"AN ANALYSIS OF DIVERSIFICATION STRATEGIES IN SELECTED INDIAN COMPANIES: PROBLEMS AND PROSPECTS FOR GROWTH" (IN REFERENCE TO INDIAN TOBACCO COMPANY LIMITED AND HINDUSTAN UNILEVER LIMITED, INDIA.)

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By

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SUPERVISOR'S CERTIFICATE

I feel great pleasure in certifying that the thesis entitled **"An Analysis of Diversification Strategies in Selected Indian Companies: Problems and Prospects for Growth" (In Reference to Indian Tobacco Company Limited and Hindustan Unilever Limited, India.)** by **Nidhi Baghmar** under my guidance. She has completed the following requirements as per Ph.D. regulations of the University.

(a) Course work as per the university rules.

(b) Residential requirements of the university (200 days)

(c) Regularly submitted annual progress report.

(d) Presented her work in the departmental committee.

(e) Published two Research Paper in a referred Research Journal,

I recommend the submission of thesis.

Date:

Dr. Anand Kumar Jain

PREFACE

Diversification is the most risky endeavor for a business. This is where a new product is sold to a new market. There are two type of Diversification; horizontal and vertical. 'Horizontal diversification focuses more on products where the business is well familiar, whereas vertical diversification focuses more on the introduction of new products into new markets, where the business could have lesser awareness of the new market.

Diversification is one of the four alternative growth strategies in the Ansoff Matrix. A diversification strategy attains growth by developing new products for absolutely new markets. As such, it is innately riskier than product development because by definition the organization has little or no understanding of the new market. In addition, the new expertise needed both in terms of marketing and operations often requires significant investment. This is usually achieved by acquiring an organization already operating in the new market.

For an organization to choose such a strategy, it must have clarity about what it expects to achieve in terms of growth. It also needs to make an objective assessment of the risks involved. Diversification often fails because organizations undertaking it are doing so because they have uncompetitive products in declining markets and a diversification strategy represents a critical attempt to reinvent them. However, for those organizations that find the optimal balance between risk and reward, a diversification strategy can be highly productive.

The review of literature suggests that most of the studies have examined the benefits of diversification strategies from the company’s financial statements and secondary information sources, but there is a dearth of studies that are based on primary data to know managerial opinion towards company's product and services diversification strategies. The present research will provide empirical data on the managerial opinion towards product and services diversification strategies. Moreover, very few researchers have studied in India. The study aims to study and analyse diversification strategies in Indian Tobacco Company Limited (ITC) and Hindustan Unilever Limited (HUL), India.

Chapter 1 Conceptual Framework deals with the Introduction of diversification, need and significance of diversification, types of diversification, product diversification strategy, diversification and management team, Objectives, Hypothesis, Scope of study and chapter plan.

Chapter 2 Industry Profile discusses and describes the profiles of ITC and HUL. It shows vision, mission and various elements of company growth and diversification strategy. It also gives a clear picture SWOT analysis. Chapter showcases annual financial status of companies with various diversified segments and areas of last five years from 2013 - 2017.

Chapter 3 Review of literature contains the research base for the current study. This chapter reviews literature examining what other scholars and authors have said on diversification strategy, strategy implementation, strategy implementation challenges and measures to address strategy implementation challenges. It deals with the vast literature survey to find out the work already done in terms of strategy diversification and its impact. This chapter provides the research gaps identified, which provides the basis of the current research. The reviews are divided on the basis of national and international reviews.

Chapter 4 Research Methodology provides an insight on research methodology used in study. It involves the objectives behind conducting the research and the significance of study. The scope of research and its limitations are also mentioned in this chapter. It describes the basic methodology of the present study, the sources used for the primary and secondary data collection and the details related to the relevant statistical tools used for the study.

Chapter 5 Data Analysis, Interpretation and Testing present the core of the research. This chapter provides the empirical findings from the interview schedule and data collected. This chapter is very well classified for systematic presentation of collected data and its statistical analysis. This study is structured to examine the various issues of managers' opinions towards diversification strategies of select companies. The data collected through the questionnaire and interview method was tabulated and analyzed with the data classification tools. Interpretations were made to derive meaningful inferences.

Chapter 6 Conclusion deals with the findings of the study. The conclusion underlines the whole research in a nutshell. It deals with the crux of the whole research done so far.

Chapter 7 Suggestions gives suggestions for the future researchers.

Diversification carries the highest level of risk and requires the most diligent investigation. Venturing into an unknown market with an unfamiliar product offering means a lack of experience in the new expertise and techniques required. When a company uses a differentiation strategy that is centered on the cost value of the product versus other similar products on the market, it creates a deemed value among consumers and potential customers. It forces an organization to identify how it might add value to an acquired company or in a new market with outstanding distribution, creative employees, or superior understanding about information transfer. A positive result of diversifying strategy is that it can result in increase in market share. By introducing new products, exploring new regions and targeting new consumers, a company can enlarge its consumer base. On the other hand, each of these moves also give rise to competition, seeing products or services become obsolete due to new technology. These threats can surface while increasing expense on marketing and delivering products. In short, diversification strategy costs money. This strategy also increases company's operations in various countries, opportunities in new emerging markets, competition from other FMCG players with increased expenditure in research and development.

NIDHI BAGHMAR

CANDIDATE'S DECLARATION

I, hereby, certify that the work, which is being presented in the thesis, entitled **"An Analysis of Diversification Strategies in Selected Indian Companies: Problems and Prospects for Growth" (In Reference to Indian Tobacco Company Limited and Hindustan Unilever Limited, India.)** in partial fulfillment of the requirement for the award of the Degree of Doctor of Philosophy, carried under the supervision of **Dr. Anand Kumar Jain** and submitted to the University of Kota, Kota represents my ideas in my own words and where others ideas or words have been included. I have adequately cited and referenced the original sources. The work presented in this thesis has not been submitted elsewhere for the award of any other degree or diploma from any Institutions. I also declare that I have adhered to all principles of academic honesty and integrity and have not misrepresented or fabricated or falsified any idea/data/fact/source in my submission. I understand that any violation of the above will cause for disciplinary action by the University and can also evoke penal action from the sources which have thus not been properly cited or from whom proper permission has not been taken when needed.

Signature

Nidhi Baghmar

Date:_________

This is to certify that the above statement made by Nidhi Baghmar (Registration No. RS/UOK/249/13) is correct to the best of my knowledge.

Date:________

Dr. Anand Kumar Jain
Research Supervisor

DEDICATION

I wish to dedicate this research with all my love to the honour and memory of my loving mother Late Smt. Savitri Baghmar, who made me to trust my abilities to achieve this long journey.

ACKNOWLEDGEMENT

It would have been impossible to write this thesis without the help and support of generous people around me. It is only possible to specially mention some of them here.

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I cannot close these remarks without expressing my reverence and venerations towards my father Mr. R. S. Baghmar, my father in law Mr. T. P. Gupta and my sister Mrs. Shaifali Verma, as without their encouragement and understanding I would have never reached this stage. My heartfelt thanks to my better half Mr. Shashank Gupta for his moral support, propitious and paramount eagerness during course work.

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NIDHI BAGHMAR

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ABBREVIATIONS

ITC	:	Indian Tobacco Company
HUL	:	Hindustan Unilever Limited
ATR	:	Assets Turnover Ratio
BSE	:	Bombay Stock Exchange
CAGR	:	Compound Annual Growth Rate
CO	:	Company
CSR	:	Corporate Social Responsibility
DPS	:	Dividend per Share
EPS	:	Earning per Share
FICCI	:	Federation of Indian Chambers of Commerce and Industry
FY	:	Financial Year
GR	:	Gross Revenue
ISBN	:	International Standard Book Number
ISO	:	International Organization for Standardization
Ltd.	:	Limited
MAR. CAP.	:	Market Capitalisation
MGT.	:	Management
NR	:	Net Revenue
PAT	:	Profit after Tax
PBT	:	Profit before Tax
PDS	:	Product Diversification Strategy
RO	:	Reverse Osmosis
ROCE	:	Return on Capital Employed
SKU	:	Stock Keeping Unit
TSR	:	Total Shareholder Return
USLP	:	Unilever's Sustainable Living Plan

CHAPTER – 1

Conceptual Framework

CHAPTER - 1

CONCEPTUAL FRAMEWORK

Indian is one of the fastest growing emerging economies in the World. An important thing to keep in mind when building a diversified portfolio is "Don't put all your eggs in one basket". Hence the need for diversifying the portfolio emerges. When diversifying, you need to pay attention to not just the number of investments in your portfolio, but to the relationship between those investments as well.

Diversification comes into play when a company is unable to grow in its core business area. A business typically has four grow alternatives, namely, increasing the market penetration of its products/services, product development, market development, or finally through diversification into other business areas.

Although decisions related to diversification are an integral part of a company's growth process, they have their own unique problems. Most importantly, unlike other growth alternatives, they demand a departure from past business practices of a company and embracing new uncharted and untraveled roads. Today's ever changing business environment, which is symbolized primarily by fragmented markets, rapidly changing and advancing technologies and a growing shift towards non-price related competition, has forced many companies to adopt innovative processes in all areas of business activity. Corporate strategy is critical for any organization that wants to succeed in tumultuous market conditions.

Diversification is a corporate strategy aimed at entering a new market segment or an altogether different industry in which a company is currently not operating, and at the same time offering a new product for that market. Diversification is one of the key fundamental strategic alternatives available to businesses to maintain growth and perhaps aim for growth in profits. Companies whose products are threatened by environmental uncertainty or those in a declining phase of their life cycle curve have a choice to diversify their businesses to mitigate the risk arising from disruptive new industries of the present day.

By expanding its activities and product offerings to different sectors where the environmental uncertainty is lower and profitability is higher, a company can improve its chances of survival, by making its cash flow more reliable. This strategy encompasses integrating organizational activities and allocating the organization's available capital and resources to meet the company's planned objectives.

When planning a strategy to diversify, it is essential to consider that decisions are well thought out considering that any action taken by a firm is expected to result in a reaction from the affected parties, including competitors, customers, employees or suppliers, amongst others. Great strategies are worth nothing if they cannot be implemented (Okumus and Roper 1999). Or we can extend this argument to say that it may be better to implement a second grade strategy effectively rather than to destroy a first class strategy by implementing it an in ineffective way. Less than 50% of formulated strategies get implemented (Mintzberg 1994; Miller 2002; Hambrick and Canella 1989). It can be said that every failure of implementation is indeed a failure of mechanism and planning.

1.1 STATEMENT OF THE PROBLEM

Diversification is one of the four alternative growth strategies in the Ansoff Matrix. A diversification strategy accomplishes advancement by developing new products for untouched markets. Hence, it is essentially riskier than product development because the company probably has minimal operating experience in the new market. Furthermore, the new skills and resources needed, for example in marketing and operations, usually require significant investment.

To overcome this handicap, companies frequently focus on acquisition of an organization that has an existing operating presence in the new market. For this strategy to work, an organization must have clarity on the growth in business that it hopes to attain from such an acquisition. Additionally, it must also make a fair estimation of the associated risks.

Diversification often fails because in many cases organizations that undertake it have products that are not competitive in shrinking markets and diversification is an endeavor to reinvent them. However, a marketing strategy of diversification can be very advantageous for those organizations that are able to find the proper equilibrium between risk and reward.

A review of literature suggests that most studies have examined the benefits of diversification strategies from the company's financial statements and secondary information sources, but there is a dearth of studies that are based on primary data to know managerial opinion towards a company's products and services diversification strategies. A present research will provide factual data on the managerial opinion towards product and services diversification strategies.

Moreover, very few researchers have studied in India. The study aims to study and analyze diversification strategies undertaken by Indian Tobacco Company Limited and Hindustan Unilever Limited, India.

1.2 RESEARCH BACKGROUND

Growth of a business is crucial for business success. A business can grow in two ways, by developing its market or by developing new products for the market.

The Ansoff product market growth matrix elucidates two broad elements for achieving growth. It identifies four specific growth strategies: penetration of market, product development, market development and, finally diversification.

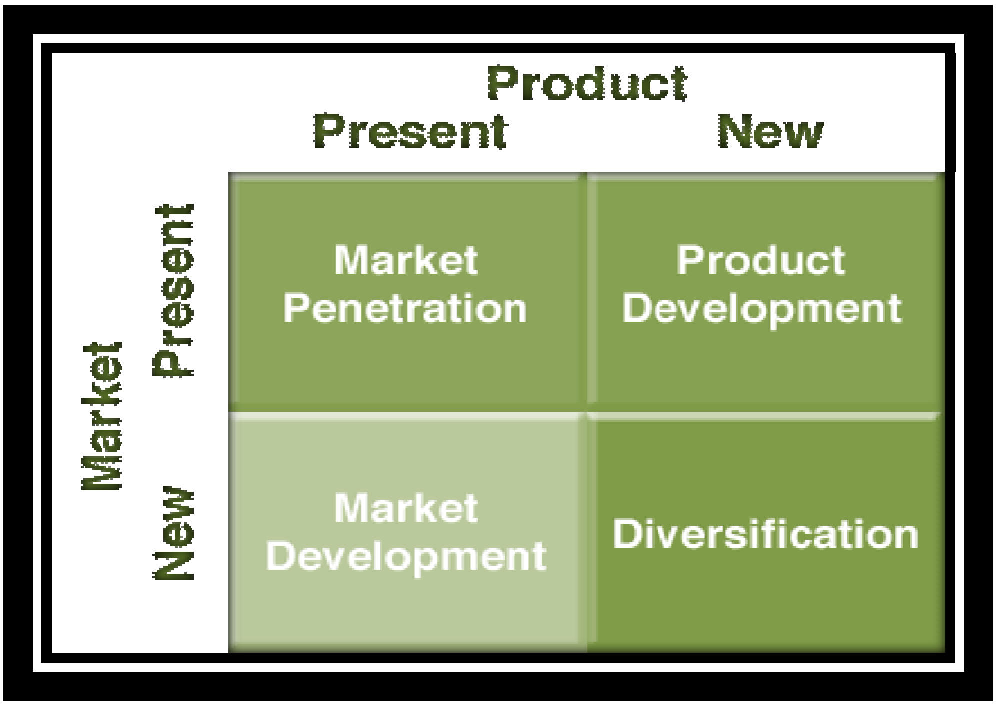

Figure 1.1 Ansoff's product/market matrix

Source: matrixhttps://en.wikipedia.org/wiki/Ansoff_Matrix

Market penetration involves selling existing products to existing consumers. This is a conservative, low-risk approach since the product is already on the established market. In product development, the company launches a new product in the market catering to existing customers. This can include alterations to an already existing market by creating a more appealing product.

Market development entails selling a company's existing products to fresh customers with an objective to discover and create a new customer base. This can include developing new markets in different geographical areas, new channels of distribution, and formulating different pricing structures that make the company's product competitively priced in the new market segments. Diversification is one of the four key growth strategies postulated by Igor Ansoff pointed out that a diversification strategy is distinct from the other three strategies. While the first three strategies are mostly undertaken with the same financial, technical and merchandising resources used for the original product line, diversification usually requires a company to acquire new capabilities and mastery in product development together with a fresh understanding of market behavior simultaneously.

This not only requires attaining new proficiency and expertise, but also requires the company to acquire new resources including new technologies and perhaps new facilities, which subjects it to a higher degree of risk. The idea of diversification pivots on how "new" market and "new" product are defined. Ideally, this must reveal the judgment of customers rather than what managers think. Indeed, products have a propensity to foster or kindle new markets and, in turn, new markets boost product innovation. It will not be an exaggeration to say that diversification is the riskiest option for a business.

By diversifying, a company sells a new product to a new market. There are two types of diversification; horizontal and vertical. 'Horizontal diversification places greater focus on products where the business has expertise. On the other hand, vertical diversification hinges on introducing new products into new markets, where the organization may have lesser awareness of the new market.

1.2.1 MEANING AND DEFINATION OF DIVERSIFICATION

Diversification is one of the most chosen strategies by companies that are looking to sustainably grow their revenues and profits in markets where products have a shorter life cycle, meaning that they are introduced, rise in demand and subsequently become mature in an increasingly swift fashion. Nowadays, even large firms have to fight hard to survive the intense economic competition and for this, they need to be abreast of their competitors' performance.

Managers try to progress and run their businesses well in order to grow and be competitive. When a large firm has reached a mature life-cycle stage it often has to explore ways to keep growing. Ansoff (as cited by Johnson, Scholes and Whittington, 1998) offers four principal growth alternatives: a) increased market penetration, b) market development, c) product development and d) diversification. Selecting the right approach is a very critical decision for managers.

A key question is to find out whether there are any reasons that may lead a large business to choose diversification, more specifically, product diversification as the growth alternative strategy over other strategies. Warren Buffet on diversification: “Diversification is protection against ignorance. It makes little sense if you know what you are doing”.

Diversification strategies are used to augment the company's product range and to enable it to operate in numerous distinct markets. General strategies involve concentric, horizontal and conglomerate diversification. Each strategy is centered on a specific way of diversification. The concentric diversification strategy is used by a firm when it wants to increase its products portfolio to include similar products manufactured by the same company. The horizontal strategy is deployed when the company wants to produce new products in the similar market. Finally, the conglomerate diversification strategy is used when a company begins operating in two or more separate industries.

According to Peter F Drucker: "Attempts to diversify without either a foundation in common market or in common technology are doomed to frustration." He further concludes that diversification to make a business "countercyclical" - balancing the cycles of one industry with those of another - rarely works, nor do attempts to marry businesses with high demands for capital with those having high cash throw off; the balance tends to change with time, invalidating the reason for the diversification. Diversification is a growth strategy that takes advantage of opportunities presented by the market by distributing investment risk over different asset classes.

Ansoff (1965) & Rumelt (1982), defines diversification as, “Diversification takes place when a firm expands to make and sell products or a product line having no market interaction (technically, having zero cross price-elasticity) with each of the firm's other products”. Diversification strategy is a kind of portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds and real estate, which are unlikely to all move in the same direction. The goal of diversification is to minimize risk in an investment portfolio. Volatility is limited by the fact that all asset classes or industries or individual companies do not increase or decrease in value simultaneously or at the same pace. Diversification lowers both the potential upside and downside and thereby empowering more consistent performance under varying economic conditions.

