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While there is a need for improvement in road infrastructure and service management, the new truck models hold the promise of solving logistics hurdles to a large extent. *Fastrack* explores



THE ROAD AHEAD

SHEFALI THAPLIYAL

Given the fact that the Indian economy is booming with fast evolving market dynamics, the closely related logistics sector, too, is poised to grow. However, the issue is how rapidly and efficiently this growth is showcased.

The logistics sector is at a potential inflection point in its growth and service maturity model. However, the sector is still lagging behind on many fronts and its largest segment – the transport sector – is still not well poised to leverage the opportunities or the fundamental shift in the logistics-related business activities that the Indian market presents in the short to mid term.

In fact, there exist several bottlenecks which need to be addressed to achieve the desired levels of service-maturity standards to keep up with the growing requirements of the Indian economy.

Orkash, a management consulting firm incorporated both in India and the US, undertook an extensive study to identify the business and operational issues impacting the transport sector and recommend workable solutions. Keeping in consideration the large scale of trucking operations – around 2.5 to 3 million trucks move within the country each day – it analysed the deficiencies plaguing the sector from a broad-based macro level and a more narrowed-down micro level. The critical issues highlighted by Orkash's findings are:

- A highly fragmented and unorganised industry structure leading to low profit maximisation for re-investment; around 80 per cent of the trucks are owned and run by very small operators having five trucks or less.

- Supply-demand mismatch and lack of intermediaries resulting in high transaction costs and business inefficiencies.

- Operational inefficiencies such as lack of logistic clusters, high maintenance

costs, high idling time, illiterate and unskilled work force, etc.

Based on an analysis of the historical perspective of other industry sectors that faced similar challenges and an examination of the emerging low-cost technologies and new business models, Orkash's study suggests the following approach to evolve a solution:

- A.** Wide-scale transformation of the business models of the small truck operators through adoption of a collaborative business framework. The success story of the co-operative-based Amul in bringing efficiencies-of-scale to a fragmented, unorganised dairy sector is a case in point that such collaborate frameworks can succeed. Consolidation of the sector and government incentives would be the key to success since about 80 per cent of the trucking companies are small family-run businesses.

- B.** Use of web-based 'trusting net-

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MESSAGE

REAPING REWARDS



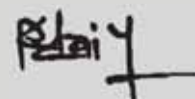
It is with great pride that I would like to inform that **Fastrack** has been conferred with the prestigious award for the 'Best In-house Magazine' at the coveted 4th Indy's Award this year.

Fastrack has carved a niche for itself in the last six years with world-class content on supply chain and logistics. The award, clearly recognising the effort, has inspired us to strive to bring out better content. As a result, we have introduced a new segment on Page 7 called 'In Focus' where we will be featuring companies that have entered a new business vertical. Videocon, which has forayed into the mobile handset space, was a natural choice to begin with as its entry into the mobile handset market is a new and different business initiative.

Our cover story on the challenges in the transport industry uncovers the bitter realities of this industry. Due to the poor road infrastructure and its unorganised nature, the industry fails to meet the output levels it could deliver. However, the launch of several new truck models in the coming months promises to help turn around the logistics issues. It will be interesting to see if the new models can really make a difference to the industry.

SMEs are the small fish in a big pond and unless they pay close attention to every aspect of business, survival could be a problem. The SCM practices is one such area that SMEs need to leverage upon in order to ensure their business keeps growing. Our SME Watch segment compares the differences between the SCM practices of SMEs and Large Enterprises and ways through which SMEs can haul better opportunities.

With respect to the **Fastrack** win, we draw inspiration from the same, for us to do even better in the future.



PAWAN JAIN Chairman & MD,
Safexpress Pvt Ltd

worked communities* of small truck operators to bring visibility of demand and supply, reverse logistics, optimisation of resource utilisation for scale economies and to reduce time and cost of business transactions.

C. Integrated SaaS (software as a service) - based IT solutions combining the capabilities of GIS, GPS tracking, and BI to bridge the gap between logistics flow and information flow and to drive processes improvement within small companies for achieving operational efficiencies.

"The challenge the transport industry faces are truly typical; lack of a Road Transport Policy dedicated to reverse the trend of fragmentation of vehicle fleet, optimising vehicle utilisation and regular rejuvenation of nation's truck fleet," says Chitranjan Dass, Vice-President of All India Confederation of Goods Vehicle Owners' Associations (AICGVOA).

Dass feels that turnaround, though very basic to efficient transport / logistics, "is a non-issue for policy makers."

According to a company spokesperson at Ashok Leyland, the challenges of the transport industry range from "having sufficient freight for movement and controlling diesel prices" to issues such as "reliability and safety".

