital investments of Rupees 700 crores in its cigarette business to upgrade and modernize its manufacturing and research and development facilities. Additional rs. 450 crore has been spent towards building a new and state of art manufacturing plant on Bangalore. The decision to raise prices of some cigarette brands has led to increased sales revenue. The packs are designed in such a way that customer got attracted.

Diversification Strategy: It has been observed that ITC`s opt the diversified strategy have been carefully implemented in order to optimize the synergies obtained through both backward and vertical integration of its business. The company had felt need to diversify from the early 1970 and had started the process by entering into the business that provided a good return on investment and a potential for future expansion. In March 2005, ITC stands as a multi-business enterprise, with an impressive market share in almost all the FMCG segment, Hotels, Paperboard and agri-Business sectors. It has successfully crafted a strategy of value addition by entering into related segments, which adds to the competencies and resources of the company. ITC also come with up the diversified brands of cigarette too. ITC apply the diversified strategy by the deep understanding of the markets and consumer tastes.

ITC cigarettes come up with the differentiated strategy because they come up with differentiated brands.

MARKETING MIX

Marketing mix is used in business to gain the reaction it is seeking from its targeting market in relation to its marketing objectives. Marketing mix is including the 7Ps – Price, Product, Promotion, Place, People, Process, and Physical Environment

Traditional approach is 4 p`s and from the following p`s people is very important in the market. Because in marketing we first identify the demand of people then try to satisfy them with their goods and services.

- **PRODUCT:** Methods used to improve/differentiate the product and increase sales or target sales more effectively to gain a competitive advantage e. g. Extension strategies.
- **PRICE:** Pricing strategy using by ITC is penetration strategy. As ITC also take care of price according to the income of the people. It's also important to know about the market condition of their product.
- **PROMOTION/ADVERTISMENT:** Advertisement and promotion is used to make aware and increase the sales of the product respectively through print media, on internet etc. It help to make aware of the existence of a product.
- **PLACE:** Place is where the customer get the product and the services from the producer. Selection of the place is depend on the market research what the demand of the customer, competition in market and

geographical condition is also matter. And in which place consumer is easy to buy the product.

Positioning of ITC Cigarettes in the market:

BCG Matrix: In this Boston consultant group it tells about the market share and growth of the product. In this we take four i. e. stars, dogs, question mark, and cash cow. Cash cow is when market share and growth is on the top. And dogs show both are less

STARS

- Agri Business
- Paperboards
- Hotels

QUESTION MARK

- FMCG- Other

CASH COWS

- FMCG – Cigarettes

DOGS

- ITC Infotech

In product life cycle ITC cigarettes is in the maturity stage of existing brands of cigarettes.

SWOT ANALYSIS

SWOT is mainly told about the strengths, weakness, opportunities and threats can face by the company. It also helps to predict the future of the company. Whereas strength and weakness are controllable and opportunities and threats are uncontrollable in nature.

ITC is one of India's biggest and well known private sector companies. In fact it is one of the World's most high profile consumer operations. Its business and brands are focused almost entirely on the Indian markets, and despite being most well-known for its tobacco brands such as navy cut, silk cut, the business is now diversifying into new FMCG brands in a number of market sectors.

(S)TRENGTHS:

Market leadership is the one of the biggest strength of the company.

ITC leveraged its traditional businesses to develop new brands for new segments. For e. g. ITC used its experience of transporting and distributing tobacco products to remote and distant parts of India to the advantages of its FMCG products. ITC master chefs from its hotel chain are often asked to develop new food concepts for its FMCG business.

ITC is a diversified business is also strength of the ITC itself. Its CSR, social responsibilities like women empowerment, water shed development, primary education also the strengths for ITC.

Six Sigma based product development process.

Provide the best class products in quality and quantity.

E-chopal is biggest strength for ITC.

(W)EAKNESSES:

The company's original business was traded in tobacco. ITC business i. e. now so involved in branding continues to use its original name, despite the negative connection of tobacco with poor health and premature death.

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Even today, ITC depend on the tobacco business revenues. Cigarettes account for 49% of company`s turnover and responsible for 82% of revenues. One single brand Gold Flake is gaining 72% of tobacco market.

(O)PPORTUNITIES:

FMCG product like Aashirvaad, Bingo, and Sun feast has the increasing growth in the market. This can be good opportunities for the future of ITC.

ITC is moving into new and emerging sectors including IT with supporting business solutions.

E-Choupal, the unique web based initiatives of ITC`s International business division, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal in hindi. It is the biggest opportunities for ITC.

Per capita consumption of personal care products in India is the lowest in the world offering an opportunity for ITC`s soaps, shampoos and fragrances under their Wills brand.

(T)HREATS:

Firstly threat is the competition in domestic as well as international market. Dynamic nature of government policies like sudden banned on the advertisement of the cigarette; cigarette is main source for ITC, for revenue and if they are banned by the government law then it will put the very bad impact on the ITC Company. So dynamic government policies is also a

biggest threat for the ITC. Basic threat is geographical conditions. Highly dependency on tobacco business can be the threat for ITC.

Future Outlook:

1. Company stands to gain between Rs. 5 billion and 5.5 billion in the form of future earnings.
2. ITC is focused on acquiring leadership in IT areas of product life cycle management (PLM), Hospitality, Customer relation management (CRM), manufacturing services.
3. Rural sector development has been high on priority with regard to its future projects.
4. The company is focusing on moving ahead with e-Choupal.