Diversification is a corporate strategy of venturing into a new market or industry which the business is not currently active in and at the same time also developing a new product for that new market. This is the riskiest part of the Ansoff Matrix, since the company is inexperienced in the new market and is unaware whether the product it is creating will achieve success.

Thus, diversification strategy is probably executed, when a company or business organization introduces a new product for the market. Product diversification encompasses adding new products to an existing product line, whether manufactured or marketed. Expanding the existing product line with the addition of related products is a strategy that many organizations adopt.

For example, one way to diversify is to add toothbrushes to toothpaste or tooth powders or mouthwash under the same brand or under different brands aimed at different market segments. This is basically either a brand extension or a product extension aimed at increasing the total volume of sales as well as the customer base. The various strategies of diversification can involve in-house development of new products or markets, acquisition of an existing business, licensing of new technologies, partnership with a complementary business and importing or distributing products manufactured by another company. Mostly, the eventual strategy involves a combination of these options.

The combination is influenced by the available market opportunities as well as by consistency with the company's goals and the availability of resources such as capital, manpower, skills etc. Diversification has been perceived as the expansion path for large companies (Penrose, 1963; Marris, 1964; Hill and Jones, 2007; Thompson and Strickland, 2008). However, diversification into separate business is not imperative for growth. According to Grinyer, et al.(1988) expansion is still possible in single dominant or related businesses which may be more profitable and so grow faster than unrelated ones. However, previous studies suggest that there may be a positive correlation between diversification, whether related or unrelated, and growth. In other words, diversification is positively linked with growth. However, growth in related businesses is believed to be faster than in unrelated diversified businesses.

Diversification has been increasingly used by large businesses as a strategic response to changes in the business environment. It has often been viewed as a necessity for growth and performance improvement from a strategic perspective (Nachum, 2004). Diversification refers to the entry of firms into new markets with new products (Ansoff 1957, 1965).

Rumelt (1974) postulated that diversification was a strategy to make an entry into a new business activity that requires an appreciable change in the available managerial and technical competence within the firm. According to Rushin (2006), diversification is a key strategic decision used as part of an organization's overall corporate strategy to pursue different markets with the expectation to create higher returns and ultimately greater profits. Diversification provides stability to the business.

It reduces the effects of cyclicality and improves profitability (Luffman et al., 1982). Diversification strategy helps to spread risk (George, 1985); achieve synergy (Lewellen, 1971; Majd and Myers, 1987); seek growth and capture value added opportunities (Christensen and Montgomery, 1981).

It also helps to control the supply & distribution channels (Haberberg and Rieple, 2001) and prevents competitors from gaining ground (Backaitis et al., 1984). Diversification is the best tool for a business whose product life cycle is at the maturity phase. In such a a stage when sales have a propensity to fall, diversification aids the firms in reviving sales.

At this phase, diversification, especially into unrelated businesses, uplifts poor performing firms to average performance (Weston and Mansinghka, 1971). But on the pessimistic side, diversification involves new technology and new markets due to which the existing staff experiences problems in adapting to this growth pattern. The tasks and responsibilities of top executives increase because of the need to handle new products, technologies and markets (Oijein and douma, 2000).

On the other hand, as per Mclntosh (2001), the role of top management, who are specialists, becomes less significant, as diversified firms require more of general management expertise rather than specialization. Also diversification through mergers and acquisitions involves certain problems such as incompatibility of business, overestimation of synergy savings, doubling of expenses, lack of knowledge etc (Mclntosh, 2001).

Lins and Servaes (2002) in one of the most comprehensive studies which sampled approximately 1,000 firms from seven rising markets in 1995 found that diversified firms were less profitable than firms concentrating on single businesses. The concession is most ruthless when management control on financial decision making within group companies are significant and are higher than what their cash flow rights would warrant.

Chacar and Vissa (2005) in their research present theoretical dissimilarity between the abilities of the firms. They compare a few manufacturing companies in India and in the United States and mention similarity in performance, although they belong to absolutely different ends of economy. Interestingly, they suggest on the contrary to the instant theory that firms in rising economies related to a multinational corporation, are more likely to perform badly than firms not related to these intermediate governance framework.

Menon and Subramanium (2008) claimed that in many economic conditions, companies that are exposed to greater risks to business achieve faster learning. They clarify on the strategic decision of a firm and whether it must focus on the same business or diversify into other business areas. They also demonstrate that focus on existing business is preferred over diversification for rsk stabilization. Purkayastha, Manoloval and Edelmanl (2012) spell out that although connection between diversification and performance has become a noteworthy subject of research in various fields such as industrial organization, strategic and financial management, there is no detailed research done in developed and emerging markets. They strongly advocate that the type of diversification should be in accordance with market economics.

They succeed in proving that related diversification is more relevant in a developed economy, and unrelated diversification in a rising economy.

Diversification is one of the choices available to firms to develop and create value. Also, when company's opportunities for growth in their business sector have declined, they develop a strategy to diversify into a different business by pursuing either concentric (related) diversification or conglomerate (unrelated) diversification.

A financially solvent firm will naturally move to those market segments that provide more possibilities from the existing market segment where possibilities are becoming confined. Three potentially value-creating reasons for diversification are: (a) Efficiency gains achieved by applying the firm's readily available resources and expertise (economics of scope) to new markets and products or services (Gold & Campbell, 1998) (b) Extending corporate parenting capabilities (dominant general management logic) into new markets and products or services for gain (Bettis & Prahalad, 1995) (c) Diversifying into businesses where a company can create competitive advantage over other players to increase market share (Markides, 2002).

1.2.2 NEED AND SIGNIFICANCE OF DIVERSIFICATION

Diversification is one of the most important strategic decisions that managements take. It involves significant capital outflow and entry into new products and market diversification and has far reaching implication for the organization’s structure, systems, processes and performance.

Firms pursue diversification for various reasons. Some of them are listed below:

- To reduce competitive pressure
- To reduce the effects of decline or slowdown in revenues and profits in existing business, especially in mature phase of the business life cycle.
- To capitalize on distinctive technological expertise in production
- To exploit fruitful research and development efforts with new product ideas and prototype.
- To avoid being taken over by growing big and to retain management control.
- To develop new products that can be sold through the company’s distribution system or to use the existing marketing and distribution systems
- To smooth out cyclical swings in business, that is to reduce risk.

- To build a balanced and diverse portfolio of products, using current “cash generators” to finance “cash takers” with potential for future performance.

1.2.3 DIVERSIFICATION IN THE CONTEXT OF GROWTH STRATEGIES

Diversification is a type of growth strategy. Growth strategies involve a substantial increase in performance metrics (usually sales or market share) above past performance levels. Many organizations follow one or more types of growth strategies. One of the primary reasons is the view held by many investors and executives that "bigger is better." Sales growth is frequently used as a yardstick to gauge performance. Even if profits remain steady or fall, a rise in sales assures many people.

It is usually assumed that if sales surge, profits will eventually also increase. Managers are generally paid more when a business is following a growth strategy. They are often awarded a commission linked to revenue. The higher the revenue, the greater their rewards are. Recognition and power also flow to managers of companies that demonstrate growth in revenues.

They are more frequently invited as speakers at professional events and conferences and are more frequently interviewed and covered by the press in comparison to managers of companies with higher rates of profitability, but slower rates of growth. Therefore, growth companies also become better recognised and may be more effective in attracting more skillful managers. Growth may also increase the productivity of the organization. Larger companies have many benefits over smaller firms operating in more limited markets.

Large size or bigger market share can also result in economies of scale. Marketing or production coordination may be gained from more efficient sales calls, lower travelling time, reduced changeover time, and higher production efficiency. Average unit costs may also be lower as a firm is better able to distribute administrative expenses and other overheads over a larger volume base.

When a business is more capital intensive, the more crucial its ability to spread costs across a large volume becomes. Knowledge and skills curve effects may lead to lower costs as the company gains experience in producing and distributing its product or service. Experience and large size may also result in better layout, higher labor efficiency, redesigning of products or production methods, or larger and more skilled staff departments (e.g., marketing research or research and development).

Sharing of information between various sections of a large company allows transfer of knowledge from one business unit to be applied to challenges faced in another unit. Especially for companies relying heavily on technology, the reduction of R&D costs and the time required for developing new advanced technology is likely to give larger firms a head start over smaller, more specialized firms. Units with similar activities find it easier to transfer information.

Large firms can also take advantage of geographic differences. For example, in multinational firms, wage differences as well as differences in taxes, energy, shipping and freight costs, and trade restrictions influence the costs of business. A large firm also has the flexibility to lower the cost of business by operating multiple plants in locations with the lowest cost.

Smaller firms that have a plant in only one location are limited to operating within the pros and cons their location offers. Better coordination with other stages of production can also stem from a large organizational size. Better connection with vendors may be achieved through large orders, which may result in lower costs (quantity discounts), more efficient delivery, or custom-designed product offerings that smaller companies would most likely not be able to afford.

Links with distribution channels may reduce costs by optimizing warehousing location, advertising costs and shipping efficiencies. Bigger organizations have more bargaining power with their customers or suppliers and hence they can influence product price and services provided.

1.2.4 TYPES OF DIVERSIFICATION

The literature mentions different types of corporate strategies that consider different directions and types of corporate development (Grant 2005; Mintzberg, Ahlstrand and Lampel 2009; Rue and Holland, 1989). Among them are concentration and diversification strategies.

Concentration strategy is a grand strategy in which a firm directs its resources to the profitable growth of a single business or product in a single market, with a single dominant technology (Pearce and Robinson, 2007). This strategy involves focusing on improving what a company is already doing well by employing its strengths in novel ways without making major changes in direction.

On the other hand, diversification is the strategy whereby a company established or acquires businesses outside its current products and markets (Kotler and Armstrong, 2008). The literature on diversification propounds both efficiency and agency basis for diversification. In the agency or "managerial attachment" view, managers undertake diversification, especially by acquisition, primarily to increase their compensation, job security, or span of control (Amihud and Baruch, 1981; Born, Eisenbeis, and Harris, 1988).

In the efficiency view, product and market diversification helps firms in reducing firm specific risk by controlling a more diverse range of services (Saunders, Strock and Travlos, 1990). However, risk reduction is not a satisfactory efficiency justification for diversification. Shareholders in publicly listed firms can lower their risk by holding a diversified portfolio of non-diversified firms, gaining the risk reduction benefits of diversification without sustaining the costs of managing a large organization.

Therefore, diversification would be rewarding only if it provides some kind of economies of scope that boost growth and better performance. Economic theory proposes that a firm is a collection of physical, human and intangible resources clubbed together to perform a range of different activities. Some resources may be reasonably product-specific and hence, they are used to produce a specific good or service through one business line.

However, other resources may have the potential to increase production of goods or services in multiple business lines. If such resources are presently inadequately employed in the firm's operations, then it may be beneficial to expand their use. In this case, the firm will deploy the resources by diversifying its operations into multiple markets (Caves, et. al., 1980; Clarke 1985).

A firm can diversify its operations into related markets so as to achieve financial benefits by sharing human and physical resources across markets. A firm can also diversify its operations into unrelated markets with the aim of realizing economic benefits by exploiting an internal capital market (Shin, 2001). This is possible because capital can be more efficiently allocated in an internal market than in external markets (ibid).

Types of diversification: concentric, horizontal, conglomerate and geographical:

1. CONCENTRIC DIVERSIFICATION

When there is a technological similarity between the industries, the firm is able to take advantage of its technical expertise to gain some benefit. For example, a company that manufactures industrial adhesives might decide to diversify into consumer adhesives sold at retail stores.

The technology would be the same but the marketing method would need to be altered. Certain conditions favor the application of concentric diversification strategy. Following are some of the guidelines that specify the successfulness of the concentric diversification strategy:

- It is healthier for a business organization to compete in an industry where there is no or sluggish growth.
- Sale of current products is improved by adding new, but related products to the pool of business organization.
- When new and related products are introduced, these must be offered at competitive and reasonable prices.
- In certain conditions, when the current products are going through the declining phase of the product life cycle, it is quite practicable to add new, but related products in new markets.
- The organization’s management team must also be strong enough.

2. HORIZONTAL DIVERSIFICATION

The Company adds new products or services that are frequently technologically or commercially different from current products, but that may appeal to its current customers. This strategy has a propensity to increase the firm's reliance on certain market segments. For example, a company that was making biscuits earlier may also enter the noodles market with its new product.

There are certain situations where the horizontal diversification strategy is more effective for the organization. Following are some of the guidelines in this regard:

- When new and unrelated products are added with the existing ones, the revenue of the existing products increases significantly.
- The industry has low margins and returns and is highly competitive.
- The new products are marketed to the current customers though current distribution channels.
- The sales patterns of the new products are counter cyclical as compared to the current products.

3. CONGLOMERATE DIVERSIFICATION

A conglomerate is an amalgamation of two or more corporations engaged in entirely unrelated businesses that fall under one corporate group, usually involving a parent or holding company and many subsidiaries. Frequently, a conglomerate is a company that is active across multiple industries and is often large with a multinational presence. In certain situations, the conglomerate diversification strategy is an effective one to be followed by an organization.

Following are some of the guidelines which are practicable for the employment of this strategy:

- When the sales and profits are falling on a yearly basis.
- The organization has adequate managerial talent and capital available to successfully compete in the new industry.
- There is financial synergy between acquired and the acquiring firms.
- In situations where the market for the company’s current products is completely saturated for the present markets

4. GEOGRAPHICAL DIVERSIFICATION

It is the practice of diversifying an investment portfolio across different geographic regions aimed at reducing the overall risk and improving returns from the portfolio. The term also applies to locating operations in different regions or countries. The strategy is mainly employed by large companies to reduce business and operational risks. Following are some guidelines which are practicable for applying this strategy.

- Diversifying a portfolio of investments across different geographic regions can help investors avoid being prone to the highs and lows of a single economic region.
- Such a globally-diversified portfolio can help reduce volatility over a less geographically-diversified portfolio in the long run. Exchange-traded funds (ETFs) and mutual funds have made investing globally easier than ever before.
- There are some investors and economists who would argue that since our global economy is already so interconnected, any international investments might be redundant to domestic ones.
- It is also pertinent to consider that many of the largest companies in the world are already set up as multinationals.
- Fast-growing international economies and markets are more prone to increased levels of political risk, currency risk and market risk compared to more developed markets.
- Volatility in international currency exchange rates also adds to the risk faced by organization today. Leveraging movements in currency exchange rates to reallocate capital flows from a position of strength may be benefit for an investor. Prudent investment in multiple currencies can also provide an additional layer of risk reduction.
- Domestic markets have become very competitive with many businesses offering similar services.

Foreign markets, however, may be less competitive and sometimes even potentially larger than the domestic markets. A business may be able to sell a larger number of wearable devices in one Asian country than it may sell in the entire U.S. market, as an example. Organizations have stretched the boundaries of their firms by focusing on technical capability or market knowledge or both, leading to horizontal, vertical, concentric, or conglomerate diversification (Ansoff, 1965).

In horizontal diversification, since firms operate within the same economic conditions, there is almost no flexibility (Laurila and Ropponen, 2003) - they stay sensitive to the same cyclical variations and competition (Wiersema and Bowen, 2008). Synergy, along with augmentation of technological range, is a major factor for achieving efficiency of scale and greater market power (Helfat and Eisenhard, 2004).

Resource specificity, completeness of information, and less opposition from organizational structure affect the decision, although regulations and industry peculiarities have little impact (Shaffer and Hillman, 2000). The markets and hierarchies standard indicates that vertical integration removes the transaction costs of using the market to control exchanges (Williamson, 1975).

Vertical diversification may be caused for various reasons, such as heightened negotiating power in terms of quality/quantity and margins (David et al., 2010), and desire to utilise networks to boost the sales of present products and enhance profits (Tanriverdi and Lee, 2008). Diversification decisions are shaped by supporting industries, timing, network externalities of parent firm, and reducing risk of insufficient information (Bailey et al., 2008).

Concentric diversification is mainly driven by technological disruption and competition, as firms seek to build up their resources, enabling the discovery of any unforeseen abilities for themselves and their competition (Robins and Wiersema, 2003; Hoskisson and Hitt, 2006). The firm's networks (Miller, 2006), resource endowment (Kor and Leblebici, 2005), methods and systems (Galan and Sanchez Bueno, 2009), which are adjustable, may influence concentric diversification along with other extrinsic factors like industry peculiarities, regulatory influence, and timing of market entry (Brouthers and Brouthers, 2000).

In conglomerate diversification (Williams et al., 1988; Amit and Livnat, 1989), antitrust laws (Chan Olmsted and Chang, 2003), globalization (Kogut et al., 2002), efficiency of scope (Peng et al., 2005), parenting (Lange et al., 2009), information irregularity (Bailey et al., 2008), and managerial intention (Dhir and Mital, 2013) are some of the stimulants for conglomerate diversification.

Conglomerate diversification may be shaped or guided by an apparently good investment possibility that can deploy excess resources and cash or provide scope for growth and profits (Williams et al., 1988; Montgomery, 1994). It provides the company with an opportunity to make an original application of products and techniques by exploiting R&D for byproducts (Geringer et al., 2000).

Therefore, diversification can also be undertaken according to likelihood factors or managerial proclivity due to incomplete information, which may influence the firm to jump into this decision without considering the synergy or value? creation benefits (Ansoff, 1965; Hitt et al., 1994). Without some form of tactical fit, the combined performance of the individual units will probably not surpass the achievement of the units operating separately.

In fact, combined performance may worsen because of regulation of the individual units by the parent conglomerate. Decision-making may become sluggish due to longer assessment periods and complex reporting systems. Organizations have expanded the limits of their firm by focusing on technical capability or market knowledge or both, leading to horizontal, vertical, concentric, or conglomerate diversification (Ansoff, 1965).

In horizontal diversification, since firms operate within the same economic conditions, there is almost no flexibility (Laurila and Ropponen, 2003) - they stay sensitive to the same cyclical variations and competition (Wiersema and Bowen, 2008). Synergy, along with augmentation of technological range, is a major factor for achieving efficiency of scale and greater market power (Helfat and Eisenhard, 2004).