Long delays

A study carried out by the World Bank on Road Transport Service Efficiency in India, pointed at various impediments that the transport industry faces. For instance, it points out the present long delays to trucks at state border crossings which tend to nullify the benefits from higher speeds and reduced congestion en route.

Here are some of the key recommendations the study makes:

1. The report recommends consideration of a system such as the European T.I.R. to reduce delays at state border crossing checkpoints, particularly for high-value or time-sensitive goods. Such a system would permit sealed trucks, which elect to use the system, to operate without en-route inspections on the basis of a certificate issued at origin by a duly authorised and bonded issuing entity.

2. Policies to encourage the use of multi-axle vehicles and tractor-trailer combination would help reduce transport costs and road pavement damage.

3. Since a significant portion of the driver population is illiterate, it is recommended that audio-visual training material be developed in the local language.

The Orkash study reveals that in long term, a gradually consolidated and well-organised structure will develop in the Indian transport industry. "However, in order to truly exploit its potential it is necessary to bring down our focus on the short and mid term challenges of reform, modernisation and moving towards new business models," says Ashish Sonal, CEO, Orkash.

Sonal adds that in its current state, with the exception of a few dozen mid-



"The route to profitability is reducing logistics cost"

Ramakrishnan, VP-Commercial Vehicles, TATA Motors



"For efficient and economical mobility, better performing vehicles are a pre-requisite"

Chitranjan Dass, VP, AICGVOA



"With the exception of a few dozen companies, the sector has low capacity for growth"

Ashish Sonal, CEO, Orkash Services Pvt. Ltd.

size companies, the sector has an inherently low capacity for growth.

"This implies that almost 60 per cent of the companies, which comprise small and mid sized companies, must imperatively undergo rapid transitions and improvements to improve their efficiencies in order to meet the growth and service maturity requirements," he says.

On the other hand, the study also showed this is unlikely to happen on its own in a "natural evolutionary manner in response to growing opportunities, given the roadblocking circumstances of the industry."

Model behaviour

Launching better truck models is one way of meeting the growth requirements and a number

of automotive giants are doing that. These new models - laced with ergonomic designs, better engine capacity, GPS support, etc. - promise to improve output. "India is an eminently growing economy and mobility of both men and material is synonymous with that. For efficient and economical mobility, better performing vehicles are a pre-requisite," Dass says.

Tata Motors has launched its Prima range of truck models which come equipped with features such as 9-speed ZF transmission, a matching trailer with new generation brakes, ABS and specialised axles for heavy-duty and high-speed applications. The cabin has air conditioning, reclining seats and adjustable steering wheels, features designed to induce longer and more trips.

"Logistics cost (transportation and warehousing) accounts for anywhere between 10 and 25

per cent for many of the major commodities. With increasing competition, the route to profitability is reducing logistics cost. Prima will help in reducing the cost of goods transportation per tonne per kilometre," says Ramakrishnan, Vice President-Commercial Vehicles at Tata Motors. He also forecasts that heavy trucks will grow faster than light trucks while medium trucks might shrink further.

Ashok Leyland, the company most synonymous with trucks, is on the verge of launching an entirely new platform of vehicles.

Its model, U-truck, is one such entrant. The U-Truck platform will straddle the entire range of tractors, tippers and haulage trucks in the 16-49 tonne segment, with over 25 models. The range is powered by BS III and IV engines that are also protected for BS V norms.

One key aspect of the U-Truck platform is its engine management system. The BS IV versions of H engines have Selective Catalytic Reduction (SCR) technology while the new NEPTUNE engines come with Exhaust Gas Recirculation (EGR) technology, to reduce emission. The U-Truck platform will be equipped with electronic clusters and advanced Telematics for real-time track & trace, on-board diagnostics and driver management features to ensure the safety of the driver and cargo.

"In terms of improving logistics, while better, more efficient trucks are important, it has to be backed by superior roads and highways, improved connectivity and a more efficient clearing system, like in collecting tolls and cesses," the spokesperson from Ashok Leyland says.

International giants such as Mercedes-Benz and Navistar are also exploring the Indian truck market so as to capitalise on emerging opportunities. Mercedes-Benz launched its heavy-duty Mercedes-Benz Actros 4841K last year which has a multi-function steering wheel and a driver information system to ensure the safety of the driver, vehicle and cargo during transportation.

The silver lining

Though the transport industry may face a bumpy ride, it has played a major role in Indian trade and commerce for decades.

The World Bank report, too, observes that "despite many remaining impediments, mainly concerning the existing infrastructure, India has achieved a highly competitive, low-cost road freight transport sector for basic services, with highway freight rates among the lowest in the world and indeed surprisingly low given the operating conditions in India."

