





The ITC Life Sciences and Technology Centre (LSTC) works on science-led innovation and the product development team, also housed at LSTC, translates such ideas into a product. There are several international collaborations for many of the products

A product would not get approval for launch if it were not top class quality. The idea was inceptioned by former and late chairman Y C Deveshwar and has stayed with the ITC management throughout its diversification journey.

The approval that Deveshwar was referring to was internal, what's often taken longer than the clinical trials for some of the products from ITC's non-cigarettes fast moving consumer goods (FMCG) portfolio.

Fabelle, the premium chocolate range, is a classic example. It was in the making for more than a decade and had unsuccessfully done the rounds of the ITC board close to 10 times. Finally, when it was launched in 2016, it had cocoas sourced from some of the finest cocoa growing regions in the world. "Our commitment was to craft the finest luxury chocolates in India that rival the best in the world," explained ITC executive director, B Sumant.

Outlining the company's strategy, ITC chairman Sanjiv Puri said, "Our aspiration is to be a leader in every business segment that we operate in and be acknowledged as a trusted provider of best-in-class products and services. Towards this, we will continue to invest in enhancing international competitiveness in each business not only to reinforce the pole position achieved in several segments, but to also speedily attain leadership in the newer businesses."

A late entrant in the cluttered FMCG marketplace, ITC is carving out a place for itself with its twin focus on quality and product differentiation. "When we entered foods, there were well entrenched local and global players. But our strategy was clear - to develop superior and differentiated offerings that could win in the marketplace," said Sumant.

So in the potato chips segment, there was Frito-Lay to compete with, in biscuits, Britannia and Parle were well ensconced, while Annapurna and Pillsbury were ruling the atta market. But being a late-mover, didn't necessarily put ITC at a disadvantage. In little over a decade, the diversified conglomerate has managed to create some powerful brands.

Its atta brand Aashirvaad tops the charts with an annual consumer spend of Rs 4,500 crore followed by biscuit brand Sunfeast at Rs 3,800 crore. In the Rs 500 crore to Rs 2,500 crore range, there are Bingo!, Classmate, YiPPee!, Vivel, Mangaldeep and Candyman brands. Together, ITC's non-cigarettes FMCG business has an annual consumer spend of more than Rs 18,000 crore.

The real challenge in product differentiation is in dealing with commodities. "When we launched Aashirvaad atta, people asked us how can you differentiate - it's a commodity. The objective was not just to sell atta but ensure that consumers could enjoy soft chapatis on a consistent basis," said Sumant.

So ITC came up with a recipe that gave consistency. A recipe that changes every year with weather conditions, just to maintain the consistency. "We formulate the blend every year and we have different blends customised for different regions. The sourcing expertise of our Agri Business Division ensures that all the unique grades are bought at the start of the year to enable us to deliver a high quality offering," added Sumant.



Behind every differentiated product however there's a touch of ITC-Life Sciences and Technology Centre

Small wonder that ITC is the largest buyer of wheat after the government of India. On an annual basis, two million metric tonnes of wheat is bought from across the country and transported to 29 factories that produce the atta, by trucks.

Given the scale and range of ITC's FMCG products, there is a lot riding on the 60,000 trucks that it uses a month. Especially when products are added at a frenetic pace.

A number of categories were added last year: Aashirvaad Svasti milk, Aashirvaad Svasti curd and paneer, Dermafique premium skin care, Fabelle FMCG range, ITC Master Chef Frozen Snacks, Nimyle floor cleaners, Sunfeast Wonderz Milk Dairy Beverages.

The year 2018-19 also saw a record number of product launches. Fifty products were launched, many were first-to-market, like India's first ruby chocolate from Fabelle, Fiama bodywash with a fragrance encapsulation technology, a two-in-one version of pocket perfume Engage with the concept of day and night fragrances, Sunbean Beaten Caffè, a ready-to-use beaten coffee paste being piloted in Delhi.

Behind every differentiated product however there's a touch of ITC-Life Sciences and Technology Centre (LSTC).