Resource specificity, completeness of information, and less opposition from organizational structure affect the decision, although regulations and industry peculiarities have little impact (Shaffer and Hillman, 2000). Hoskisson (2004) and Hill et al. (2002) found that unrelated diversifiers required competitive arrangements. Hill and Hoskisson (2004) argued that independent firms achieve financial economies by risk mitigation, portfolio management and internal capital markets.

Teece et al. (2004) studied how market conditions affect company's structure. They proposed that, with low path dependence, slow learning and weak selection, conglomerates endure, but in environments with fast learning and conflicting technological approaches, networked firms may originate.

1.2.5 DIVERSIFICATION: INTERNAL OR EXTERNAL

Diversification may be either internal or external. Internal diversification happens when a firm ventures into a different, but usually related, business by developing the new line of business using in-house capabilities. Internal diversification often involves extending a firm's product or market base. External diversification may produce the same result; however, the company enters a new business stream by acquiring another company or business unit. Mergers and acquisitions are common types of external diversification.

Internal diversification

One type of internal diversification is to market existing products in new markets. A firm may choose to widen its geographic base to include new customers, either within its home country or in overseas markets. A business could also follow an internal diversification strategy by exploring new users for its current product.

Another way to undertake internal diversification is to sell new products in existing markets. Generally, this strategy involves using existing means of distribution to market new products. Retailers usually change product lines to include new items that seem to have promising market potential.

Johnson & Johnson added a line of baby toys to its existing product line for infants. Packaged food firms have added salt-free or low-calorie alternatives to existing product lines. Conglomerate growth is also achievable through internal diversification. This strategy would encompass marketing new and unrelated products to new markets.

This strategy is the least used among the internal diversification strategies, as it is the most risky. It necessitates entry into a new market where the company does not have a dominant presence. The firm is also creating and introducing a new product. Research and development costs, as well as marketing costs, will likely be higher than if existing products were marketed.In effect, the investment and the likelihood of failure are much greater when both the product and market are new.

External diversification

External diversification happens when a firm ventures outside its current operations and acquires access to new products or markets. Mergers are a usual way of external diversification. Mergers occur when two or more firms integrate operations to form one corporation, perhaps with a new name.

These firms are generally of a similar size. One goal of a merger is to achieve management collaboration by creating a stronger management team. This can be attained in a merger by consolidating the management teams from the merged firms. Acquisitions, a second form of external growth, occur when the acquired corporation loses its individuality. The acquiring company absorbs it.

The acquired company and its assets may be subsumed into an existing business unit or remain unchanged as an independent subsidiary within the parent company. Acquisitions typically occur when a larger firm buys a smaller company. Acquisitions are called friendly when the firm being acquired is open to the idea of acquisition. (Mergers are usually "friendly") Unfriendly mergers or hostile takeovers occur when the management of the target company (the one being acquired) resists being bought.

1.2.6 PRODUCT DIVERSIFICATION STRATEGY

In the 20th century, many researchers wrote about product diversification strategy (PDS). This research will analyze how PDS is viewed by managers because of the wider experience there is nowadays. Diversification has been growing, especially after the post-war period.

In 1950, only around one third of large firms in France, Germany, and the United Kingdom were diversified, but by the 1990s it increased to two thirds or more (Whittington and Mayer 2003). The root of the word is, obviously, "diverse". Pitts and Hopkins (1982) define it as literally meaning "different, unlike, distinct, and separate". Therefore, if this definition is employed to the subject of product diversification, it would mean firms having their products in various and different lines.

Pils (2009) also confirms this definition as he points out that "product diversified firms are believed to be active in multiple, distinct product-markets" There is a common denominator in the way product diversification is defined in the literature. For instance, Pils (2009) defines it as firms expanding their activities and products across different product-markets that are related with each other. He also proclaims that product diversification strategy dictates which businesses a corporation should be in, defining the scope of the firm's activities and being of high pertinence for creating value for the firm.

Berry (1971, p.380) defines product diversification as a rise in the number of industries in which firms are operating. However, he does not state that it can also be increasing the number of products in the current industry. Pitts and Hopkins (1982, p.620) consider firms' product diversification if it is operating multiple separate businesses at the same time. Hoskisson (2007), on the other hand, says that the firm's state of diversification is dependent on decisions about the number and type of businesses in which it will compete as well as how it will manage the business.

These definitions have surely been impacted by the work of Ansoff (1957) in which he expounded diversification as a possible growth strategy as mentioned in the introduction. Ansoff presented two methods of diversification: market diversification and product diversification. Although this research focuses only on the product diversification side, few lines are dedicated to explain the difference and characteristics of these two strategies.

Market diversification is a strategy in which a firm ventures from its existing market into new ones. It exploits the current products and strengths in new markets looking for geographical expansion. This strategy is more and more used in the current times where globalization is facilitating the firm's internationalization.

It also presents some challenges like cultural barriers, adding management costs and government restrictions among others. Product diversification adds new products to the firm's line of offerings whereas market diversification is about entering new markets by offering the firm's current products.

1.2.6.1 PRODUCT DIVERSIFICATION STRATEGY CHALLENGES

The above mentioned reasons and motivations for PDS do not come without challenges and costs. One could say that PDS needs new facilities, technologies, skills, knowledge, employee and managerial training, etc. It is important to know that it can have a high negative impact on the firm’s current products if a new product is launched with the firm's brand name and the product is not well accepted in the market. The reasons for the market rejection can be for e.g. lower quality than expected from the firm, high price, poor distribution, etc. At that point, the whole company will get negatively affected by a bad move. This argument is also supported by various authors such as Hoskisson, (2007); Grant, Jammine, and Thomas (1998); Goold and Luchs (1993), (cited by Pils, 2009). They state that some of the challenges are information processing, coordination, and control issues due to increase of information irregularities that are difficult for a single business to handle. In case of applying a PDS, a firm has to alter its structure and adopt new systems and processes.

Moreover, Hoskisson (2007) elaborates that the data and information a firm using PDS requires is significantly greater. Furthermore, portfolio diversity increase may involve lack of productivity due to growing conflict among top management and a lack of versatility to environmental change.

1.2.6.2 PRODUCT DIVERSIFICATION STRATEGY CATEGORIES

Related & Unrelated Product Diversification Strategy as mentioned before, there is two broad categories of PDS, related and unrelated. Some authors such as Richard Rumel (cited by Lovallo and Mendoca, 2007) and Peng (2008) also classify PDS as: focused, moderately and highly diversified. These three categories have not been explored in depth in this research.

But to dedicate some words, it must be mentioned that Richard Rumelt, in 1972, was the first person to statistically prove the connection between corporate strategy and profitability. He concluded that moderately diversified firms outperform those that are highly diversified. Lovallo and Mendoca (2007) propounded that this finding has been valid more than 30 years of research.

A contemporary author, Peng (2008), also postulates that a moderate level of diversification is the most optimal. The main focus of this research is whether a related or unrelated diversification strategy is more beneficial for large firms while diversifying. Therefore, in the following lines a definition and a detailed explanation of both is presented.

Related Product Diversification

Related product diversification can be defined as a strategy that firms can choose for growth. As the word "related" signals, this diversification strategy is focused on products that have a correlation with each other and are related in some way, primarily in their core competencies.

Normally, firms that choose related product diversification as a strategy are sharing a common factor such as the raw material, the technology or the knowledge needed to produce different products. Moreover, the products produced by the firm do not necessarily need to be similar. For instance, a firm running a cinema complex and also offering soft-drinks and snacks to be sold at its movie theatres is using a related product diversification strategy. Even if the products are not related, the products must have some commonality in their value or supply chain. In this case, the customers targeted are the same. Pearce and Robinson,(2005) confirm this by defining related businesses as those that rely on same or similar capabilities in order to be successful and achieve competitive benefit in their product markets.

Major advantages of Related Product Diversification Strategy are:

- Concentration of strength
- Exploitation of a market niche
- Development of synergies

Unrelated Product Diversification:

The word "unrelated" shows that this diversification strategy focuses on firms offering products that have no relation, are not complementary with each other and do not necessarily have the same raw material as their prime composition. Moreover, they do not need to share any part of their supply chain (customers, distributor, manufacturer, logistics, etc). Normally, firms choose this path to reduce their financial risks. Peng (2008) refers to unrelated PDS as firms entering into new industries that have no evident connections to the present line of businesses of the firm. Furthermore, Hoskisson (2007) emphasises that unrelated PDS happens when there are no common capabilities other than financial resources. This strategy is also known in the financial parlance as conglomerate diversification (Hoskisson, 2007; Peng, 2008; Pearce and Robinson, 2005) It has been widely discussed whether related PDS is more successful or unrelated PDS.

To arrive at an answer to this fundamental question, the following pros and cons are explored:

Human resources:

Related product diversification is distinguished by the ease of human capital relocation because the skills and capabilities needed for the introduction of the new products are very similar. On the other hand, unrelated PDS requires recruiting new personnel or training current employees in new skills. (Tallman, 2003)

Management:

For managers, it is easier to introduce related products into the market than unrelated ones because they are familiar with the industry and can apply the same or similar strategies. For unrelated ones, managers have to gain knowledge about the new products and it is often the case that the strategy used for the current products is not applicable for the new ones.

Therefore, managers should experience new strategies which at the beginning may fail. Prahalad and Hamel (1990) said that it is likely that managers of unrelated products may be ineffective, as the routines and capabilities they have developed are not fully applicable on a one to one basis to the entire range of businesses. On the other hand, it could be argued that this strategy may be effective as top management can concentrate on financial management and cost control while leaving operational control with each business unit.

Technologies:

Obviously, if a firm chooses unrelated PDS, it will probably not be able to use technological know-how of one product line in another product line. Therefore, higher level of investment is needed to implement this kind of diversification as compared to investment for implementing related PDS. Related PDS is characterized by sharing of technologies needed to produce the new products. For example, a firm which produces shampoo and introduces hair conditioner may use the same technology. In that way, it reduces the investment costs for the new production line and gains economies of scope.

Tallman (2003) confirms that related products can boost the use of existing fixed investments and existing capacity for more purposes and more intensively, gaining efficiencies that lead to lower costs. Additionally, he says that it can "improve the efficiency of existing resource infrastructure by increasing the flow of product to a wider range of customers".

Control Mechanism:

The principle control mechanism for related diversification is strategic control with rich communication between corporate and business units' managers. Financial results are clearly not a fair means to evaluate the functioning of each business unit. One business unit may have lower revenues but its main function may be to support the others. For unrelated products, the best way to control may be exactly the opposite. The emphasis must be on financial control (return on investment) to evaluate the unit's performance. (Peng, 2008)

Competitors:

It is easier for competitors to imitate the financial economies of a firm than to replicate the operational synergies derived from a related PDS. This is due to the fact that the use of current knowledge, facilities, capabilities and experiences are more complex to imitate than realizing that a firm is diversifying into new unrelated products based on the percentage revenue gain it can make. Therefore, there is lower probability of competitors imitating a firm which introduces new related products. Peng and Delios, (2006), and Khanna and Palepu, (2005), (cited by Hoskisson, 2007) maintain that competitors find it easier to imitate financial economies than they find replicating the value derived by related PDS from the economies of scope gained from operational relatedness.

Stabilize Earnings:

Another key reason would be to stabilize earnings and dividends of a firm in a cyclical industry. In that case, the firm should diversify into an industry with complementary cycles independent of the relation with the current products. Market saturation: When the product a firm is offering is nearing market saturation or obsolescence, the best thing a firm can do is to enter into another market by offering unrelated products. In that way the company has an opportunity to grow. It would be a great mistake to introduce related products in a saturated market since competition is already very high and chances of getting a profitable market share are very low.

Independence:

Firms that are uncomfortable with operating with just one product line must diversify into other businesses or industries. In that way, they can spread the risk between two or more product lines.

All in all, the benefits of both categories of diversification do not appear as the result of a magic formula that just happens, but as Tallman (2003) and Peng (2008) also sustain, it is the result of an active management of resources and capabilities with potential for broader application.

1.2.7 DIVERSIFICATION STRATEGIES AND MANAGEMENT TEAMS

As mentioned in a study by Marlin, Lamont, and Geiger, ensuring a firm's diversification strategy is well matched with the strengths of its top management is a factor for the success of that strategy. For example, the success of a merger may depend not only on how integrated the merging firms become, but also on how well suited top executives are to manage that merger. The study also suggests that different diversification strategies (concentric vs. conglomerate) call for different skills on the part of a company's top managers, and that this factor should be considered before firms are merged.

There are many reasons companies pursue a diversification strategy, but most relate to management's desire for the organizational growth. Companies must decide whether they want to diversify by going into related or unrelated businesses. They must then decide whether they want to grow organically by developing a new business or inorganically by acquiring an ongoing business.

Finally, management must decide at what stage in the production process it should diversify.

1.2.8 WHEN TO DIVERSIFY?

Whenever a single business company faces deteriorating market opportunities and sluggish sales in its principal business, it signals the need for diversification.

The other key factors are:

- When would diversify into closely related business open new avenue for reducing costs?
- When can it expand into industries whose technologies and products augment its present business?
- When it has powerful and established brand name that can be transferred to the product of other business.

- Judgment about the timing of a company's diversification effort is best made based on the company's own unique situation.

Core concept path

Once it has been decided to diversify, the company must choose whether to diversify into a related business or unrelated business. Businesses are said to be related when they have competitively advantageous cross-business value chain matchups. Businesses are said to be unrelated when the activities encompassing their respective value chains are so dissimilar that no competitively advantageous cross business relationships are present. Most companies favor related diversification strategies because of the performance boosting potential of cross business synergies.

However some companies opted to try to increase shareholders' value with unrelated diversification strategies.

Table: 1.1 Potentials of Related and Unrelated Diversification

Related Diversification	**Unrelated Diversification**
Exchange or share assets or Competencies, there by exploiting	Manage and allocate cash flow
Marketing skills	Obtain a bargain price
Brand name	Obtain high ROI
Manufacturing Skills	Tax benefits
Economies of sale	Reduce risk by operating multiple product markets
Research and development and new product capability	Refocus a firm
Sales and distribution capacity	Vertical integration
	Defend against a takeover
	Obtain liquid assets

Related Diversification Business Activities

Related diversification thus has a tactical appeal from several angles. It allows a firm to trap the competitive advantage benefits of skills transfer, lower cost, common brand names, and stronger competitive capabilities over a broad business phase. It also provides sharper attention for managing diversification and a useful level of strategic unity across the company's various business activities.

COMPANIES IN RELATED DIVERSIFICATION

Indian Tobacco Company Limited (ITC)	Hindustan Unilever Limited (HUL)
CIGARETTE Insignia India Kings Gold Flake Navy Cut Scissors Capstan Berkeley Bristol Flake	**SOAP** Lifebuoy Pears Dove Lux Hamam Breeze Rexona Liril Vimbar Active wheel Rin **SHAMPOO** Clear anti-dandruff Clinic Plus Sunsilk Dove **TOOTH PASTE** Pepsodent Close-up **DETERGENT POWDER** Sunlight Rin Active Wheel Surf Excel

Figure: 1.2 Companies (ITC & HUL) in Related Diversification

Diversifying into Unrelated Business

Companies that engage in a strategy of unrelated diversification usually exhibit a willingness to diversify into any industry where there is a potential market for a company to realize consistently good financial returns. Following are the criteria to “Keep or Divert Existing Business”

- Whether the business can meet the organization’s profitability and return on investment targets
- Whether the business will require significant capital infusion to replace out of date plants and equipments, fund expansion etc.
- Whether the business is in an industry with potential for significant growth.

- Whether the business is large enough to contribute significantly to the parent company's bottom line.