What is required is a mix of collaborative networking strategy, policy changes at the governance level and adoption of technology to unlock the potential that exists in the transport industry. ■

LEADERS

THE BINDAAS WAY TO E-TAIL



The Indian customer is still wary of shopping over the net. Bindaas Bargain is helping change the mindset by making e-shopping as realistic and genuine an experience as the conventional one

E-commerce as a business activity may have picked up only recently in India but its scope for growth is immense. The Internet and Mobile Association of India (IAMAI) has pegged the e-commerce market in India at Rs. 9,210 crore, with a forecast of 30 per cent growth every year.

Along with the major league players such as Pantaloons, FutureBazaar, and now Tata, a number of promising small portals are sprouting in India. One such portal, BindaasBargain.com, has entered the cyber retail space with its unique marketing strategy of one deal a day. **Shafiq Thapliyal** spoke to **Dhruv Batra**, CEO and Co-founder, about what sets the portal apart, supply chain optimisation in online retailing and the role of 3PLs among other things. Here are the excerpts:

Q1. How was the idea of your portal Bindaas Bargain conceived?

The idea of creating an e-commerce site with customer in mind was conceived while listening to a very inspiring speech by Tony Hsieh of Zappos.com (sold to Amazon for a whopping \$1 billion). Bindaas Bargain was started on November 30, 2009, Cyber Monday, as a One-Deal-a-Day online shopping website which brings you a new deal everyday. So, instead of offering shoppers flashy adverts of thousands of products, Bindaas Bargain offers them 'deals'. Here, one product is offered at the lowest possible discount; the decision - "deal or no deal" - rests entirely with the user. The deal is up for grabs for 24 hours or till stocks last.

Q2. How is your portal different from any other e-commerce portal?

We are India's first One-Deal-A-Day online shopping portal. On any given day we sell only one product; for the end consumers it is a quick decision for a Deal or No Deal.

Operating within a brisk timeline, Bindaas Bargain is a friendly Indian holistic webshop that offers awesome stuff at equally cool prices. Besides selling branded stuff, it also acts as a

launch-pad for start-up brands/non-branded FMCGs; they not only sell like hot cakes, but also win accolades from the customers.

Bindaas Bargain cashes in on customer's tendency to 'touch and feel' a product. It offers multiple photographs, 360-degree views, user-controlled zoom-in features and occasional product videos for its deals.

Indian shoppers like to hang around and 'window-shop' before buying something that really appeals to them. Bindaas Bargain gives them the platform in the form of 'Blog' and 'Community' sections where they can do just the same. The Bindaas buyers leave comments about products and deals, discuss the pricing, the features, and the performance and also help other buyers make a decision. With features like 'Bindaas Bol' (online polling), various schemes and contests, the company engages the users in order to boost the company-customer relationship. When customers see

other hand, sources all the products it sells, collects and packages all the information and photographs, and ships the product to the customers.

Q4. With respect to managing the supply chain, how does the one-deal-a-day strategy help the business? What are the other advantages of the one-deal-a-day approach?

One deal a day makes it easy to offer discounts - it facilitates bulk procurement, easy shipping and handling, compiling product information and supporting customers with better product knowledge.

One deal a day provides the necessary high volumes and helps in standardisation of processes involved in the supply chain.

Q5. What kind of a procurement and storage model does your business follow?

We are importers as well as have strategic tie-

our systems and the systems of our 3PL partners. The systems provided by our 3PL partners provide us with the status of the consignments in real time. With active collaboration between the peers in real time we are able to achieve high customer satisfaction level.

Q7. As a nascent e-commerce portal, what kind of challenges do you face and how do you tackle them?

The Indian customer has little faith in e-commerce sites since he has been lied to so many times. We are attempting to change the user experience at the time of purchase. Under the 'Bold n Bindaas' section of our product description we communicate the merits and demerits of a product to the end consumer upfront. The ability to look and feel the product in 360 degree with zoom also empowers the consumer to make correct decisions.

Indian consumers are wary of providing credit card/debit card information over the web, even though we now have 3D secure/Master Card Secure which is a service facilitated from Visa/ MasterCard that lets you transact online securely using your credit card and debit card.

Bindaas Bargain secures private information using a VeriSign SSL Certificate. All information shared with us is encrypted using SSL before transmission.

Bindaas Bargain also provides the option of paying Cash On Delivery for the consumers who do not wish to pay using plastic money.

Q8. What are your company's future plans?

The company plans to have strategic tie-ups with more and more large brands to serve as a product launching pad as well as the platform for clearing inventory of quality products.