"The ITC Life Sciences and Technology Centre (LSTC) works on science-led innovation and the product development team, also housed at LSTC, translates such ideas into a product. There are several international collaborations for many of the products," said Sumant explaining the chain of product development.

Some 350-400 scientists are at work at the centre and 830 patents have already been filed.

The LSTC is now working on various dimensions of health that will enable ITC to roll out products that help improve cognition, immunity, manage cholesterol, retention of calcium, among others. So a pipeline of products on the health vector is currently a work in progress.

Jack Welch, the former CEO of GE, had suggested, there were only two sources of competitive advantage: Learn more about your customers faster than the competition and turn what you learn about customers into action faster than the competition. That's exactly what ITC is trying to do.

ITC broke into noodles hegemony by working on the existing problems in the category. "We came up with a round noodle technology which is the first of its kind in the market. Kids love to play with food and a long noodle made it slurpy. Also, unlike others in the category, it is non-sticky."

It was a winning formula for success. Yippee! is the No. 2 in noodles with a 23 per cent market share and an annual consumer spend of more than a Rs 1,100 crore.

But ITC has a steep target to meet. By 2030, the aim is to realise Rs 1,00,000 crore of revenues from the branded consumer goods, which is roughly a 16-17 per cent year-on-year growth. In the last 12 years, revenues from the segment have grown from Rs 1,704 crore in 2006-07 to Rs 12,505 crore in 2018-19.

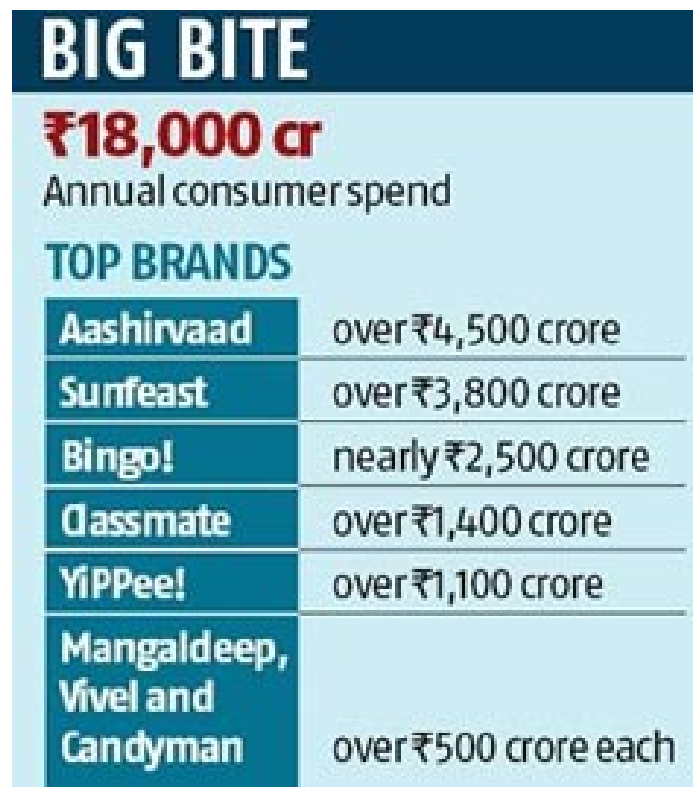
"To drive growth, we are continuing to strengthen and scale up existing categories and are also foraying into new categories across FMCG segments including branded packaged foods, personal care products, education and stationery products as well as agarbatti and matches. We are also open to acquisitions if it is a strategic fit to our plans and brings in value commensurate to our financial commitment. While we will leverage opportunities for potential acquisitions that will enable us to scale up our businesses, we will continue to build new categories organically," Sumant said.

Currently, all three tracks at ITC are running at full steam.

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ITC LIMITED  
Virginia House,  
37, J. L. Nehru Road  
Kolkata - 700071, India  
Ph: +91-33-22889371  
Fax: +91-33-22880655  
Corporate Identity  
Number:  
L16005WB1910PLC001985  
For any queries or  
grievances, contact Mr.  
Aurko Dasgupta at  
contactus@itc.in  
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