COMPANIES IN UNRELATED DIVERSIFICATION

Indian Tobacco Company (ITC)	Hindustan Unilever Limited (HUL)
Foods Personal Care Apparel Stationery Safety Matches Incense Sticks	Foods Beverages Home Care Personal Care Water Purifires

Figure: 1.3 Companies (ITC & HUL) in Unrelated Diversification

The above table depicts that the following are the merits of an unrelated diversification strategy for the above companies:

- Superior skills of top management
- Business risk is spread over a number of diverse industries
- Company's financial resources can be employed to obtain maximum advantage by investing in industries that offer the best profit prospects
- Building shareholder value
- Increasing profitability by exploiting general organizational competencies

KEY BARRIERS OF UNRELATED DIVERSIFICATION

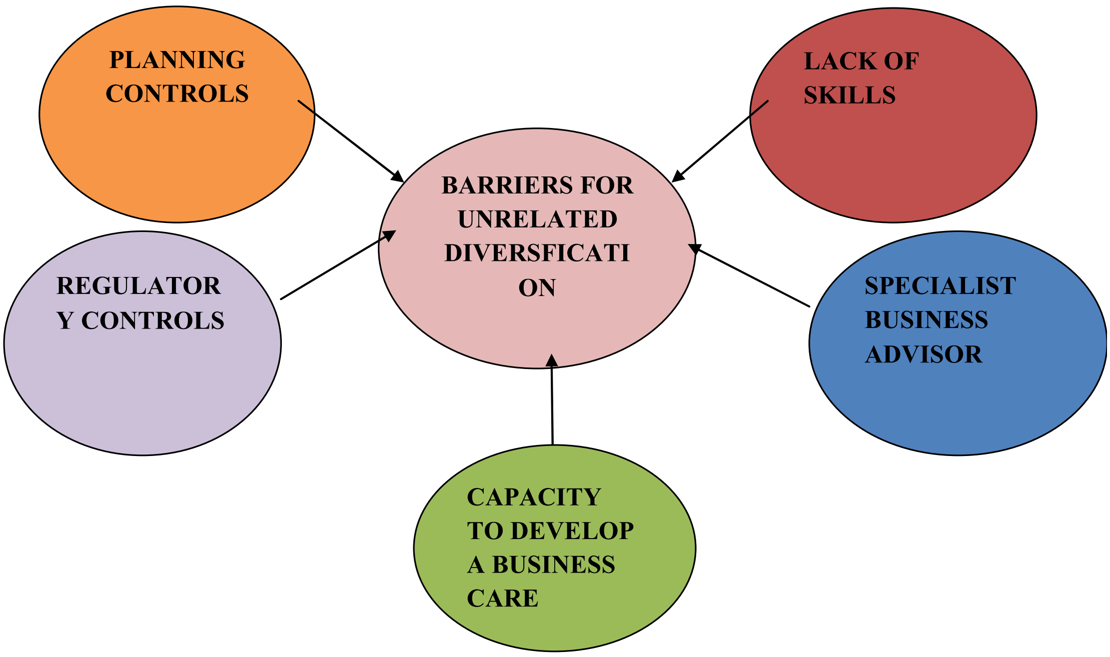

Figure: 1.4 Key Barriers to Unrelated diversification

KEY BARRIERS OF RELATED DIVERSIFICATION

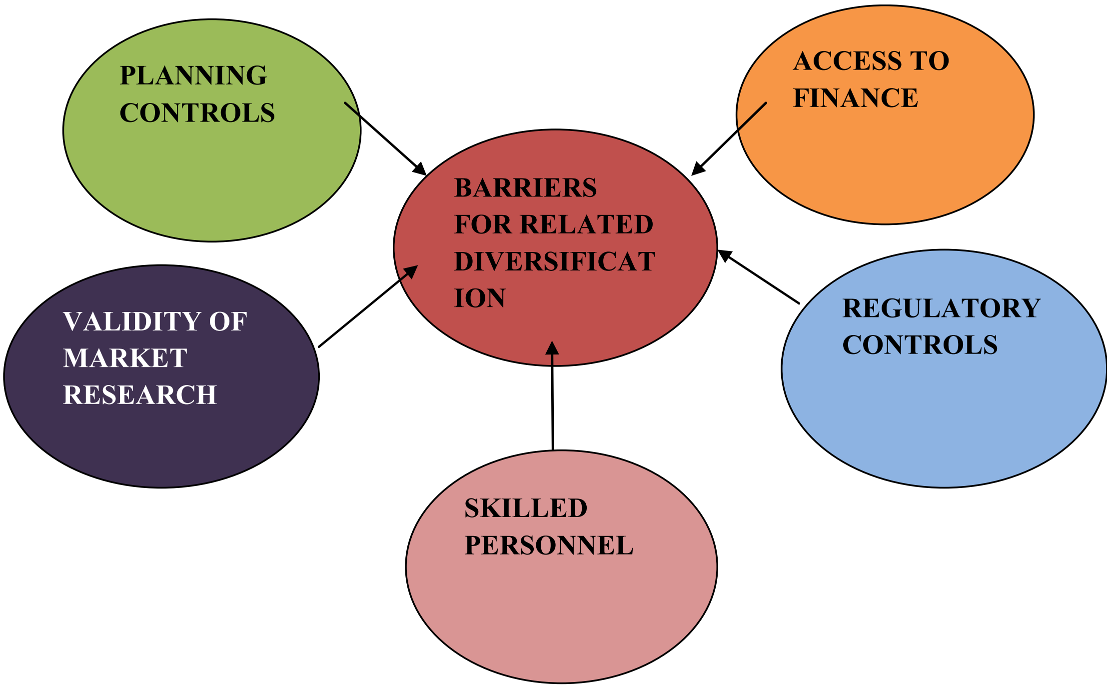

Figure: 1.5 Key Barriers to Related Diversification

1.3 OBJECTIVES OF THE STUDY

The present study focuses on exploration and analysis of diversification strategies in Indian Tobacco Company Limited and Hindustan Unilever Limited, India. The objectives of the study are as follows:

- To analyze the purpose of products and services diversification strategies at selected companies.
- To examine the support received for products and services diversification by various stakeholders of the company.
- To uncover the advantages from products and services diversification by managerial personnel at selected companies.
- To analyze managerial opinion on problems faced in products and services diversification strategies at selected companies.
- To appraise outcomes of products and services diversification in the companies undertaken.

1.4 SIGNIFICANCE OF THE STUDY

- The Study analyzes the managerial opinion for products and services diversification strategies at selected companies.
- Research measures the stakeholders support received for products and services diversification strategies at selected companies.
- The Study analyzes the outcomes of products and services diversification strategies at selected companies.

1.5 HYPOTHESIS OF THE STUDY

Table: 1.2 Hypothesis for study

H1	Null	ITC Management does not gain its purpose of products and services diversification strategies.
	Alternate	ITC Management gained its purpose of products and services diversification strategies.
H2	Null	Stakeholders do not provide adequate support for products and services diversification of ITC.
	Alternate	Stakeholders provide adequate support for products and services diversification of ITC.
H3	Null	ITC Management does not receive advantages from products and services diversification.
	Alternate	ITC Management receives advantages from products and services diversification.
H4	Null	ITC Management does not face problems in products and services diversification strategies.
	Alternate	ITC Management faced problems in products and services diversification strategies.
H5	Null	ITC outcomes are negatively influenced from products and services diversification strategies.
	Alternate	ITC outcomes are positively influenced from products and services diversification strategies.
H6	Null	HUL Management does not gain its purpose of products and services diversification strategies
	Alternate	HUL Management gained its purpose of products and services diversification strategies
H7	Null	Stakeholders do not provide adequate support for products and services diversification of HUL.
	Alternate	Stakeholders provide adequate support for products and services diversification of HUL.
H8	Null	HUL Management does not receive advantages from products and services diversification.
	Alternate	HUL Management received advantages from products and services diversification

H9	Null	HUL Management does not face problems in products and services diversification strategies.
	Alternate	HUL Management faced problems in products and services diversification strategies.
H10	Null	HUL outcomes are negatively influenced from products and services diversification strategies
	Alternate	HUL outcomes are positively influenced from products and services diversification strategies

1.6 SCOPE OF THE STUDY

- The study is conducted in India keeping in mind the time and cost constraints.
- The area of research is the analysis of Managerial Opinion towards the products and services diversification of Indian Tobacco Company Limited and Hindustan Unilever Limited.
- The present study will cover purpose of products and services diversification, support from stakeholders, advantages, problems and outcomes from product and services diversification strategies by managerial personnel at selected companies.

1.7 ORGANIZATION OF THE THESIS

The thesis includes overall 7 chapters.

- Chapter-1 describes the Conceptual Framework of the study.
- Chapter -2 presents Industry Profile of selected companies.
- Chapter -3 presents the Review of Literature for previous studies in the field diversification.
- Chapter- 4 elaborates the Research Methodology, besides the variables and hypotheses of the study, sample of the study, data collection tools, and the reliability and validity of the data collection tools.
- Chapter -5 Data Analysis, Interpretation and Testing provide the evidence to support or negate the hypothesis by analyzing the collected data and the interpretation of results derived from statistical analysis.
- Chapter-6 presents the Conclusions.
- Chapter -7 presents Suggestions.

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CHAPTER – 2

Industry Profile

CHAPTER - 2

INDUSTRY PROFILE

INDIAN TOBACCO COMPANY LIMITED (ITC)

2.1 INTRODUCTION

ITC is one of India's leading multi-business enterprises with a market capitalisation of US$ 50 billion and a turnover of US$ 8 billion. ITC is rated among the World's Best Big Companies, Asia's 'Fab 50' and amongst the World's Most Reputable Companies by Forbes magazine and as 'India's Most Admired Company' in a survey conducted by Fortune India magazine and Hay Group.ITC was also featured as one of world's largest sustainable value creators in the consumer goods sector in a study by the Boston Consulting Group. ITC has been listed as one of India's Most Valuable Companies by Business Today magazine. The Company is one of India's '10 Most Valuable (Company) Brands', according to a study conducted by Brand Finance and published by the Economic Times.

ITC also ranks among Asia's 50 best performing companies compiled by Business Week. The competitiveness of ITC's diverse businesses rests on the solid foundations of institutional strength derived from its profound consumer insights, cutting-edge research and development, distinguished product development capacity, brand-building prowess, world leading manufacturing infrastructure, comprehensive rural linkages, efficient trading, marketing and distribution network and dedicated human resources.

ITC's ability to leverage internal synergies across its diverse businesses provides a unique competitive edge to its products and services.ITC is the only enterprise in the world, of comparable size, to have a carbon, water and solid waste recycling positive footprint. A testimony to its commitment to a low carbon growth path is the fact that it meets over 47% of its total energy requirements from renewable sources.

All of ITC's premium luxury hotels are LEED (Leadership in Energy and Environmental Design) Platinum certified making it the "greenest luxury hotel chain" in the world. ITC's paperboards and paper business is an icon of environmental stewardship. Its hotels and production facilities have been bestowed with numerous national and international awards for quality, productivity, safety and environmental management systems.

ITC was the first Indian company to seek corporate governance rating voluntarily. The company constantly endeavours to enhance its wealth generating capabilities in a globalised world to consistently reward more than 766,000 shareholders, satisfy stakeholders' aspirations and meet societal expectations.

ITC Limited

Type	Public
Traded as	BSE: 500875 NSE: ITC BSE SENSEX Constituent CNX Nifty Constituent
Industry	Conglomerate
Predecessor	W.D. & H.O. Wills .
Founded	24 August 1910 (as Imperial Tobacco Company of India)
Headquarters	Kolkata, West Bengal, India
Key people	Y C Deveshwar (Chairman)
Products	Consumer goods Tobacco Hotels Agribusiness Paperboards & specialty papers Packaging Information technology
Revenue	□60,493 Crores (US$9.4 billion) (2017)
Operating income	□15,037 Crores (US$2.3 billion) (2015)
Net income	□10,471 Crores (US$1.6 billion) (2017)

Total assets	□ 32,159 Crores (US$5.0 billion) (2017)
Number of employees	25,959 (Mar 2013)
Divisions	ITC Infotech, Surya Nepal Pvt. Ltd.
Website	www.itcportal.com

Figure 2.1 Indian Tobacco Company Limited Profile
Source: https://en.wikipedia.org/wiki/ITC_(company)

2.2 HISTORY

ITC was incorporated on August 24, 1910 under the name Imperial Tobacco Company of India Limited. As the company progressively became Indian owned, its name was changed to India Tobacco Company Limited in 1970 and subsequently to I.T.C. Limited in 1974.

In recognition of the company's multi-business portfolio encompassing a wide range of businesses - Fast Moving Consumer Goods comprising Foods, Personal Care, Cigarettes and Cigars, Branded Apparel, Education and Stationery Products, Incense Sticks and Safety Matches, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business and Information Technology - the full stops in the company's name were removed from September 18, 2001. The company is now known as 'ITC Limited', where 'ITC' is today no longer an acronym or an initialised form.

The company's headquarters, known as 'Virginia House', which was built on that plot of land in 1928, became one of Kolkata's most venerated landmarks.

- **1925: Packaging and Printing: Backward Integration**

Though the first six decades of the Company's operating life were largely devoted to the growth and consolidation of the Cigarettes and Leaf Tobacco businesses, ITC's Packaging & Printing Business was set up in 1925 as a strategic backward integration for its cigarettes business. It is today India's most sophisticated packaging company.

- **1975: Entry into the Hospitality Sector – A 'Welcom' Move**

In 1975, the Company launched its Hotels business with the acquisition of a hotel in Chennai that was rechristened 'ITC-Welcomgroup Hotel Chola' (now renamed My Fortune, Chennai). ITC ventured into the Hotels business for its potential to earn high levels of foreign exchange, create tourism infrastructure in the country and generate large-scale direct and indirect employment. Since then, ITC's Hotels business has grown to a leadership position, with over 100 owned and managed properties across India under four brands namely, ITC Hotels - Luxury Collection, WelcomHotels, Fortune Hotels and Welcom Heritage. ITC Hotels recently took its first step toward international expansion with an upcoming super premium luxury hotel in Colombo, Sri Lanka.

In addition, ITC Hotels recently joined hands with RP Group Hotels & Resorts to manage 5 hotels in Dubai and India under ITC Hotels' 5-star 'WelcomHotel' brand and the mid-market to upscale 'Fortune' brand.

- **1979: Paperboards & Specialty Papers - Development of a Backward Area**

In 1979, ITC entered the Paperboards business by promoting ITC Bhadrachalam Paperboards Limited. Bhadrachalam Paperboards merged with the company effective March 13, 2002 and became a division of the Company under the name Bhadrachalam Paperboards Division. In November 2002, this division merged with its Tribeni Tissues Division to form the Paperboards & Specialty Papers Division. ITC's paperboards technology, productivity, quality and manufacturing processes are comparable to the best in the world.

It has contributed greatly to the development of Sarapaka, an economically backward region in the state of Andhra Pradesh. It is directly involved in education, environmental protection and community development. In 2004, ITC acquired the paperboard manufacturing plant of BILT Industrial Packaging Co. Ltd (BIPCO), near Coimbatore, Tamil Nadu. Through this, ITC is able to offer better service to its customers due to lesser lead time and offering a wider product range.

- **1985: Nepal Subsidiary – First Steps beyond National Borders**

In 1985, ITC set up Surya Tobacco Co. in Nepal as an Indo-Nepal and British joint-venture. In August 2002, Surya Tobacco became its subsidiary and its name was altered to Surya Nepal Private Limited (Surya Nepal).

- **1990: Paperboards & Specialty Papers - Consolidation and Expansion**

In 1990, ITC acquired Tribeni Tissues Limited, a Specialty paper manufacturer that was a major supplier of tissue paper to the cigarette industry. The merged entity was christened the Tribeni Tissues Division (TTD). As stated before, to harness strategic and operational synergies, TTD was merged with the Bhadrachalam Paperboards Division to form the Paperboards & Specialty Papers Division in November 2002.

- **1990: Agri Business - Strengthening Farmer Linkages –**

In 1990 ITC set up the Agri Business Division to export agricultural commodities. This Division is one of India's largest exporters today. ITC launched its widely acclaimed e-Choupal initiative in 2000 with soya farmers in Madhya Pradesh. Now, this initiative has spread across 10 states, covering more than 4 million farmers. Through its 'Choupal Pradarshan Khet' initiative, the agricultural services vertical is helps farmers in improving productivity of crops while deepening the company's relationship with farmers.

- **2002: Education & Stationery Products - Offering the Greenest products**

ITC launched a premium range of notebooks under the brand name Paperkraft in 2002. To supplement its offering and to reach a wider student population, it launched the Classmate range of notebooks in 2003. Classmate has grown to become India's largest notebook brand.Between 2007 and 2009, ITC launched Practical Books, Drawing Books, Geometry Boxes, Pens and Pencils under the 'Classmate' brand. 'Paperkraft' offers in the premium executive stationery and office consumables.

2000: Lifestyle Retailing - Premium Offerings

ITC entered the Lifestyle Retailing business with the Wills Sport range of international quality relaxed wear for men and women in 2000.ITC's Wills Lifestyle chain of exclusive stores expanded its range to include formal wear under the Wills Classic brand (2002) and Wills Clublife brand for eveningwear (2003). ITC also forayed into the popular segment in 2002 with its men's wear brand, John Players. In 2006, Wills Lifestyle became title partner of the country's premier fashion event -

Wills Lifestyle India Fashion Week -the largest B-2-B platform for the Fashion Design industry in India.

To mark the occasion, ITC launched the 'Wills Signature' brand, taking the event forward to consumers.

- **2000: Information Technology - Business Friendly Solutions**

In 2000, ITC spun off its information technology business into a wholly owned subsidiary under the name ITC Infotech India Limited, to pursue emerging opportunities in this domain. Today, ITC Infotech is one of India's fastest growing IT and IT-enabled services companies, with established presence in offshore outsourcing, providing outsourced IT solutions and services to global customers across key focus verticals - Banking Financial Services & Insurance (BFSI), Consumer Packaged Goods (CPG), Retail, Manufacturing, Engineering Services, Media & Entertainment, Travel, Hospitality, Life Sciences and Transportation & Logistics.

- **2001: Branded Packaged Foods - Delighting Millions of Households**

ITC's foray into the Foods business is an excellent example of successfully blending multiple internal competencies to create a new catalyst of business growth. It was initiated in August 2001 with the launch of ready-to-eat Indian gourmet dishes under the 'Kitchens of India' brand. In 2002, ITC entered the confectionery and staples segments through its brands mint-o and Candyman confectionery and Aashirvaad Atta (wheat flour) respectively. Later, in 2003, the company introduced Sunfeast brand in the newly launched biscuits segment. Subsequently, in 2007, it forayed into the fast growing branded snacks category with Bingo!. In 2010, ITC launched Sunfeast Yippee!, marking its entry into the Indian instant noodles market. In September 2014, ITC launched GumOn Chewing Gum. The company entered the fruit-based juices and beverages market with the acquisition of B Natural fruit beverages brand in January 2015. ITC forayed into the dairy segment with Aashirvaad Svasti Ghee in November 2015.

Launched in April 2016, Fabelle chocolates are ITC's premier offering in the luxury chocolate space. ITC forayed into the branded coffee segment in July 2016 with the launch of Sunbean Gourmet Coffee. In February 2017, ITC launched ITC MasterChef - first-of-its-kind spices in India, offering export quality super safe spices to the Indian homemaker. ITC MasterChef Prawns was launched in June 2017 as the Company entered the Frozen foods segment. ITC ventured into fresh fruits and vegetables segment by launchingFarmland Potatoes in November 2017. In just over a decade and a half, the Foods business has grown to a significant size under numerous distinctive brands, with an enviable distribution network, fast growing market share and excellent market standing.

- **2002: Agarbattis & Safety Matches – Supporting the Small and Cottage Sector**

In 2002, ITC enhanced the competitiveness of its entire value chain even further by launching the Safety Matches initiative. ITC now markets popular safety matches brands like iKno, Mangaldeep and Aim. ITC started marketing Agarbattis (incense sticks) in 2003, collaborating with the cottage sector. Mangaldeep is an established national brand and is available across a range of fragrances.

- **2005: Personal Care Products – Expert Solutions for Discerning Consumers**

ITC entered the Personal Care Business in 2005 and this portfolio has grown under 'Essenza Di Wills', 'Fiama', 'Vivel' and 'Superia' brands, all well received by consumers across the nation. In May 2013, it expanded the product portfolio with the launch ofEngage deodorants. The year 2015 marked its foray into the healthcare segment with the acquisition of the brand Savlon and Shower to Shower in 2015. In 2017, the business bought the brand Charmis to expand its skincare portfolio.