We plan to expand our reach to more than 2,000 towns and cities of India with the help of 3PL partners. We plan to bring down the cost of movement of goods by establishing warehouses in multiple cities that are strategically located, thereby passing on the benefit to end consumers. ■

"The effectiveness of an e-commerce portal relies heavily on the efficacy of the supply chain"

their opinions being valued and their efforts rewarded, they feel like partners responsible for Bindaas Bargain's growth.

Q3. How do e-commerce portals optimise their supply chains?

The effectiveness of an e-commerce portal relies heavily on the efficacy of the supply chain. We strive for a lean, efficient and responsive supply chain. A number of other e-commerce portals work with third-party vendors to source, productise and ship the product to the customer. These vendors are responsible even for replacement of faulty products. Bindaas Bargain, on the

ups with vendors that are responsible for sourcing of products for large retail chains.

All products are shipped from our warehouse at Delhi and they have to undergo a strict quality check. Also, the packaging has to be of best quality.

Q6. Could you explain the collaboration that your company has with 3PL partners?

Our systems are capable of identifying our 3PL partners based on predefined criteria and ability to serve a particular location in an automated way. We are in the process of establishing a complete dynamic Information flow between



A HEALTHY GLOW

The new-age beauty mantra of “you should put on the skin what you eat” clearly reflects the global swerve to organic and natural cosmetics. India, too, is witnessing a change in the growing market for organic cosmetics, making beauty both skin deep and skin friendly

SHEFAU THALIYAL

Beauty consciousness around the world is increasingly gravitating towards natural and organically grown products. Reports of conventional cosmetic products, including those manufactured by reputed brands, containing toxic and chemically potent substances capable of causing adverse damage to the skin, as well as the obvious advantages of natural or organic products, have readily changed consumer mindset. The fact that even cosmetic giants like L’Oreal and Estee Lauder have launched or acquired natural and organic cosmetic products proves there is a visible shift towards eco-friendly and non-chemical products.

The palpable shift

The global organic cosmetics market is pegged at \$7 billion-plus, with global sales increasing by more than \$1 billion a year, according to Organic Monitor, a US-based consulting company. The company also projects global natural cosmetics market revenues to cross \$10 billion by this year. While the US and Europe markets are far more established, the demand in other parts of the world is catching up rapidly.

India, the land of

Ayurveda and herbal beauty treatments since ages, is witnessing a revolutionary change in the growing market for organic cosmetics. As more and more men and women show an inclination towards personal grooming, the demand for beauty products has increased manifold. The cosmetics market in the country is growing at 15-20 per cent and the current size of the industry is about \$1 billion.

However, even though the size of organic cosmetics market is less than 5 per cent, there is no doubt it will multiply tremendously in the coming years.

“Currently, the market for natural products is about Rs. 500 crores and almost nil for organic cosmetics, but the potential is Rs. 300 crores,” says Veena S Annadana, Chief Consultant at Organic Agribusiness Consulting.

Dr. Selvam Daniel, Managing Director, ECOCERT India – a subsidiary of the French global certification agency – says India has an opportunity to play a major role in organic cosmetic sector. “The health-conscious and eco-friendly global consumer is now becoming more and more demanding and choosy about the cosmetics they use.”

According to Ramesh Surainarayanan, Director, Personal Care Products Development, The Himalaya Drug Company, “the market for organic cosmetics in India is nascent compared with the West, although there is a growing awareness among consumers here.”

Unlike the West, where the shift from non-herbal to herbal products took a while, in India, consumers are more accepting of herbal products. “Firstly, there already exists a tradition of using herbs for personal care and therapeutic purposes. Secondly, growing awareness of the benefits of natural prod-

ucts in the West is leading to an increase in the demand for such products in countries like India,” he says.

While the market may still be miniscule, the awareness towards using organic products is enormous. “Awareness about the presence of chemicals in products is definitely increasing,” Surainarayanan says. Information through the Internet, blogs, discussion forums, social networking sites has helped in spreading the awareness. At the same time, a host of herbal natural products have entered the market, thereby offering the discerning consumer with alternatives to choose from.

Dr. Pravin Khare, Product Manager and Senior Inspector of ECOCERT India for organic cosmetics, agrees. “Yes, there is a growing awareness in the customers for organic and natural beauty products in India. The rich as well as middle class are well aware of the importance of

more expensive than the conventional, readily available counterparts. “Once the availability and accessibility of organic products increases, customers will be open to paying a little extra for them,” Surainarayanan points out. According to Annadana, price is not the real issue. “It is important that these organic products show quick results and are consistent,” she says.

