



PILLSBURY PRESSES FLOUR POWER IN INDIA

By Miriam Jordan¹

The Pillsbury Doughboy has landed in India to pitch a product that he had just about abandoned in America: plain old flour.

Pillsbury, the Diageo PLC unit behind the pudgy character, has a raft of higher-margin products such as microwave pizzas in other parts of the world but discovered that in this tradition-bound market, it needs to push the basics.

Even so, selling packaged flour in India is almost revolutionary because most Indian housewives still buy raw wheat in bulk, clean it by hand, store it in huge metal hampers, and, every week, carry some to a neighbourhood mill, or chakki, where it is ground between two stones.

To help reach those housewives, the Doughboy himself has gotten a makeover. In TV spots, he presses his palms together and bows in the traditional Indian greeting. He speaks six regional languages.

Pillsbury is onto a potentially huge business. India consumes about 69 million tons of wheat a year, second only to China. (The U.S. consumes about 26 million tons.) Much of India's wheat ends up as roti, a flat bread prepared on a griddle that accompanies almost every meal. In a nation where people traditionally eat with their hands, roti is the spoon. But less than 1 percent of all whole-wheat flour, or atta, is sold pre-packaged. India's climatic extremes and deplorable roads make it difficult to maintain freshness from mill to warehouse, let alone on store shelves.

Then there are the standards of the Indian housewife, who is determined to serve only the softest, freshest roti to her family. "Packaged flour sticks to your stomach and is bad for the intestines," says Poonam Jam, a New Delhi housewife.

Pillsbury knows that ultimately it won't make fistfuls of dough from packaged flour. Its aim is to establish its flour business and then introduce new products to carry its customers up to more lucrative products.

That payoff may take a decade or two. "As a food company, we have to be where the mouths are," says Robert Hancock, marketing director for Europe and Eurasia. "We'll get our rewards later."

Starting a flour operation meant turning back the clock for Pillsbury. Though it was born as a U.S. flour-milling company 130 years ago, the Diageo unit all but exited from that business in the early 1990s to focus on products such as frozen baked goods and ice cream. The food giant thought of introducing high-value products when it first explored India. But it quickly learned that most Indians don't have enough disposable income for such fare. Many lack refrigerators and ovens, too.

Pillsbury is betting that flour will generate sales volumes to compensate for the razor-thin profit margins. "We wanted a product with huge and widespread mainstream appeal," Mr. Hancock says.

Pitching packaged flour meant overcoming thousands of years of tradition. "I'd never met women so intimately involved with the food they prepare," recalls Bill Barrier, who led a Pillsbury team that spent 18 months trying to decode Indian wheat and consumers.

Marketing managers climbed into the attics where housewives store their wheat and accompanied them to their tiny neighbourhood flour mills. "Anywhere else, flour is flour," says Samir Behl, vice president of marketing for Pillsbury International. "In India, the colour, aroma, feel between the fingers, and mouth feel are all crucial."

Pillsbury had hoped to establish contracts with existing mills, but inspectors found hygiene and safety at some to be appalling. Pillsbury scouts visited 40 plants, where they encountered mice, rotting wheat, and treacherous machinery. They often left coated in fine flour dust, whose presence is a severe fire hazard. In fact, when the electricity went out during a visit to one mill, Pillsbury executives were dumbfounded to see one worker light a match in the dark. Pillsbury

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eventually found two mills capable of the required standards. But even then, their rollout was delayed by several months because the company rejected 40 percent of the wheat delivered to the mills after the 1998 harvest.

Many focus groups and lab tests later, Pillsbury came up with its packaged wheat blend, Pillsbury Chakki Fresh Atta. Godrej-Pillsbury Ltd., its joint venture here, launched the flour in southern and western India last year. The blue package, which features the Doughboy hoisting a roti, has become the market leader in Bombay, India's largest city, eclipsing the more established Kissan Annapurna brand from the Anglo-Dutch company Unilever PLC.

"People said [prepacked flour] wouldn't taste the same, but my husband and I don't find any difference," says Shivani Zaveri, a Bombay housewife who was introduced to Pillsbury by a friend who works and so has less time to cook.

Responding to consumers' biggest concern, Pillsbury pitches the flour with a promise that rot/s made from it will stay soft "for six hours." Jigna Shah of Bombay, who makes 60 rot/s a day and had tried rival packaged brands, is sold. She uses Pillsbury Chakki Fresh Atta to make rot/s for her husband's lunch box "that don't dry up around the edges or get rigid."

The company declines to say what ingredients keep the flour tasting fresh, though it says there are no artificial preservatives. The packaging is made of a robust plastic laminate that costs about two and a half times as much as the paper wrappers typical in the U.S.

It's too early to declare the Doughboy's foray into India a success. The market is still minuscule, and gains will depend largely on how quickly Indian housewives embrace convenience. Several local companies familiar with Indian tastes have launched branded flour in recent years, only to flounder.

The value of the packaged-flour market in India is \$7.14 million. It has expanded by about 45 percent a year since 1997, according to industry estimates, even though flour made the traditional way costs about 30 percent less.

To undermine its U.S. rival, Unilever has offered freebies to consumers, such as a free 1-kilogram packet of flour with every 5-kilogram packet, and a free sample of Surf detergent with every flour pack. Pillsbury has fought back with such promotions as a

free sample of sunflower oil with every 5-kilogram package of flour. It has also been paying grocers to display a standing cardboard Doughboy with its product in a visible spot in shops. That's a novelty in this market, where most people buy their staples at small, crammed grocers, which have no room for promotional displays.

Unilever, which went nationwide in January 1998, predicts that its sales by volume will double this year to about 100,000 tons. Pillsbury anticipates production of about 50,000 tons in 1999. That's only a drop in the bucket, given that 30 million tons of wheat are consumed as rot/s each year.

Case Questions

1. Identify and describe the roles of product policy, pricing, promotion, and distribution in Pillsbury's marketing of flour in India.
2. Did Pillsbury customize or standardize each of the four Ps?
3. What mode of entry did Pillsbury use to enter the Indian market? Why did it choose this mode?
4. Using Dunning's eclectic theory, how would you characterize Pillsbury's ownership advantage? Its location advantage? Its internalization advantage?