- **2010: Expanding the Tobacco Portfolio** –

In 2010, ITC launched its hand-rolled cigar, Armenteros, in the Indian market. Armenteros cigars are sold exclusively in select hotels, fine dining restaurants and exclusive clubs

- **2014: ITC began online sales**

2.3 VISION

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

2.4 MISSION

To enhance the wealth generating capability of the enterprise in a globalizing environment delivering superior and sustainable stake holders' value.

2.5 CORPORATE GOVERNANCE

ITC defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth creating capacity. Since large corporations employ vast quantum of societal resources, ITC believes that the governance process must ensure that companies are managed in a manner that meets stakeholders' aspirations and society's expectations. ITC's Corporate Governance initiative is based on two core principles. These are:

- Management must have the executive freedom to steer the enterprise ahead without unwarranted restrictions; and
- This freedom of management should be employed within a structure of effective accountability.

ITC believes that any sincere policy on Corporate Governance must empower the executive management of the Company, and simultaneously create a system of checks and balances, which assures that the decision making powers bestowed on the executive management are not only not misused, but is used with due regard and sensibility to meet stakeholder aspirations and societal expectations.

From this definition and core tenets of Corporate Governance emerge the cornerstones of ITC's governance philosophy, namely trusteeship, transparency, ethical corporate citizenship, empowerment, control and accountability. ITC believes that practicing these principles creates the proper corporate culture that meets the true objective of Corporate Governance.

- Trusteeship
- Transparency
- Ethical Corporate Citizenship
- Empowerment.

ITC believes that control is a necessary element of its second core principle of governance that the freedom of management should be employed within a structure of appropriate checks and balances.

THE GOVERNANCE STRUCTURE

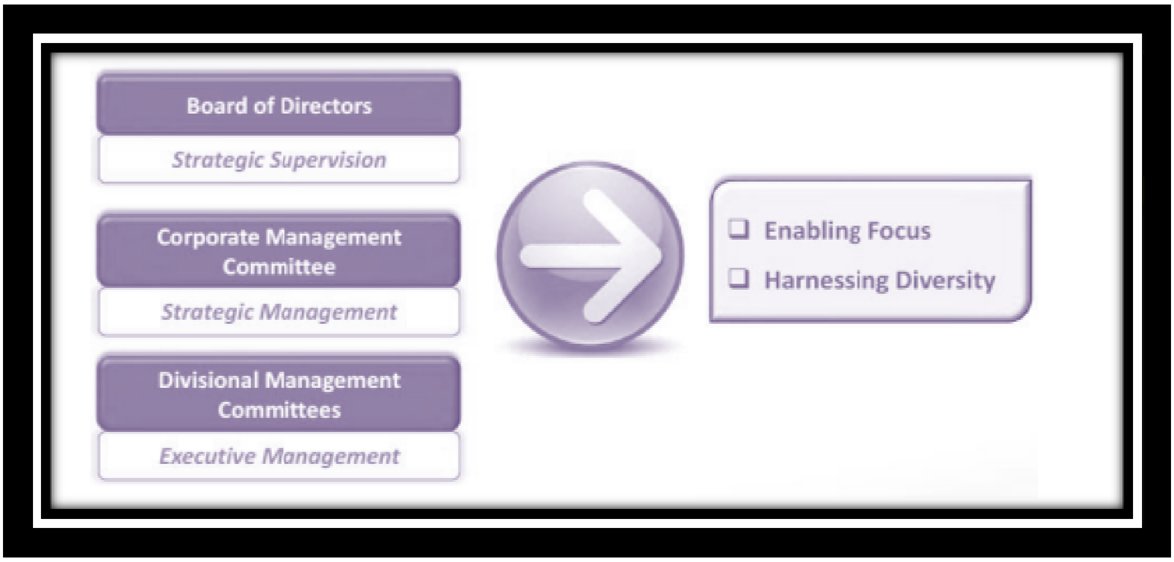

Figure 2.2 Corporate Governance Structure of Indian Tobacco Company Limited Source:http://www.itcportal.com/about-itc/shareholder-value/ITC-Corporate-Presentation.pdf

The practice of Corporate Governance in ITC takes place at three connected levels. The three-level governance framework ensures that:

(a) **Strategic supervision** (on behalf of the shareholders), being free from involvement in the task of strategic management of the company, can be objectively conducted by the Board, thereby sharpening management accountability;

(b) **Strategic management** of the Company, unimpeded by the day-to-day tasks of executive management, remains attentive and energized; and

(c) **Executive management** of a Division or SBU, free from combined strategic responsibilities for ITC as a whole, focuses on enhancing the quality, efficiency and efficacy of the business. The core functions of the key entities flow from this structure.

The key roles, in turn, determine the main duties of each entity. In order to discharge such responsibilities, each entity is formally endowed with relevant powers.

The structure, processes and practices of governance are designed to sustain effective management of multiple businesses while remaining focused on each one of them. The Governance Document that sets out the framework, policies and practices of governance within ITC is available on its corporate website www.itcportal.com for general information.

2.6 MARKETING STRATEGY

ITC Limited, commonly known as ITC, is a public limited company of Indian origin. It is a conglomerate and has a presence in several industries like FMCG, Hotel and Services, Information and Technology, Agri-Business, Paperboards and Packaging. ITC was founded in 1910 as Imperial Tobacco Company of India Limited, but was renamed ITC limited in the year 1974.Its competitors are the following companies- Dabur Ltd, Procter and Gamble, Colgate-Palmolive, Hindustan Unilever Limited, Nirma Limited, L'Oreal, Marico

2.6.1 PRODUCTS AND SERVICES IN THE MARKETING MIX OF ITC

ITC occupies 81% market share in Cigarettes sales in India and some of its key brands are Gold Flake Kings, Wills Navy Cut, Gold Flake Super Star and India Kings. ITC is ranked first in terms of branded foods and some of its popular food brands are Bingo, Sunfeast, Aashirvaad and Yippee!. Its food business is diversified into Confectionery, Juices, Ready-to-Eat, snack foods and staples. The company sells Apparel under John Players and Wills Lifestyle brands. In the Personal Care segment, it has products in Skincare, Haircare and Perfumes. Its stationary business has brands such as Classmate and Colour Crew. ITC manufactures and sells Agarbattis and Safety Matches under the brands Mangaldeep and Ship respectively. The company is also active in Hotel and Services business and has the second largest chain of hotels in India with more than ninety hotels under operation. ITC is involved in Paperboard business and sells graphic, speciality paper and other papers under its own brand name. It offers printing and packaging services to international and domestic customers.

2.6.2 PLACE IN THE MARKETING MIX OF ITC

ITC is one of the best companies in the world with an experienced and strong management and solid distribution network. Its efficient workforce comprised more than 25,000 employees at the end of the year 2013. ITC's network is spread across nearly sixty locations in India. Its headquarters are based at Kolkata, West Bengal. Its products are available in many countries. The company also has a tobacco business in Nepal operating via a joint venture. Its printing and packaging division has plants in Chennai and Haridwar. With changing times, ITC began selling its products online in 2014.ITC has taken a laudable initiative titled e-Choupal that has tackled several challenges faced by farmers quite successfully.

2.6.3 PRICE IN THE MARKETING MIX OF ITC

ITC had an estimated operating income of Rs 15,037 crore at the end of the fiscal year 2015 and revenue of Rs 53,748 crore at the end of the financial year 2015-16. It has diversified business interests and hence it also faces a lot of competition from rival companies. ITC markets its products in every nook and corner of India and hence, it has maintained both competitive edge and penetration pricing policies to deal with competitors and to spread successfully its product reach to remotest parts in India. For its luxurious products like hotel business, it has chosen a premium pricing policy. However, for consumer products, it has adopted a reasonable pricing policy, as it recognizes that for the middle-class section of Indiana society if the product prices are affordable, it will help in generating sales and ultimately will lead to better revenue figures.

2.6.4 PROMOTIONS IN THE MARKETING MIX OF ITC

ITC has a strong brand presence because of its diversified product portfolio. It undertakes a range of promotional activities to help market its products and to create positive brand awareness. ITC has embraced an aggressive marketing strategy and taken help of all available promotional tools such as electronic, print and social media to market its products. It has launched several advertisement campaigns, which are broadcast via popular television channels, aired on radio and displayed via hoardings. It has also roped in famous personalities like Kareena Kapoor and Shahrukh Khan for better product and brand visibility.

2.7 CORPORATE STRATEGIES

- Benchmark the health of each business comprehensively using criteria such as market standing, profitability and internal vitality.

- It continues to focus on its business portfolios comprising FMCG, hotels, paper, paperboards & packaging, agri-business and information technology.
- Continuously fortify and refine corporate governance processes and frameworks to catalyse the entrepreneurial energies of management by striking the perfect balance between executive freedom and the need for strong regulation and accountability.
- Create distributed leadership within the company by nurturing promising and focused top management teams for each of the businesses.
- Develop a portfolio of excellent businesses that optimally matches organisational capability with possibilities in domestic and export markets and creates multiple drivers of growth.
- Improve the competitiveness of the portfolio through synergies derived by blending the diverse skills and capabilities present within ITC's various businesses.
- Ensure that each of its businesses is world class and globally competitive.

2.8 DIVERSIFICATION STRATEGIES

ITC began diversifying its business in the early 1970s, first into hotels, then into paperboard."Organisations have to reinvent themselves because change is continuous outside," says Deveshwar. Kurush Noshir Grant, executive director, recalls that ITC was well diversified even when he joined it 31 years ago. It was a company with such distribution muscle that the government of India made calling. "We were one of the largest marketers of condoms… basically Nirodh, on behalf of the Government of India," he says.

ITC was the first company to mass-produce cigarettes.It began the marketing cigarettes in 1911, by opening stalls at the Delhi Durbar, which was held to celebrate the shift of British India's capital from Calcutta to Delhi. Businesses such as hotels and paperboards, which were earlier separate companies and are now divisions within ITC, have expanded in size and scale too.

In hotels, the company invested heavily in the 1990s. Today, its properties such as the ITC Maratha, ITC Grand Central, ITC Sonar and ITC Gardenia have become ideals of how sustainability can be married with luxury, says Nakul Anand, who heads the hotels business.

The paper, paperboards and packaging business, has transformed from being a struggling subsidiary, to a thriving division accounting for nearly a sixth of ITC's revenues. P.V. Dhobale, who joined the ITC board in January, says paperboards and packaging "has grown at a compounded annual growth rate of 16 per cent over the past five years, which is probably among the highest in the industry".

Then, there is the e-choupal model initiated in 2000, possibly the only "new" business that has evolved into its third avatar, although its success has been limited. The e-choupals are Internet-enabled booths that link farmers to markets and provide weather information - and ITC to the produce it sources - spread rapidly until 2008, but have slowed since. ITC's future, says Deveshwar, lies in the "areas of tomorrow" such as food processing, agriculture, paper for education and packaging, tourism and hotels.

In these areas, "we are investing heavily," he says. For one of the very few institution-controlled companies in India, it is business as usual.

2.8.1 SEGMENT WISE DIVERSIFICATION OF INDIAN TOBACCO COMPANY LIMITED

Table: 2.1 Segmentwise Diversified Portfolio of Indian Tobacco Company Ltd.

Diversification Year	Segment
	Cigarettes
1925	Packaging & Printing
1975	Hotels
1979	Paperboards & Specialty Papers
1990	Agri Business
2000	Lifestyle Retailing
2001	Branded Packaged Foods
2002	Education & Stationery Products
2002	Safety Matches & Incensc Sticks
2005	Personal Care

The Company is currently focused on four business groups: FMCG, Hotels, Paperboards, Paper and Packaging and Agri Business.

Table: 2.2 Segmentwise items of Indian Tobacco Company Limited

Segments	Includes
FMCG: **Cigarettes** **Others**	Cigarettes, Cigars etc. Branded Packaged Foods Businesses (Staples; Snacks and Meals; Dairy and Beverages; Confections), Apparel, Education and Stationery Products, Personal Care Products, Safety Matches and Incense Sticks (Agarbattis)
Hotels	Hoteliering.
Paperboards , Paper & Packaging	Paperboards, Paper including Specialty Paper and Packaging including Flexibles
Agri Business	Agri commodities such as soya, spices, coffee and leaf tobacco.

2.8.2 SUBSIDIARIES AND JOINT VENTURES OF INDIAN TOBACCO COMPANY LIMITED

Table: 2.3 Subsidiaries and Joint Ventures of Indian Tobacco Company Limited

S No.	Subsidiaries Companies	S No.	Joint Venture
1	Surya Nepal Private Limited	**1**	ITC Essentra Limited
2	ITC Infotech India Limited	**2**	Maharaja Heritage Resorts Limited
3	Technico Pty Limited	**3**	Espirits Hotels Private Limited
4	Technico Agri Science Limited		Associates
5	Welcome Hotel Lanka (Private) Limited	**4**	International Travel House Limited
6	Land Base India Limited	**5**	Gujrat Hotels Limited
7	Srinivasa Resorts Limited	**6**	ATC Limited (an associate of Gold Flake Corporation Limited
8	Fortune Park Hotels Limited		
9	Bay Island Hotels Limited		
10	King Maker Marketing, Inc.		
11	Wimco Limited		
12	North East Nutrients Private Limited		
13	Russell Credit Limited		
14	Gold Flake Corporation Limited		
15	Greenacre Holidays Limited		
16	ITC Investments & Holdings Limited		
17 **18**	MRR Trading & Investment Company Limited		
19	Pavan Poplar Limited		
20	Prag Agro Farm Limited		
21	ITC Global Holding Private Limited		

2.8.3 SEGMENTWISE NEW LAUNCHES AND EXPANSIONS OF INDIAN TOBACCO COMPANY LIMITED

FMCG - 1. CIGARETTES

Table: 2.4 Cigarettes business (2001-2016) of Indian Tobacco Company Limited

Year	New Launch	Products Expansion	Factory Expansion
2001			Saharanpur
2002		Ultra premium India Kings brand	
2003		Gold Flake Kings cool mist	
2004	Insignia	India Kings variants	
2005		Gold Flake variants	
2006		Silk Cut	
2007	Surya 24 Carat Lights and Kings		
2008			
2009		Gold Flake and Nevy Cut Filter Kings, Armenteros hand rolled Sigars	
2010	Lucky strike	Classic Menthol Rush, gold flake sleek line kings, gold flake arctic menthol, players gold leaf, gold flake premium filter	Ranjangaon
2015	Gold flake kings burst, classic fine taste plus low smell mint capsule, silk cut mint capsule and navy cut mint capsule		
2016	Electronic vaping devices with EON brand	Classic fine taste low smell, noir, slim cigarettes, capsule, nicotine gum under kwiknic neo brand	

FMCG - 2 OTHERS

Table 2.5 Other FMCG Businesses (2001-2016) of Indian Tobacco Company Ltd.

Year	New Launch	Products Expansion	Factory/Stores Expansion
2001	**Apparel**- Wills sport range for men & women		**Apparel**- First exclusive retail outlet in south extension, New Delhi
2002	**Branded Packaged Foods**- Kitchens of India brand Ready-To-Eat Indian gourmet dishes, staples, Mint-o, Candy man Confectionery brands, Aashirvaad Atta (Wheat flour)		**Apparel**- 42 exclusive Wills Lifestyle stores across 35 cities in India
	Education & Stationery- Paperkraft Premium range of notebooks		
	Safety Mateches- i Kno, Aim, Mangaldeep brands		
2003	**Apparel**-John Player men's wear range, Wills Classic formal wear	**Branded Packaged Foods**- 'Gharana' range of products under Kitchens of India Ready- To- Eat range	**Apparel**-48 exclusive Wills Lifestyle stores across 38 cities in India
	Education & **Stationery**- Classmate nootebooks		
	Branded Packaged Foods-Sunfeast biscuits		
	Incense sticks (Agarbattis) - Mangaldeep incense stick		
2004	**Branded Packaged Foods**-Ready -To –Cook pastes, Sunfeast Biscuits variants	**Branded Packaged Foods-** Aashirvaad Atta & Salt range, Mint-o variants, Candyman variants, Ready-To-Eat variants	
	Safety Matches & Incense sticks- i Kno, Delite, Aim variants	**Apparel**-Wills Classic formal wear range, Wills Club life evening wear range, John Players range	
		Safety Matches & Incense sticks- Mangaldeep in varied frangrances	

Year	New Launch	Products Expansion	Factory/Stores Expansion
		Education & Stationery- Paperkraft & Classmate variants	
2005	**Branded Packaged Foods-** Sunfeast dark fantasy biscuits, Ashirvaad ready meals	**Branded Packaged Foods**- Sunfeast Golden bakes biscuit, Candy man and Mint-O masti blue, cofitino toffees, packaged desserts, conserve and chutneys,	
	Apparel- Wills Life Style India fashion week (fashion event)		
	Personal Care- Essenza Di Wills', Fiama, Vivel Superia brands	**Apparel**- Wills Life Style retailing	
		Personal Care- Essenza Di Wills fragrance products range	
		Education & Stationery- Pop –up books, mini books, Regalia greeting cards	
2006	**Branded Packaged Foods-** Sunfeast bennevita pasta	**Branded Packaged Foods**-Sunfeast special cream & cookies , Natkhat mango & Maha mango toffees, Sunfeast bennevita pasta	
	Safety Matches & Incense Sticks (Agarbattis) – USA & South Africa	**Apparel**- Wills Signature designer wear & glamour wear	
		Education & Stationery- Paperkraft Stationery items	
2007	**Branded Packaged Foods-**Nice biscuit, Bingo! snacks	**Branded Packaged Foods**- Sunfeast coconut biscuit	
		Education & Stationery- Classmate fun N Learn books for pre – school, Practical books	
		Safety Matches & Incense Sticks- Aim mega, Aim metro, Expression –premium aromatic candles	