The real deal

Another glaring issue with natural and organic cosmetics is authenticity. A number of cosmetics available in the market are labelled natural while in reality, only 70-80 per cent of the ingredients used may be nature derivatives. “This is where certification comes in,” Khare says. “Before launching the product in the market, it should be certified either as natural or organic and there should be a clear indication of the ingredients used

for the cosmetic ingredient suppliers/growers across the Indian subcontinent,” Khare says.

Supply-demand disparity

However, there is a huge lacuna in demand and supply. While cosmetic companies say sourcing of organic materials is a problem, suppliers say the end customer segment is not very well established. The result is an incongruous supply chain which ultimately results in losses to all involved. “Not many farmers or agriculturalists in India are practicing organic cultivation, where the herbs are certified organic. Hence, sourcing of organic materials is a problem,” Surainarayanan says. Himalaya, he informs, has been making a conscious effort to create a network of contract farmers who will cultivate herbs organically.

Arvind Kumawat, Manager, Extension, Moraka Foundation – a grassroots NGO which, among other initiatives, assists organic farmers with logistics and supply chain management – says the problem is the customer segment for organic products is limited. “We are still looking for the end customer as he is not yet defined,” Kumawat says, adding, “the supply chain is also not well established as it is still a new concept.”

Brand loyalty

He also adds there is a lack of brand loyalty in India, which is why organic cosmetics companies will take longer to capture the market. “Moreover, the customer is price sensitive instead of being brand loyal and the higher price of organic cosmetics hampers its popularity and mass acceptance,” Kumawat says. However, he is certain the customers are increasingly getting inclined towards organic products and the market is set to grow in the coming years.

Surainarayanan agrees. “It is only a matter of time before suppliers shift to organic farming. Organic farming offers great prospects to cultivators. Organic herbs and materials command a higher price, are in great demand in the overseas market and their demand in the domestic market is also growing rapidly,” he says.

Moreover, government bodies



“In metropolitan cities, the natural/herbal mantra has caught on in a big way”
Ramesh Surainarayanan,
Director, Personal Care Products
Development, The Himalaya
Drug Company



“There is a growing awareness for organic products in India”
Dr. Praveen Khare, Product
Manager, ECOCERT India

like APEDA (Agricultural and Processed Food Products Export Development Authority) are actively promoting organic farming and organic products. “India, with its rich natural resources and favourable agro-climatic conditions, could become a major supplier of organically cultivated herbs,” Surainarayanan points out.

Though still nascent, there already exists an extensive range of natural and organic cosmetics. And with more customer awareness and cultivation, organic cosmetics are all set to dominate the world of beauty. ■

Indian customers view organic cosmetics as superior quality, expensive natural products

using organic products,” Khare says.

“Indian customers view organic cosmetics as superior quality, expensive natural products,” Surainarayanan says of the perception towards organic products. “In metropolitan cities, where women and men now enjoy higher purchasing power and are willing to spend on personal care products, the natural/herbal mantra has caught on in a big way,” he adds.

However, though what Surainarayanan says is true, the problem is organic products are not available widely across India and are limited to select niche outlets. Which could explain why they are

from organic agriculture, their percentages and the preservatives used,” Khare explains. ECOCERT has certified a number of companies in India such as Himalaya Drug Company, Azafran, etc., and about 10-15 more have approached it for certification.

Supply-demand disparity

Organic cosmetic products, which include a whole range of haircare, skincare, perfumes, bath soaps, bath oils, etc., require a huge supply of raw materials both from cultivated as well as forest lands. “More response to organic cosmetics also directly translates to greater business opportunities

LEVERAGING SCM PRINCIPLES

When it comes to SCM practices, SMEs are at a disadvantage as compared to larger enterprises. However, there exist opportunities for SMEs to adopt SCM into their fibre and reap the benefits



SHEFALI THAPLIYAL

Integration of Supply Chain Management (SCM) practices is perhaps the single most critical aspect that makes or breaks a company, big or small. Although most experts now agree that SCM is critical to profitability and competitiveness, only a few businesses, mostly Large Enterprises (LEs), have been successful in implementing the process in an actionable framework with visible results.

"A sound SCM in today's competitive business world is as important for an SME as for an LE. Usually, an SME does not have resources compared to an LE and, therefore, needs to be more careful about its SCM as there are often chances of wastage across the chain that an SME may not be able to afford in the long run," opines Lucknow-based SCM consultant V. K. Mathur.

"If an SME chooses to have a number of warehouses, then it will have to have a sound inventory management as well as logistics system. May be it's because of this that SMEs don't attach much significance to having a sound SCM as these components require capital hold up," Mathur adds.

There are some differences between SMEs and LEs in terms of SCM practices. Here are some:

A. A large enterprise often depends on a number of sources (suppliers) to meet its input needs. At the same time, it may have a diverse base of customers located across a wide physical range where it has to set up its sales outlets. Thus, where an LE has big, physical and information inflow and outflow sys-

tems, an SME may not need them at all as most of the SMEs remain concentrated in a particular geographic location.

B. Another difference is the extent of inventory holding capability. For example, a typical large steel company, with a turnover of Rs. 50,000 crores may afford to have an inventory holding of raw material, semi-finished and finished steel products of about Rs. 25,000 crores. But an SME can hold much lower inventory as it can't afford to block its working capital.

C. Major differences also arise in information flow systems. An LE often has its own LAN and WAN systems (Intranet) across its area of influence. On the other hand, an SME may have basic computerisation and depend on commonly available resource like the Internet for communication with external resources.

Other hiccups

Besides capital, human resource and infrastructure constraints, SMEs are at a disadvantage due to their mostly decentralised operations. "SMEs shall do better by holding on to the fundamentals," Mathur says, adding, "for example, centralised procurement has been seen to be a cost-effective exercise for any firm, small or large. Centralised operations suit an SME more than an LE as it has less number of people and other resources to complete an activity."

Krishna Prasad, another SCM consultant based in Chennai, says: "Decentralisation with proper delegation may lead to faster decision making but it requires more resources too, which an SME may avoid."

Mathur says: "I think first an SME should think of

implementing a small form of ERP and then try to integrate it with a wider Supply Chain," Mathur says.

Another issue is the personnel working in SMEs usually have strong logistics and distribution skills but may lack sound knowledge of Supply Chain strategies. As a result, the approach is localised with hardly any focus on cross-enterprise options.

Most of the supply chain software available today are developed for large businesses and are expensive. Therefore, it makes sense for an SME to purchase software relevant to a specific requirement. For a customised approach, SMEs can start by evaluating the amount of manual processing required for each area of operation. "An SME must start with an ERP module which, of course, needs to be customised to its environment and then it may go for an integrated software linking the basic concept of SCM, i.e. a system ensuring real-time participation of suppliers' supplier to customer's customer in its overall activity," Mathur says.

"Another effective way would be to have different software for different activity domains such as procurement, inventory management, warehousing, sales, etc., which can be linked through an input-processing-output-input model," he suggests.

Prasad says: "SMEs can take a cue from LEs while choosing appropriate technology as they can't afford to take chances with capital investments on new applications."

Although hard to apply, the opportunities to capitalise on the potential of SCM are huge. SMEs can go a long way in both cost reduction and efficiency by fully leveraging SC concepts in their cycles. ■

An SME does not have resources compared to a LE and, therefore, needs to be more careful about its SCM



Industrial conglomerate Videocon's venture into the mobile handset market reinstates its stand on change, just like its renewed brand image

SETTING THE PACE FOR CHANGE

SHEFALI THAPLIYAL

The name Videocon mostly brings to mind consumer durables, home and electronic appliances, which is the forte of one of India's biggest conglomerate. But last year, the industrial giant ventured into new business vertical – mobile handsets – a move spurred by the fast-paced growth in the mobile handset market.

The Indian mobile phone market is buoyant right now thanks to the open market scenario and growing at a healthy pace of 30 per cent per year. In 2008, the market size for mobile handsets was 122 million and expected to grow to 150 million by 2010. Players which enjoy huge market shares in India are Nokia, Motorola, Samsung and Sony. In addition, a slew of companies, both homegrown and MNCs, are entering the mobile handset market.

The right time

The Indian mobile subscriber base is set to exceed 771 million connections by 2013, from 452 million in 2009. Also, since the mobile penetration is still very low in rural areas, there's a huge potential for growth. "Videocon saw this as the right time to enter the market," says Rahul Goel, Chief Operating Officer, Videocon Mobile Phones.

Another factor that led the conglomerate to venture into this segment was the few number of players. "There are only three to four companies covering the mobile handset segment, all of which are

international brands. Videocon decided to enter the mobile handset market to fill this gap," Goel says.

"Videocon being the only Indian MNC brand has huge penetration across the country which no other MNC or Indian brand enjoys," Goel says of the company's USP.

The company is also looking at the move as an "opportunity to connect with the new-age consumer, hungry for world-class products and services."

Apart from Videocon, a number of other companies, such as Garmin-Asus and Lava, have also entered the mobile handset space. Talking of the trend, Goel says: "The Indian mobile phone market is still in the growth stage and there are huge opportunities. Therefore, atleast for some time we will see lot of international and Indian players enter the market."