Year	New Launch	Products Expansion	Factory/Stores Expansion
		Personal Care-Fiama Di Wills, Vivel and Superia shampoos, soaps, shower gels & conditioners	
2008	**Branded Packaged Foods-** Lacto and Toffchoo toffees	**Branded Packaged Foods-** Bingo! Hatke Jhatke snacks	
	Safety Matches & Incense Sticks- Handrolled Durbar battis	**Education & Stationery**- Geometry boxes, children's books, gel pens & ball pens, Paperkraft premium business paper	
		Personal Care- Vivel ultra pro antidandruff shampoo	
2009	**Branded Packaged Foods-** Bingo! Thedhe Medhe salty snacks	**Education & Stationery-** Paperkraft office stationery, Classmate Drawing books	
	Safety Matches & Incense Sticks- Fragrance of temple in Tamil Nadu	**Personal Care-** Essenza Di Wills, Fiama Di Wills, Vivel Di Wills, Vivel, Superia gel, bathing soaps, shampoos, deodorant	
2010	**Branded Packaged Foods-** Sunfeast Yippe! Noodles, Sunfeast dark fantasy choco fills biscuits, Ashirvaad multi grain, Ashirvaad rasam and sambhar blended powder	**Branded Packaged Foods**- Bingo! Chips Mint-O gelly	
		Personal Care- Fiama Di Wills aqua pulse bath care	
	Personal Care- Vivel active fair cream	**Apparel-**Wills Life Style retailing, Boutique store in company's hotel, ITC Gardenis, Bengaluru	**Apparel-** 73 exclusive stores in 40 cities, 150 shop-in- shop , First men's luxury store in Chennai, 100 new outlets opened in various cities
		Safety Matches & Incense Sticks- Mangaldeep Sarvatra	

Year	New Launch	Products Expansion	Factory/Stores Expansion
2011	**Personal Care**- Vivel luxery cream, Fiama Di Wills talcum powder, Vivel talcum powder, Vivel & Fiama Di Wills face washes	**Branded Packaged Foods-** Sunfeast Yippe! Instant noodles, Bingo! Tangles, mad angles masti chaat	
		Personal Care- Vivel Clear 3- in- 1 soap	
	Education& Stationery- Classmate Colour Crew wax crayons , Colour Pencils & Sketch pens	**Apparel-** Wonder Press Wrinkle free fabrics, Eco Style organic collection, Crème De Cotton super soft cotton	**Apparel**- 86 exclusive stored in 40 cities, 300 shop-in-shop
2012	**Branded Packaged Foods** - Cream Lacto, Mint-O sugar free toffees	**Branded Packaged Foods-** Sunfeast dark fantacy choco meltz, butterscotch zing, Kaju Badam cookies	**Apparel**- 90 exclusive stores in 40 cities, 500 shop-in-shop
		Personal Care- Fiama Di Wills Couteere spa soap, Collector's Edition soap, Aqua pulse deodorant spray	
		Apparel- Wills Life Style boutique store at ITC Grand Chola	
2013	**Branded Packaged Foods** - Sunfeast Farmlite Oatmeal	**Branded Packaged Foods**- Sunfeast delicious gourmet cookies, Candy Man delicious, Sunfeast Yippee! Noodles	
	Personal Care- Engage deodorants		
		Education & Stationery- Classmate Pulse notebooks for college students	
		Apparel- Wills life style boutique store in ITC grand central Mumbai, ITC Maurya New Delhi, ITC Gardenia Bengaluru, ITC Mughal Agra	

Year	New Launch	Products Expansion	Factory/Stores Expansion
2014	**Branded Packaged Foods-** Sunfeast Mom's Magic cookies, Yumfills Whoopie pie cake, Gumon chewing gums segment, B- Natural juices	**Branded Packaged Foods-** Ashirvaad atta select, Ashirvaad atta superior MP, Ashirvaad atta with methi, Sunfeast Yippee! Noodles	Company began online sales
		Personal Care- Vivel Love & Nourish, Vivel glycerine soaps, Superia Deluxe, Superia naturals, Fiama Di Wills shower gel	**Apparel**- 104 exclusive stores in 44 cities, 500 shop-in-shop
		Education & Stationery- Classmate pulse, Paperkraft, Saathi in the note books category	
		Safety Matches & Incense Sticks- Mangaldeep flora dhoop cones	
2015	**Branded Packaged Foods-** Luxury range of chocolates under Fabella brand, Gourmet coffee under Sunbean brand, ITC Master Chef Super Safe Spices, Sunfeast Farmlite all good digestive cookies, B – natural 100% pomegranate juice, Punjab da kinnow, Aashirvaad Svasti ghee	**Appreal**- 6 exclusive boutique stores across ITC hotels	**Branded Packaged Foods**- Uluberia (west babgal), Mysure (karnatka), Guwahati (assam)
	Personal Care- Savlon liquid handwash & antiseptic, Engage pocket perfume, Vivel Aqua Cleansing		**Apparel**- 400 outlets aross 56 cities
	Education & Stationery- Executive boards games (puzzles), Classmate Spellbee, Classmate handwriting Olympiad		

Year	New Launch	Products Expansion	Factory/Stores Expansion
	Safety Matches & Incense Sticks- Business launched a unique and highly innovative mobile app with an intensive collection of devotional contents available in 7 languages		
2016	**Branded Packaged Foods**- Sunbean gourmet coffee, Fabelle chocolates	**Branded Packaged Foods**- Sunfeast Gourmet cookies, Sunfeast chocolate chips, Sunfeast Farmlite Oats with chocolates, Sunfeast Marie light rich taste cookies, gum on strabery	**Branded Packaged** Foods- Dhulagarh (West Bangal) for finger snacks and Munger (Bihar) for dairy, Joint venture at Mangaldoi (Assam)
		Personal care- Fiama Di Wills bar, Vivel neem soap, Engage, Superia Silk cherry, shower to shower, Savlon, makeup cleanser clarifying skintoner, night cream under Vivel cell Renew brand	
		Apparel- luxuria & Regalia	

3. HOTELS

Table: 2.6 Hotel Business (2001-2017) of Indian Tobacco Company Limited

Year	New Launch	Services Expansion
2001	ITC Maratha Sheraton, Mumbai	
2002	ITC Hotel Sonar Bangle, Kolkata	
2003		ITC Grand Central Business Resort , Mumbai
2004		ITC Maurya Sheraton, New Delhi
2005	Super Deluxe Luxury hotel, Bangalore	

Year	New Launch	Services Expansion
2006	Collabration with Starwood hotels & Resorts through a new franchise Maharaja Heritage resorts limited a joint venture with Marudhar hotels private limited currently operating under Welcom Heritage brand	
2008	Kayakalp- The Royal Spa at ITC Mughal, Agra, boutique store at ITC Maurya	The business has co- branding arrangement with two international brands 'The Luxury Collection' and 'Sheraton' franchised from Starwood,
2009	ITC royal Gardenia, Bengaluru	
2010		Boutique store in ITC Gardenia , Bengaluru
2011	ITC Grand Chola at Chennai	
2012		Boutique store in ITC Grand Chola, Chennai
2013		Boutique stores in ITC Grand Central Mumbai, ITC Maurya New Delhi, ITC Mughal Agra
2014	My Fortune, Bengaluru,	
2015	luxury hotels at Hyderabad, Kolkata, Ahmedabad, Srinagar, Shrilanka	Business augmented its digital presence
2016	The launch of Sunbean Gourmet coffee across all ITC hotels, new launch – Welcom hotels at Guntur & Bhubaneswar	The business hosted the ' Indiainstameet' in collaboration with 'Beautiful destination'-the world's largest online social community for luxury travel
2017	ITC Kohenur Madhapur (Hitec city), Hyderabad	

4. PAPERBOARDS, PAPER & PACKAGING

Table: 2.7 Paperboards, Papers & Packaging Businesses (2001-2017) of Indian Tobacco Company Limited

Year	New Launch	Products Expansion	Capacity Expansion
2001	Gold flake 'Expression' range of greeting cards		Munger
2002		'Expression' range of greeting cards available across 600 markets in over 10,000 retail outlets	Amalgamation of ITC Bhadrachalam paperboards limited and Merged into Tribeni Tissues Division

2003		Export- Srilanka, Bangladesh, Malaysia, South Africa, Bulgaria, UAE, UK & Iran	Capacity expansion in Tribeni Tissues division,
2004			Export oriented unit was set up in Tirvottiyur for the manufacture of shoulder boxes used in the packaging of premium cigarettes, cigars & boutique products, Acquisition of BILT Industrial Packaging Co. Ltd (BIPCP), near Coimbatore, Tamil Nadu
2006		Value added paperboards	Haridwar, Munger, Chennai
2008			14 mw wind energy farm in Tamil Nadu
2012		Value added paperboards	Haridwar, Munger, Chennai
2014	Hosiery, Apparels and Publishing segment		46 mw wind energy projects in Andhra Pradesh
2015	India's 1st bleached chemical thermo mechanical pulp mill at Bhadrachalam	Eco labelled products	
2017		Value added paperboards	

5. AGRIBUSINESS

Table 2.8 Agri Business (2001-2016) of Indian Tobacco Company Limited

Year	New Launch	Products / Services Expansion	Capacity Expansion
2001	235 E-choupals covering 1000 villages		Leaf Tobacco processing unit Chirala
2002	6 pilot Choupals		
2003		2100 E-Choupals network	
2004		Exports of Chillies, high organic products,4137 Choupals in 24,000 villages in the state of Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh, Maharashtra, Rajasthan and Kerala	

2005	10 Choupal Saagars in 3 states Madhya pradesh, Maharashtra and Uttar Pradesh		
2006			Cigarette leaf tobacco- Anarparti and Chirala plant- Wellgro Rhizobium
2007		Aquisition of potato seed company- Technico	
2008	50 E- Choupal in Tamil Nadu		
2009		Proccessed Fruits	
2010			Anarparti unit
2011		Neem based organic manures Wellgro Soil, Wellgro Grains, Wellgro Crops	
2012		Choupal Haats	
2014		New soya seed varieties	
2015		E- choupal Khet	
2016	85 models villages for 'Village Adoption Programme'	'Choupal Pradarshan Khet ' works with various government and private bodies to promote new seeds varieties, farm technologies and practices among farmers towards improving farm productivity	Green Leaf Threshning plant at Anarparti, Chirala, Mysore

2.9 BUSINESSES OF INDIAN TOBACCO COMPANY LIMITED

I. FMCG

1) **Cigarette Business** ITC's cigarette business is an excellent example of the company's unrelenting and exceptional commitment to quality, innovation and consumer focus. With more than a century of expertise in developing cigarettes to match the evolving taste of its consumers, ITC continues its relentless pursuit of consolidating its leadership in every segment of the Indian cigarette market.

ITC's wide range of brands includes Insignia, India Kings, Classic, Gold Flake, American Club, Navy Cut, Players, Scissors, Capstan, Berkeley, Bristol, Flake, Silk Cut, Duke and Royal. It manufactures cigarettes in its state-of-the-art factories at

Bengaluru, Munger, Saharanpur, Kolkata and Pune, with cutting-edge technology and excellent work practices comparable to the best globally. An efficient supply chain and distribution network reaches India's popular brands across the length and breadth of the country

2) **Branded Packaged Foods Business** ITC's Branded Packaged Foods business is one of the India's fastest growing foods businesses, driven by its market share and consumer's perception of its popular brands - Aashirvaad, Sunfeast, Bingo!, Yippee!, Kitchens of India, B Natural, mint-o, Candyman and GumOn. The Foods business has a presence in multiple categories in the market - Staples, Spices, Ready-to-Eat, Snack Foods, Bakery and Confectionery and the newly introduced Juices and Beverages. ITC continues to invest in manufacturing, distribution and marketing activities so that it is in a position to leverage any emerging opportunities and fulfill its goal of being India's most trusted marketer of Branded Packaged Foods. ITC's Foods business also exports its products to North America, Africa, Middle East and Australia.

3) **Personal Care Business** ITC entered the Personal Care business only in July 2005, but within this short period, it has already launched an array of brands that offer a unique and finest value proposition to sophisticated consumers. Anchored on in-depth consumer research and product development, ITC's personal care division offers world-class products with distinctly differentiated benefits to quality-conscious consumers. ITC's Personal Care portfolio under the 'Essenza Di Wills', 'Fiama', 'Vivel', "Engage", "Savlon", 'Charmis", "Shower to Shower" and 'Superia' brands has been well received by its target consumers and its distribution is being progressively extended across the nation.

4) **Education and Stationery Business** ITC forayed into the education and stationery business with its Paperkraft brand in the premium segment in 2002. In 2003, it diversified into the popular segment with its Classmate brand, which became India's largest Notebook brand by 2007. Together, Classmate and Paperkraft offer a range of products in the Education & Stationery space to the discerning consumer, providing outstanding value in terms of product

and price. Classmate and Paperkraft have become a natural extension of the consumer business. Meticulous understanding of consumer needs has helped ITC create a relevant and exhaustive range of products that satisfy the needs of different leagues of consumers.

ITC is the manufacturer of India's first Ozone treated, environment friendly Elemental Chlorine Free (ECF) pulp, paper and paperboard. It fuses knowledge of image processing, printing and conversion gained from Packaging and Printing Business with the brand building, trade marketing and distribution strengths from in its FMCG business to provide better value products to consumers.

Classmate over years has transformed itself from being a notebook brand to a complete stationery portfolio provider, with its product range comprising writing instruments (ball, gel & roller pens and wood-cased & mechanical pencils), mathematical instruments (geometry boxes), scholastic products(erasers, sharpeners and rulers) and art stationery products (wax and plastic crayons, sketch pens and oil pastels).

5) **Lifestyle Retailing Business** ITC's Lifestyle Retailing Business Division has established a nationwide presence through Wills Lifestyle & John Players stores. Synonymous with elegance and style that is simple and sophisticated; Wills Lifestyle presents premium fashion clothing offering for men and women. Presenting an alluring choice of crisp contemporary formals, stylish suave casuals, Wills Glamorous evening wear and Wills Signature designer wear, Wills Lifestyle offers a truly delightful shopping experience for the suave customer.

6) **Safety Matches & Incense Sticks (Agarbattis) Business Safety Matches Business** ITC's range of Safety Matches includes popular brands like Aim & i Kno. With distinguished products and innovative value additions, these brands successfully satisfy the needs of different consumer groups. The acquisition of Wimco Ltd., a subsidiary of ITC has consolidated the market share of the Company's Matches business through synergies derived from combined portfolio of offerings, improved service to nearby markets as well as freight cost optimization.

Incense Sticks (Agarbattis) Business As part of ITC's strategy of creating multiple agents that accelerate growth in the FMCG sector, the company commenced marketing Agarbattis (Incense Sticks) procured from small-scale and cottage units in 2003. This Business leverages the core strengths of ITC in nationwide distribution and marketing, brand building, supply chain management, manufacture of high quality paperboards and creative packaging solutions to offer Indian consumers high quality Agarbattis.

With this business, ITC aims to enhance the competitiveness of the small-scale and cottage units through its complementary R&D based product development and strengths in trade marketing and distribution. Mangaldeep Agarbatti is manufactured at various centres across the country that follows standardised procedures ensuring consistency of product quality across locations.

ITC has signed a MoU with ORMAS (Orissa Rural Development and Marketing Society), an autonomous body under the Panchayat Raj in Odisha, to provide technical training to rural women and also provides employment opportunities to over 4,000 rural women.

II. HOTELS

Launched in 1975, ITC Hotels, India's leading chain of luxury hotels, pioneered the concept of 'Responsible Luxury' in the hospitality sector, drawing on ITC’s strengths of exemplary sustainability practices. Responsible Luxury personifies an ethos that blends world-class green practices with contemporary design to deliver luxurious stays in the most environment friendly manner.

The Responsible Luxury commitment of ITC Hotels combines elements of nature to offer a differentiated value proposition to guests who are conscious of their ecological footprint. These unique interventions have made ITC Hotels world’s greenest luxury hotel chain, with all its eleven premium luxury hotels LEED (Leadership in Energy and Environmental Design) Platinum certified.

With more than 100 hotels in over 70 places, ITC Hotels has established new standards of excellence in the hotel industry in Accommodation, Cuisine, Environmental impact and Guest Safety. ITC Hotels’ properties are categorised under four distinct brands. ITC Hotels has an exclusive relationship with the 'Luxury Collection' for eleven of its hotels.

ITC Hotels - Luxury Collection are super deluxe and premium hotels located at important business and leisure locations. The hotels which are part of this collection are: ITC Grand Bharat in Gurgaon. ITC Grand Chola in Chennai, ITC Maurya in Delhi, ITC Maratha in Mumbai, ITC Sonar in Kolkata, ITC Grand Central in Mumbai, ITC Windsor & ITC Gardenia in Bengaluru, ITC Kakatiya in Hyderabad, ITC Mughal in Agra and ITC Rajputana in Jaipur. Welcom Hotels offer five-star hospitality for the distinguished business and leisure traveler.

Currently there are 14 hotels under this brand namely, WelcomHotel Dwarka in New Delhi, WelcomHotel Bella Vista in Panchkula-Chandigarh, WelcomHotel Jodhpur, WelcomHotel Rama International in Aurangabad, WelcomHotel Vadodara, Welcom Hotel Grand Bay in Vishakhapatnam, WelcomHotel Khimsar Fort and Dunes in Rajasthan, Welcom Hotel The Savoy in Mussoorie, Welcom Hotel Kences Palm Beach in Mamallapuram-Chennai, Welcom Hotel Coimbatore, Welcom Hotel Bengaluru, Welcom Hotel Chennai, Welcom Hotel Pine n Peak and Sheraton New Delhi.

Fortune Hotels operates mid-market to high-end properties in the first-class, full-service business hotel segment all over India, in major metros, mini metros, state capitals and business towns, promising a wide choice of destinations and accommodation to business as well as leisure travellers. The Welcom Heritage brand operates a chain of palaces, forts, havelis and resorts that offer a unique experience. Welcom Heritage endeavors to preserve ancient royal homes and the historical Indian grandeur and opulence for the future Indian generations. Welcom Heritage provides exquisite hotel services inside these architectural masterpieces located across India.

Branded Accommodation

ITC Hotels pioneered the concept of branded accommodation, setting new benchmarks for excellence in the hotel industry. The chain has developed four separate accommodation brands, namely, 'ITC One', 'Towers', 'Eva' and the 'Executive Club' catering to to travelers with varying needs while providing excellent service.

Branded Cuisine ITC Hotels is one of the first to introduce branded cuisine Welcom Cuisine - in India. The Bukhara and Peshawri restaurants serve the rugged, outdoor cuisine of the Northwest Frontier Province. Dakshin serves the cuisines of the four southern states of India - Andhra Pradesh, Karnataka, Tamil Nadu and Kerala. Dum Pukht is a restaurant specialising in the 200-year old culinary tradition of slow cooked food.

The sumptuous food at K&K comprises kebabs and dishes from all over India that can be categorised as Quarmas, Qaliyas or Salans. West View offers a selection of western cuisines originating from the France chateaux, East and West coasts of America, English manors, the Mediterranean and German marketplaces. The Pan Asian serves specialties from South and South East Asia, Mongolia and Japan.

Royal Vega - Royal Vega offers vegetarian delicacies from the magnificent Royal kitchens of India.

Edo - ITC's Japanese Flagship award winning restaurant Edo, which borrows its name from Tokyo city’s ancient name, serves authentic Sushi, Sashimi, Tempura and Japanese grills.

Shanghai Club - the 'Shanghai Club' at ITC Grand Central presents erstwhile Shanghai's pot pourri of authentic Chinese regional cuisines in a contemporary setting.

Tian-Asian Cuisine Studio - offers avant-garde cooking techniques and serves culinary delights from Japan, Korea, Thailand, China and beyond.

Avartana - presents an exclusive amalgamation of traditional and progressive Southern Indian cuisine, with exclusive use of spices from the region.

Kaya Kalp Spa - Kaya Kalp (meaning rejuvenation of mind, body and soul in Sanskrit) spas cater to customers who seek to combine luxury with an exclusive and enriching experience that uplifts the mind, body and soul. Kaya Kalp Spas offer indigenous and well-known therapies from the world over to deliver a memorable spa experience. Kaya Kalp Spas are located in all the ITC Luxury Collection Hotels.

III. PAPERBOARDS AND SPECIALTY PAPERS BUSINESS

ITC's Paperboards and Specialty Papers Division (PSPD) is India's largest, technologically advanced and most eco-friendly paper and paperboards business.

PSPD is the market leader in the value-added paperboards segment, and also has a significant share of the Indian fine papers market. It is the country's largest exporter of coated boards. ITC services industry requirements ranging from cigarette tissues to FMCG cartons, electrical insulation papers, Bio-based Barrier Coated Board, decorative laminate base, writing and printing papers, etc.

ITC produces the full range of paperboards - from 100% virgin, food-grade boards which are made from renewable and sustainable sources to 100% recycled boards. The product range includes:

- **Packaging boards**

Table: 2.9 Product Range of Packaging Boards

Virgin Boards		**Recycled Boards**	
1	Safire Graphik	1	Eco Natura
2	Cyber Cypak	2	Eco Blanca
3	Cyber XLPac	3	Coated High Burst Liner
4	Cyber Premium	4	NeoWhite Bliss
5	Cyber Propac	5	RCT Board
6	Carte Lumina		
7	Pearl XL Packaging		
8	Opus Card		
9	Vivaa Liner		

- **Specialty boards**

Table: 2.10 Product Range of Specialty Boards

Poly Coated		**Biodegradable Barrier**	
1	Indobev	1	Omegabev
2	Indobarr	2	Omegabarr
3	Cuppo Blanca	3	

- **Graphic boards**

Table 2.11 Product Range of Graphic Boards

1	Art Maestro	3	Digiart
2	Carte Persona	4	Vivaa Card

- **Specialty papers**

Table: 2.12 Product Range of Specialty Papers

Cigarette Tissues Thin Printing		Packaging	
1	Bible Printing	1	Wrap Well
2	Pharma Print	2	Medical Grade
3	Superfine Printing	3	Anti-Rust Tissue
4	Opaque Tissue	4	Shoe-Wrap Paper
Communication		**Decor Papers**	
1	Alfa Zap	1	Overlay
2	Alfa Plus	2	Surfacing/Printing Base Paper
3	Hi Brite	3	Barrier Paper
4	Hi Zine	4	Absorbent Kraft
5	Perma White		
Niche			
1	Overlay Tissue	5	Carbonizing Tissue
2	Insulating Paper	6	NP Paper
3	Match Tissue	7	Flameproof Paper
4	Fire Fuse Tissue		

Each of these units specialises in a separate range of products. Together, these units have capacity of close to 700,000 tonnes per annum (TPA) of paper and paperboards that meet stringent global quality requirements. All four manufacturing units are ISO 9001, ISO 14001 and OHSAS 18001 certified and meet strict Environment, Health and Safety norms.

ITC is a leader in introducing environment-friendly Elemental Chlorine Free (ECF) technology, and more recently, Ozone bleaching in India. ITC objective of being a carbon-positive, water-positive, zero-solid waste disposal organization makes it constantly strive to reduce, reuse and recycle materials. ITC has been 'Carbon Positive' for thirteen years in a row, 'Water Positive' for sixteen consecutive years and 'Solid Waste Recycling Positive' for the past eleven years.

9) PACKAGING AND PRINTING BUSINESS

ITC's Packaging and Printing business is the largest value added converter of paperboard packaging in South Asia. It converts over 70,000 tonnes of paper, paperboard and laminates per annum into a variety of value-added packaging solutions for the food and beverages, personal products, cigarette, liquor and consumer goods industries. The division was established in 1925 as a strategic backward integration for ITC's cigarettes business. Today, it is India's most sophisticated packaging house.

Packaging

This division supplies packaging to ITC's various FMCG businesses. Additionally, its external customers include prominent companies such as Nokia, Colgate-Palmolive, Pernod Ricard, Diageo, British American Tobacco, Philip Morris International, Agio Cigars, UB Group, Tata Tetley, Tata Tea, Reckitt Benckiser, Radico Khaitan, Akbar Brothers, Surya Nepal, VST Industries, etc. Its three packaging factories are located at Tiruvottiyur near Chennai (in South India), Munger in Bihar (in East India) and Haridwar (in North India).

Product Lines: ITC's Packaging Business consists of three major product lines

1) Carton board packaging · Printed Cartons · Fluted cartons

2) Flexible packaging

3) Tobacco packaging

1) **Carton Board Packaging -** ITC occupies a leadership position in catering to the needs of the liquor, mobile phones and food businesses. It offers a range of value additions for carton board packaging such as UV offset printing, Foil Stamping, Embossing, Window patching & lined cartons, etc.

2) **Flexible Packaging -** this is an area of high growth for ITC and the company has made investments in technology and sourced equipment from world class suppliers. ITC offers a completely integrated solution for laminates from Pre-press, In-house Blown Film, Cast film, Extrusion Lamination, Hot Melt Coating, specialty pouch making and bag making. This is backed by in-house cylinder making and pre-press support.

3) **Tobacco packaging -** ITC’s range of products includes flip top boxes(Square, Round, Beveled and Pillow Pack Hinge lids, etc), Outers, Soft Cup labels, Pack inserts, Printed cork tipping, printed overwraps, inner frames, etc. It makes shoulder boxes for cigars and cigarettes. In a year, the company supplies packaging for over 80 billion cigarette sticks in the domestic market,

and for 15 billion cigarette sticks for the export market to leading tobacco majors.

Green Packaging

ITC Packaging has pioneered offering of Green Packaging, which includes usage of raw material from sustainable sources and conversion of the same in a facility which is 100% powered by renewable energy (wind energy). This clean energy initiative along with other sustainability initiatives helps the Packaging Business to significantly contribute to ITC being a carbon Positive, Water Positive and Solid Waste Recycling Positive Company.

IV AGRIBUSINESS

ITC's pre-eminent position as one of India's leading companies in the agricultural sector rests on strong and enduring farmer partnerships, which has transformed the rural agricultural sector. A unique rural digital infrastructure network, coupled with in-depth understanding of agricultural practices and intensive research, has built a competitive and productive supply chain that creates and delivers immense value across the agricultural value chain.

ITC sources the finest of Indian feed ingredients, food grains, marine products, processed fruits and coffee.The Agri Business Division is the country's second largest exporter of agri-products. It currently focuses on exports and domestic trading of:

Feed ingredients - soya meal

Food grains - wheat and wheat flour, rice, pulses, barley and maize

Marine products - shrimps and prawns

ITC has been a significant exporter of seafood since 1971. It exports frozen as well as cooked shrimps and other seafood products to Europe, Japan, Middle East, Russia, USA, Vietnam, etc.

Processed Fruits - fruit purees/concentrates, IQF/frozen fruits, organic fruit products

In line with its strategy of achieving higher value addition, enhancing its products basket with many new products. These include frozen foods, IQF (individually quick frozen) fruits, niche products like baby-food, quality purees and high brix pulp, traceable and organic purees. ITC is also looking to exploit the market opportunity for tropical fruits and fruit products, where India has a natural advantage of growing the complete range, including exotic varieties. In the Processed Fruits category, ITC exports from ISO certified plants to Western Europe, North Africa, West Asia, Japan and North America processed fruit products made from mango (Alphonso, Kesar &Totapuri), guava, papaya and pomegranate. ITC is the leading Indian exporter of organic and Fairtrade certified fruit products certified to European (EC 2092/91) and US (NOP) Standards.

Coffee

E- CHOUPALS

Farmers' empowerment through e-choupals Choupal

Pradarshan Khet- ITC's Agri Business has launched a flagship extension programme called 'Choupal Pradarshan Khet' (CPK) or demonstration plots to help farmers enhance farm productivity by adopting agricultural best practices. Started in 2005-06, the crop covered include soya, paddy, cotton, maize, bajra, wheat, gram, mustard, sunflower and potato. This initiative, has covered over 64,000 hectares and has a multiplier effect and reaches out to more than 70,000 farmers.

Choupal Saagar- Following the success of the e-Choupal, the company launched 'Choupal Saagar', a physical infrastructure hub that comprises collection and storage facilities and a unique rural hypermarket offering several services in one place. The Choupal Saagar also houses farmer facilitation centres with services such as sourcing, training, cafeteria, banking, investment services, fuel station, etc. 23 'Choupal Saagars' have commenced operations in the states of Madhya Pradesh, Maharashtra and Uttar Pradesh.

V. ITC INFOTECH

ITC Infotech is a full-service technology solutions provider, led by Business and Technology Consulting. ITC Infotech's Digitaligence@work combines technology with domain, data, design and distinguished delivery to markedly enhance experience and efficiency.

The company caters to businesses in supply chain-based industries (CPG, Retail, Manufacturing, Hi-Tech) and services (Banking, Financial Services and Insurance, Healthcare, Airline, Hospitality) through a mix of traditional and modern business models, as a long-term sustainable partner. In this age of digital disruption, ITC Infotech has chosen a '5D' excellence structure to serve its clients better:

DOMAIN Led: ITC Infotech's solutions and services are powered by profound domain understanding and prowess in focus industries.

DATA: DATA Infra to Insights to Interventions, ITC Infotech enables clients to leverage the power of data with actionable understanding and authoritative analytics.

DIGITAL ready: ITC Infotech provides digital solutions to help clients transform their businesses and enrich customer engagements

DESIGN expert: ITC Infotech provides UI/UX, high-end engineering design solutions and services to market-leading engineering organizations globally.

DIFFERENTIATED Delivery: ITC Infotech customizes delivery: Outcome-based, BOT, JVs, as-a-service and subscription models: ITC Infotech consistently delivers long-term value on the 5D Framework through Digitaligence@Work.

These have been designed to not only be the critical pillars in creating a compelling offering for clients, but also bestow the company with a clear competitive edge.

Offerings - Domain Led, Consulting Enabled

ITC Infotech focuses on developing intense and discerning capabilities that are aligned to its 5D Framework. Its unwavering focus on delivering perennial value to customers has formed the backbone of the company's growth strategy. The company has been successful in attaining differentiation in niche areas and continues to attain competitive advantage to reinforce its market share.

ITC Sangeet Research Academy is a Hindustani classical music academy established in 1977 in Kolkata. Some noted musicians are associated with this academy.

2.10 FINANCIAL STATEMENT

Five Years Financials (Yearly basis)

Table: 2.13 Indian Tobacco Company's 5 Year Financial Record

Parameters	**MAR'17 (₹ Cr.)**	**MAR'16 (₹ Cr.)**	**MAR'15 (₹ Cr.)**	**MAR'14 (₹ Cr.)**	**MAR'13 (₹ Cr.)**
Sales Turnover	5,54,485.00	3,68,374.00	3,65,074.00	3,32,386.00	2,99,013.00
Other Income	19,859.10	18,037.40	15,431.30	11,071.40	9,387.00
Total Income	5,74,344.00	3,86,411.00	3,80,505.00	3,43,457.00	3,08,400.00
Total Expenses	4,08,704.00	2,25,992.00	2,30,338.00	2,07,838.00	1,92,738.00
Operating profit	1,65,640.00	1,60,420.00	1,50,167.00	1,35,620.00	1,15,662.00
Gross Profit	1,65,410.00	1,59,928.00	1,49,593.00	1,35,590.00	1,14,797.00
Interest	229.50	491.30	574.20	29.50	864.70
PBDT	1,65,180.50	1,59,436.70	1,49,018.80	1,35,560.50	1,13,932.30
Depreciation	0.00	0.00	0.00	0.00	0.00
PBT	1,55,030.00	1,49,584.00	1,39,975.00	1,26,591.00	1,06,842.00
Tax	53,020.60	51,136.80	43,897.90	38,739.00	32,657.90
Net Profit	1,02,009.00	98,447.10	96,077.30	87,852.10	74,183.90
Earnings Per Share	8.43	12.26	12.05	11.09	9.45
Equity	12,147.40	8,047.20	8,015.50	7,953.20	7,901.80
Preference Capital	0.00	0.00	0.00	0.00	0.00
Reserves	4,41,262.00	3,20,719.00	2,98,817.00	2,54,143.00	2,14,449.00
Face Value	1.00	1.00	1.00	1.00	1.00

Source : Dion Global Solutions Limited

2.11 SWOT ANALYSIS

STRENGHTS :	**WEAKNESSES:**
1. Largest selling Tobacco brand in India ; regulations	1. Heavy taxation prone products
2. Strong financial performance	2. Diversification into various line in which it does not have much knowledge would be very risky proposition
3. Good returns by way of dividend per share every year	3. Brand name's associated with tobacco
4. Excellent brand marketing capability helping it to diversify it into Retailing, IT, Hotel segment	4. Too much reliance on tobacco revenues
5. Wealth of local knowledge & international expertise help it to be globally competitive	5. Other businesses subsidized by tobacco segment
6. Distribution network	6. Price positioning in some categories allows for low price competition
7. Brand image	7. Due to high price of cigarette, consumers are switching to other cheaper forms of tobacco
8. CSR programmes and success therein	8. Its Hotel industry has not created a big share in the market size
9. Research and Development	
10. Illustrated ability to leverage traditional businesses to develop new brands. (Chefs + Cigarette = FMCG; paper + package = Greetings cards)	
11. The 'Expression' greeting cards is widening its base all over India & it is available at most retail shops	
12. Consumer understanding and systems for building consumer insight	
13. Well spread manufacturing units	
14. High quality manpower resources	
15. High quality standard products & services	

OPPORTUNITIES:	THREATS:
1. Government policies (liberalization) and stable economy 2. Synergies across businesses + leveraging domain expertise for growth in other sectors. 3. Lowest per capita FMCG consumption Personal care and booming incomes 4. Untapped Rural market 5. Leveraging brand equity 6. Upgrading consumers through innovation to new levels of quality and performance 7. Proper publicity of the Hotels would increase its brand image & revenues 8. Its competitors don't have the financial banking like it so it can take advantage of this 9. High growth potential could be achieved	1. Increasingly hostile attitude towards smoking in general 2. Competition- domestic+ international 3. Unfavourable raw material prices 4. Government policies towards tobacco+ tax & regulations 5. Negative publicity for smoking could affect its cigarette segment 6. Poor monsoon leads to poor agriculture growth which would affect the Agro-exports

Figure: 2.3 Swot Analysis of Indian Tobacco Company Limited

2.12 AWARDS & ACCOLADES

- ITC ranked first amongst the most admired companies in India in 2014 (Fortune-Hay Group survey). One of the leaders in the private sector in terms of: Sustained value creation - Operating profits - Cash Profits.
- ITC won the prestigious Porter Prize 2017 for 'Excellence in Corporate Governance and Integration' and for its extraordinary contribution in 'Creating Shared Value'. ITC ranked 3rd amongst leading corporate in India in Corporate Reputation (Nielsen Corporate Image Monitor 2014-15).

- ITC rated as the most active in CSR for third year in a row (Nielsen Corporate Image Monitor 2014-15).
- Chairman Y C Deveshwar was conferred the Padma Bhushan by the Government of India (2011).
- Chairman Y C Deveshwar conferred the prestigious Banga Bibhushan award, the highest civilian honour bestowed by the Government of West Benga.
- ITC won the Business world FICCI CSR award in Large Enterprise category.
- Best Overall Corporate Social Responsibility Performance: Institute of Public Enterprise AIM Asian CSR Award by the Asian Forum on Corporate Social Responsibility.
- Rainforest Alliance awarded ITC's Bhadrachalam Unit, the Forest Stewardship Council Forest Management certification.
- John Players won highest awards at Goa Fest 2016 (Creative ABBY Awards) for innovative use of image/design and social media content.
- Sunfeast, Bingo! and Yippee! ranked among the Top 5 in the Foods category.
- Wills Lifestyle was acknowledged at the 2016 DMAi CREATEFFECT Awards for creativity in 'Interactive Experiential Marketing'.
- ITC named India's 'Buzziest' Corporate brandby afaqs!, the country's leading media website.Vivel, Engage and Fiama featured among the Top 5 in the Personal Care segment.
- Savlon ranked No.2 in the OTC category Savlon Healthy Hands Chalk Sticks campaign won 7 Lions at Cannes 2017 and also acknowledged as one of the 10 leading PR Campaignsin the World at Global SABRE Awards.
- Lifetime Achievement Awards 2017 by leading media brands - Economic Times, Business Standard, Business Today and CNBC TV18.

HINDUSTAN UNILEVER LIMITED (HUL)

2.13 INTRODUCTION

Hindustan Unilever Limited (HUL) is a publicly listed consumer goods company based in Mumbai, India. It is a subsidiary of Unilever, an Anglo-Dutch multinational. HUL's line of products comprises foods, beverages, cleaning agents, personal care products and water purifiers.