With plans to reach both urban and rural customers, the company has ambitious growth plans. "Videocon intends to be amongst the top three in this space in a year's time," says Chairman and Managing Director V N Dhoot.

"Videocon is leaving no stone unturned to get a double-digit market share by then," Goel adds.

'Youthful' perspective

The country's youth is the company's target customer for the sheer numbers they represent – the youth comprises half the Indian population. "Besides having the purchasing power, the youth today is very experimental and considers mobile phones an extension of their personality," Goel explains.

The handsets have been

designed to suit the lifestyle and needs; they are stylish, contemporary, user friendly and loaded with smart features. "Besides the youth, we have a wide range of phones that cater to diverse segments, both in terms of demographics and psychographics," Goel says. Presently, there are 12 models in the market with prices ranging from Rs. 1,500 up to Rs. 20,000.

Due to its pan-India footprint and rich consumer experience, the company is looking at a complete portfolio and phones across spectrum. "We understand consumer pulse very well and have pan-India presence – factors which have led us to position Videocon as a one-stop mobile solution than becoming just a niche brand," Goel says.

Rich features

Videocon handsets come with dual SIM, a move spurred by the problem faced with present tariff wars on prepaid connections. "Since 93 per cent of the connections in India are prepaid connections and because of the raging tariff wars consumers have started keeping more than one connection, so, primarily, everyone wants to have a dual SIM phone to cut down on handset costs plus avoiding the pain of carrying two phones at a time," Goel says.

The phones are also loaded with features such as GPRS and WAP. Videocon also has a few Windows-based mobile smart phones and is looking at the possibilities of launching an Android phone.

Videocon's new logo, the fluid 'V', and its slogan 'experience change' is the new identity the group has embraced, reflecting its renewed focus on change and diversification.

The mobile division, with the 'V' is the new Me' campaign, endorses the same theme. Change, perhaps, for the best of the mobile industry. ■



V N Dhoot, Chairman and MD, Videocon Group

THREE CHEERS

The first quarter of 2010 has been quite enthralling for Safexpress. The year began on a high note with Safexpress participating in the Auto Expo where the company received an overwhelming response.

The quarter also witnessed the launch of Safexpress' state-of-the-art Logistics Park in Rudrapur. With this launch, Safexpress' total warehousing space has now crossed the 6 million sq. ft. landmark, with the launch of 10 completely operational, ultra-modern Logistics



Parks. Once all the 32 Logistics Parks are launched, the 3PL services of Safexpress will get a tremendous boost.

February 19 to 25 was a fascinating week at Safexpress corporate office where 'Culture week' was celebrated. The theme of the 'Culture week' was RESPECT and each day saw theme-based games, talent shows and interactive exercises to reinforce bonding and team culture in the organisation. The objective of the 'Culture week' was to augment the culture of respect towards each other, the organisation and also the customers. The high point came on the last day in the form of 'SAN-SKRITI', the inaugural cultural festival. Over 300 employees participated and the best performers were rewarded by Mr. Pawan Jain, CMD, Safexpress.

Fasttrack witnessed a moment of glory when it was conferred with the prestigious 'Best in-house magazine' award at the Indy's Marketing Awards Ceremony in Mumbai. Fasttrack is an embodiment of the perennial quest for 'Knowledge Leadership' by Safexpress. Continuously evolving over the years, Fasttrack today stands in a league of its own. The substance and the styling of the magazine have seen a radical augmentation over the last few years.



Read by over 10,000 CXOs across various industry verticals throughout the country, Fasttrack is eagerly awaited for and talked about in the CXO community due to the sheer depth and relevance of its content. Indeed, this award is the recognition of the relentless efforts put in by the whole team in augmenting the quality of Fasttrack.

The last three months saw Safexpress bag almost six awards. These include the Brand Leadership Award by the CMO Council USA, Best Distribution Network Award by Amity International Business School and Innovative Retail Supply Chain by Asia Retail Congress. These accolades are a shining testimony to the excellence Safexpress has achieved in a very short span of time.

—Suyash Srivastava

UPWARD MOBILITY

Step aside print and television. The mobile phone is the next-gen advertising medium, promising to take direct marketing to a whole new level. **Fastrack** explores

SHEFALI THAPLIYAL

India boasts of approximately 500 million mobile phone owners, according to Internet and Mobile Association of India (IAMAI) data, with 8 million being added every month. Considering this, the country offers huge potential to marketers trying to reach their audiences in a direct and personalised way, something which print and television fail to offer as a medium.

“Mobile as a marketing medium has the potential to reach new frontiers and create targeted, contextual advertising opportunities for brands, unlike any other medium,” says Sidharth Rao, CEO and Co-founder of digital marketing agency Webchutney. The company runs a full-service mobile agency called CultureMafia which encompasses all aspects of mobile marketing and advertising. He adds that mobile marketing is an inherently ubiquitous and intimate medium enabling one-on-one communication and personalisation since it always stays on. “It offers reach to audiences that traditional media can only dream of, and offers concrete measurement metrics with higher ROI.”

Immediacy, effectiveness and personalisation are some of the benefits of mobile marketing that are becoming increasingly relevant as marketers look for ways to cut through the market clutter to reach out to their audi-

active device further adds to its appeal as an effective medium for reaching new markets. The medium cuts through the demographic and location limitations to offer an open channel of communication between a brand and its consumer.

While mobile penetration is one of the biggest drivers of the growth of mobile marketing in India, there are many other benefits offered by the medium that brands, agencies and operators are recognising and appreciating. “More and more businesses are adopting mobile marketing as it’s a medium that offers maximum impact at minimum cost. It also allows brands to increase the impact of their traditional marketing campaigns by supporting them with a mobile campaign,” Dadwal points out.

Talking numbers

Compared with the total advertising spend of \$500 billion, mobile marketing takes up less than 1 per cent of the global advertising and marketing budget. “The Indian mobile market is growing at a stag-

Of all the mobile marketing channels, SMS is the most popular due to its ubiquitous nature. Other media that have a strong appeal are MMS, Bluetooth, adver-gaming and full-screen interstices. However, these are still in a nascent stage in India.

Make way for 3G

But with the advent of 3G and MVNOs (mobile virtual network operators), mobile advertising in India is set to witness a jump. “So far, mobile has attracted low advertising spends because of its format of advertising – simple text SMS or basic pictures. Once the 3G services are activated, users owning a handset that supports 3G and video calling would be able to make video calls to a compatible device without the hassle of using a webcam and being glued to a laptop or computer screen,” Dadwal says.

With 3G, consumers will be able to download streaming video content on to their mobile devices and enjoy music videos, full length movies and even live cricket matches, while on the move. “Further, 3G will drive the adoption of mobile broadband which will provide for personal mobility and drive the next phase of broadband penetration in the country,” he adds further.

Rao agrees. “With the advent of 3G and Wimax in the future, mobile marketing will get the necessary boost it needs to harness the potential of 500 million users and take brand engagement to the next level with higher data transfer rates, map/geolocation

services, high-resolution video and multimedia services, virtual/augmented reality which can be accessed and used on the go,” Rao says.

The MVNO buzz

The Indian government has also recently allowed MVNOs to operate in the country. MVNOs provide mobile phone services by buying airtime from existing telecom operators. They then market the airtime by leveraging their brand and distribution network. MVNOs can help grow the mobile marketing industry as well as the subscriber base in the country. “Since MVNOs will be dependent on VAS and advertising to create a differentiator, they will be an important contributor to the growth of mobile advertising,” Dadwal says.

Compared to other countries, mobile marketing hasn’t picked enough momentum so far. Since this is a new media channel, the advertising ecosystem is still not fully conversant with the technicality of this channel. However, with easily accessible services and Internet on phones, this sector is witnessing a growth rate of over 200 per cent per annum and is poised to only reach higher in the coming years. ■

Mobile as a marketing medium has the potential to reach new frontiers

ence, feels Rohit Dadwal, Managing Director, APAC, Mobile Marketing Association (MMA), an international industry trade group that represents over 600 agencies, advertisers, wireless operators, etc., focused on marketing via the mobile channel. “As consumers need to opt-in to receive communication on their mobile phones, marketers can be sure that they are seen as trusted messaging sources,” says Dadwal.

The fact that mobile phone is an inter-

gering rate and, going forward, if India accounts for just 2-3 per cent of this \$500 billion, it can translate into business worth \$10-20 billion. A small percentage of that on mobile will be a significant amount. In the near future, we can expect to see 3 to 5 per cent of total spending going to mobile marketing,” Dadwal says. The current size of this industry is over \$25 million and is expected to reach over \$75 million in the next two to three years, according to MMA.

Fastrack is an award-winning quarterly magazine from Safexpress – ‘Knowledge Leader’ as well as ‘Market Leader’ of the Indian Supply Chain & Logistics industry. The magazine provides keen insights into Supply Chain practices and Management concepts, along with specialised and well-researched content on the latest trends in the economy. **Fastrack** has been reaching out to the top CXOs of India Inc for over a decade. Please do write to us with your views on our magazine at Fastrack@safexpress.com

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