HUL began operations in 1933 as Lever Brothers and, in 1956 it adopted the name Hindustan Lever Limited, as a result of a merger among Lever Brothers, Hindustan Vanaspati Mfg. Co. Ltd. and United Traders Ltd. The company was finally renamed in June 2007 as "Hindustan Unilever Limited". Although HUL was incorporated in 1933, the group has been selling its products in India since 1888.

HUL’s portfolio consists of over 35 brands across 20 distinct categories such as soaps, detergents, shampoos, skin care, toothpastes, deodorants, cosmetics, tea, coffee, packaged foods, ice cream, and water purifiers. Its bouquet of brands include Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Close-up, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's and Pureit.

The company employs about 18,000 staff and clocked net sales of Rs 33,895 Crores (financial year 2016-17). HUL functions as a subsidiary of Unilever, a major global supplier of food, home care, personal care and refreshment products with a presence in over 190 countries and turnover of €53.7 billion in 2017. Unilever onws in excess of 67% shares of HUL.

Hindustan Unilever Limited

Type	Public limited company
Traded as	BSE: 500696 BSE SENSEX Constituent
Industry	Consumer goods

Predecessor	Hindustan Vanaspati Manufacturing Company (1931-1956) Lever Brothers India Limited (1933-1956) United Traders Limited (1935-1956) Hindustan Lever Limited (1956-2007)
Founded	1933; 85 years ago
Headquarters	Mumbai, India
Key people	Sanjiv Mehta (CEO and MD)
Products	Foods, cleaning agents personal care products and water purifiers.
Revenue	□34,487 crore (US$5.4 billion) (2016-17)
Operating income	□6,047 crore (US$940 million)(2016-17)
Net income	□4,490 crore (US$700 million) (2016-17)
Number of employees	18,000 (2014)
Parent	Unilever
Website	www.hul.co.in

Figure 2.4 Hindustan Unilever Limited Profile

Source: https://en.wikipedia.org/wiki/Hindustan_Unilever

2.14 HISTORY

HUL can trace its history back to the summer of 1888, when the group began selling Sunlight soap bars in Kolkata. The soaps carried imprint "Made in England by Lever Brothers". That marked the beginning of branded Fast Moving Consumer Goods (FMCG) marketing in India.

- 1933 -Application made for setting up soap factory next to the Vanaspati factory at Sewri; Lever Brothers India Limited incorporated on October 17.
- 1934 - The Company began soap manufacturing at the Sewri factory in October; North West Soap Company's Garden Reach Factory in Kolkata was taken on lease and expanded to manufacture Lever brands.

- 1935 - United Traders incorporated on May 11 to market Personal Products.
- 1937 - Mr. Prakash Tandon, one of the first Indian covenanted managers, joins HVM.
- 1939 - Garden Reach Factory acquired; focus on building Dalda Vanaspati as a brand.
- 1941 - Agencies in Mumbai, Chennai, Kolkata and Karachi taken over; company recruits own sales force.
- 1942 - Unilever takes firm decision to 'train Indians instead of Europeans for middle and senior management positions '.
- 1943 - Personal Products manufacturing starts in India at Garden Reach Factory.
- 1944 - The three group companies were reorganised with common management, but separate marketing operations.
- 1947 - Pond's Cold Cream launched.
- 1951 - Mr. Prakash Tandon becomes first Indian Director. Shamnagar, Tiruchy and Ghaziabad Vanaspati factories bought.
- 1955 - 65% of managers are Indians.
- 1956 - The three separate companies are merged to form Hindustan Unilever Limited, with 10% Indian equity participation.
- 1957 - Unilever Special Committee approves research by Hindustan Unilever.
- 1958 - Research Unit begins functioning at Mumbai Factory.
- 1959 - Surf brand launched.
- 1961 - Mr. Prakash Tandon is the first Indian Chairman; 191 of the 205 managers are Indians.
- 1962 - Formal Exports Department is established.
- 1963 Head Office building at Backbay Reclamation, Mumbai opened.
- 1964 - Etah dairy established and Anik ghee brand launched; Animal feeds plant established at Ghaziabad; launch of Sunsilk shampoo.

- 1965 - Signal toothpaste launched; Indian shareholding rises to 14%.
- 1966 - Lever's baby food and other foods introduced; Nickel catalyst production begins; Indian shareholding is now 15%. Statutory price control on Vanaspati; Taj Mahal tea brand launched.
- 1967 - Hindustan Unilever Research centre, opens in Mumbai.
- 1968 - Mr. V. G. Rajadhyaksha succeeds Mr. Prakash Tandon as Chairman; Fine Chemicals Unit commissioned at Andheri; informal price control on soap begins.
- 1969 - launch of Rin bar; Fine Chemicals Unit begins production; Bru coffee launched ·
- 1971 - Mr. V. G. Rajadhyaksha presents plan for diversification into chemicals to Unilever Special Committee - plan approved; Clinic shampoo launched.
- 1973 - Mr. T. Thomas is the new Chairman.
- 1974 - Pilot plant for industrial chemicals at Taloja; informal price control on soaps withdrawn; Liril marketed.
- 1975 - Modernisation plan for soaps and detergent plants; Jammu project work begins; statutory price control on Vanaspati and baby foods withdrawn; Close-up toothpaste launched.
- 1976 - Construction of Haldia chemicals complex begins; Taloja chemicals unit begins operations.
- 1977 - Jammu synthetic detergents plant inaugurated; Indian shareholding rises to 18.57%.
- 1978 - Indian shareholding increases to 34%; Fair & Lovely skin cream launched.
- 1979 - Haldia-based Sodium Tripolyphospate plant commissioned.
- 1980 - Dr. A. S. Ganguly takes over as Chairman; Unilever shareholding in the company comes down to 51%.
- 1982 - Government allows 51% Unilever shareholding.
- 1984 - Foods and Animal Feeds businesses transferred to Lipton.

- 1986 - Agri-products unit at Hyderabad starts operating - first range of hybrid seeds introduced; production begins at Khamgaon Soaps unit and Yavatmal Personal Products unit.
- 1988 - Launch of Lipton Taaza tea.
- 1990 - Mr. S. M. Datta takes over as Chairman.
- 1991 - Surf Ultra detergent launched.
- 1992 - HUL acknowledged by Government of India as a Star Trading House in Exports.
- 1993 - Merger of HUL's biggest competitor Tata Oil Mills Company (TOMCO) and HUL is effected from April 1, 1993, the biggest such merger in Indian industry until that time. Merger completed in December 1994; Launch of Vim bar; Kissan acquired from the UB Group.
- 1994 - HUL forms Unilever Nepal Limited; HUL and US-based Kimberley-Clark Corporation form 50:50 joint venture - Kimberley-Clark Lever Ltd. - to market Huggies diapers and Kotex feminine care products. Factory set up at Pune in 1995; HUL acquires Kwality and Milkfood 100% brand names and distribution assets. HUL introduces Wall's.
- 1995 - HUL and Indian cosmetics major, Lakme' Ltd., form 50:50 joint venture Lakme' Lever Ltd.; HUL enters branded staples business with salt; HUL recognised as Super Star Trading House.
- 1996 - Mr. K. B. Dadiseth takes over as Chairman; Merger of group company Brooke Bond Lipton India Limited with HUL; HUL introduces branded atta; Surf Excel launched.
- 1997 - Unilever establishes International Research Laboratory in Bangalore; new Regional Innovation Centres also come up.
- 1998 - Group Company, Pond's India Ltd., merges with HUL. HUL acquires Lakme' brand, factories and Lakme' Ltd.'s 50% equity in Lakme Lever Ltd.
- 2000 - Mr. M. S. Banga takes over as Chairman, Mr K. B. Dadiseth joins the Unilever Board; HUL acquires 74% shares in Modern Food Industries Ltd. -

the first Indian public sector company to be disinvested by the Government of India.

- 2002 - HUL ventures into Ayurvedic health and beauty centre category with Ayush range and Ayush Therapy Centres.
- 2003 - Launch of Hindustan Lever Network; acquisition of the Amalgam Group
- 2005 - Launch of 'Pureit' water purifiers
- 2006 - Brookefields food operations moved to Mumbai
- 2007 - Company name formally changed to Hindustan Unilever Limited on 18 May 2007. Sales of Brooke Bond and Surf Excel each cross the Rs 1,000 crore mark
- 2008- HUL completes 75 years of operations on 17th October 2008
- 2009 - HUL licenses 'Lakme' and 'Lever Ayush', brands to its subsidiary, Lakme Lever Private Limited, for the Beauty and Wellness services business
- 2010 - Launch of Pureit Marvella against Aquaguard for domination in the fast-growing water purifier market in the premium category
- 2011-HUL's corporate campus in Andheri, Mumbai, received certification of LEED India Gold in New Construction category by Indian Green Building Council (IGBC), Hyderabad. HUL and Star Bazaar, of Trent Hypermarket Limited, the retail arm of Tata Group, launched the consumer initiative titled India's favourites to promote the education of underprivileged children. The shareholders of the company on July 28, 2011, approved transfer of certain assets, liabilities and properties of FMCG Exports Business Division of Hindustan Unilever Limited to Unilever India Exports Limited.

  HUL and Bharti Retail's easyday Market and easyday stores, launched a joint initiative to promote plastic recycling among consumers in NCR.
- 2012- HUL's state of the art Learning Centre and the Customer Insight & Innovation Centre (CiiC) are inaugurated in March and April, 2012 respectively at the company’s Andheri campus in Mumbai.
- 2013- HUL completes 80 years in India on October 17th, 2013.

2.15 VISION

The five pillars of HUL's vision bring out its long-term direction - where company want to go and how company is going to get there:

- Work to create a better future every day.
- To make sustainable living commonplace; and provide brands and services that help people feel and look good.
- Inspire people to take small steps everyday that can add up to a big difference for the world.
- In 2009, HUL created The Compass - strategy for sustainable growth. It sets out the goal to double the business, reduce the environmental impact and increase positive social impact and build a sustainable business for posterity.
- To earn the love and respect of Indians by making a noticeable difference to every Indian.

2.16 MISSION

“To bring social change through its brand', Unilever's mission is to bring vitality to life.

HUL meets every day human needs of people such as nutrition, hygiene and personal care that help people feel good, look good and get more out of life.

2.17 CORPORATE GOVERNANCE

HUL believes that nothing can be better than a business, however small it may be, governed by conscience; and that nothing can be meaner or pettier than a business, however large, governed without honesty and without camaraderie.

-William Hesketh Lever Transparency and accountability are the two basic principles of Corporate Governance.Hindustan Unilever feels proud to be a part of a company whose visionary founders had laid the cornerstone for good governance and made it a fundamental principle of the business.

To succeed, HUL believes, requires the highest levels of corporate behaviour towards everyone. HUL works with the communities HUL touches, and the environment on which HUL has an impact. This is HUL's road to sustainable, profitable growth and creating long-term value for its shareholders, people and business partners.

Strategy Formulation

It decides direction and scope of the company over the long-term. The strategy of HUL has been to introduce new and innovative products at competitive price in the markets which gives value for money. This is the main reason that the company places its focus on research and development and the reason HUL has been regarded as the most reputed corporate FMCG brand in the country. Structure of the board at the apex headed by Chairman, comprising 5 whole time Directors and 5 independent non-executive Directors.

Divisions

Each division is independent with dedicated resources and assets in sales, marketing, commercial, and manufacturing. Every category and function - Sales, Commercial, Manufacturing - is led by a Vice-President. For managing sales operations, HUL divides the country into four regions, with regional branches in Delhi, Kolkata, Chennai and Mumbai. In Marketing, each category has a Marketing Manager who heads a team of Brand Managers dedicated to each or a group of brands. Each Division has nationwide manufacturing, with each factory having managers for Production, Engineering, Quality Assurance, Commercial and Personnel.

2.18 MARKETING STRATEGIES

In 1990s HUL wanted to expand its network in rural India. It had a choice to adopt the traditional distribution model which could have set the cash registers ringing. But HUL adopted an approach that was embedded in its belief of -'Doing Well by Doing Good'. It created a novel micro-entrepreneurship model that married business interests with societal need. This model has been guided by the belief that the private sector can help address social challenges through innovative approaches that meet both business and social objectives. By promoting micro-enterprise, Project Shakti not only made great business case, but also had profound social impact.

The choice of micro-entrepreneurship model had clear benefits for the rural community:

- Sustainable investment opportunities.
- Increase in the household income of poor families of Shakti Entrepreneurs (SEs).
- Empowering rural women.
- Better standards of living by providing access to health and hygiene products.
- Basic business management training to sustain livelihood to rural underprivileged women. In this novel plan, the company sells the products at higher discounts to the Shakti Entrepreneurs (SEs) thus enabling them to generate higher family income. The initiative nearly doubles the average household income of a SE. Moreover, the company also invests in training the entrepreneurs and empowers them with sales tools like mobile phones, bicycles, etc. In general, a rural woman from a poor family (in some cases member from a Self Help Group) is selected as a Shakti entrepreneur or 'Shakti Amma'. She receives products from HUL's rural distributor.

With such a large number of household brands under each product category whether it is home care, food & refreshments, personal care and toiletries, HUL is leading in its markets by helping the brand in achieving consistent, competitive and profitable growth.

2.18.1 SEGMENTATION, TARGETING, PLACEMENT IN THE MARKETING STRATEGY OF HUL

HUL uses a mix of demographic, geographic and psychographic segmentation variables to address the changing needs of the customers. It uses distinct targeting strategies to market products to the customer according to their choice. HUL has a vast number of brands in its brand portfolio and it positions the brands on benefit and usage based positioning strategies.

Competitive advantage in the Marketing strategy of Hindustan Unilever Limited: A leader in FMCG market: With a presence in various consumer goods segments along with the large SKUs of each brand in many product categories, HUL is leading the market. According to Nielsen data, 2 out of 3 consumers in the market uses HUL products.

2.18.2 BCG MATRIX IN THE MARKETING STRATEGY OF HUL

In the BCG matrix, the personal and oral care segments of the business are Stars while the home care and packaged food businesses are a question mark due to the presence of many local, national and global participants in the market.

2.18.3 DISTRIBUTION STRATEGY IN THE MARKETING STRATEGY OF HUL

HUL works on go-to-market strategies to reach everywhere in the country with its multiple distribution channels. By closely working with 2,700+ redistribution stockists and shoppers every day to maximise their sales, HUL ensures that whether it is a small Kirana store, drug store or mom and pop store at a distant location, its products should reach all of them on time, every time.

2.18.4 BRAND EQUITY IN THE MARKETING STRATEGY OF HUL

With such high TOMA (top of mind awareness) and working closely with the distributors to reach out to a diverse selection of customers through multiple channels, HUL has emerged as one of the leaders in the FMCG industry in India. Engaging with the communities via various social and digital platforms has helped the company in becoming the most liked FMCG Company in India. Many brands of HUL have been in the list of Brand Equity's most trusted brands.

2.18.5 COMPETITIVE ANALYSIS IN THE MARKETING STRATEGY OF HUL

Having large number brands with deep assortments has aided the company in attaining a high share of the consumer’s wallet. Distribution is one of the key factors in the success of the FMCG players in a country like India, and HUL, through its strong and creative distribution models such as Shakti Amma and many others has been able to make the products available to customers through different channels.

Brand Visibility: Having more than 35 brands across the various market segments such as oral care, personal care, home care, toiletries, packaged foods and many others is assisting the company in garnering high shelf space in retail shops, resulting in high brand awareness as well as visibility.

Financially strong parent company: Unilever is a financially solid company and it owns 67% shares in HUL.

Strong Product line: It offers product categories namely oral care, personal care, household surface, fabric care and pet nutrition etc. having great variety across the product categories. In the FMCG market, it competes with local and MNC players such as P&G, Godrej, Reckitt Benckiser and many others.

2.18.6 MARKET ANALYSIS IN THE MARKETING STRATEGY OF HUL

The FMCG market is swarming with local national and international MNCs who are swallowing one another's market share, but the key point is to tap the high potential of the rural market, which is still growing and does not have the full availability of products and services.

The high infrastructure cost in setting up of the FMCG Company is a significant entry and exit barrier to the industry. Many FMCG companies outsource products from local manufacturers as per their standards and confidentiality agreements, which help them in minimising operating costs.

2.18.7 CUSTOMER ANALYSIS IN THE MARKETING STRATEGY OF HUL

HUL’s customers range from a newborn baby to senior citizens. It has products for every section of the society.

2.19 CORPORATE STRATEGIES

- Restricted in two Division - Food & Home/ Personal care products
- Improvement in Portfolio Products
- 400 products selected
- Manufacturing restructured in regional networks
- IT system rearranged• Change in job management framework
- Reduction in managerial job classes
- Develop high level expertise• Building Market and Building brand

- Launch Brand when innovation pipeline is full
- To deliver continuous performance with a long-term view
- Clarity of Strategies where HUL wants to lead
- Transformational change beyond HUL business

2.20 DIVERSIFICATION STRATEGIES

Currently, a Unilever brand can be found in every second household in the world. Yet, it is remarkable that the corporate perception of a company with well known brands and widespread operations is still indistinct. There were times between the 1960s and 1990 when Unilever seemed to be amorphous. Not only did its brands and local companies did not bear its corporate, but the sheer spread of businesses it owned beyond packaged consumer products, including African trading, plantations, specialty chemicals, paper and packaging, transport, advertising, and market research companies resulted in this situation. Unilever, which appears to be more of a holding company or conglomerate, is barely unknown by its consumers. Unilever was founded on soap and margarine - both products sharing the same key raw materials - with diversification into other business areas starting in the mid-fifties.

The second phase started in the mid-fifties, when rapid growth in the Western world gave rise to heightened competition and lower margins in the company's traditional product offerings. Unilever's strategy was an active diversification programme via the acquisition route. The vigor with which this was carried out, while successfully introducing the company into profitable new categories, also brought in a lot of related activities.

Unilever's thirteen core business segments are: ice cream, tea-based beverages, culinary products, hair care, skin care and deodorants (all with superior growth potential); spreads, oral care, laundry care and household care (steady growth); and frozen foods, fragrances and professional cleaning (selective growth). Unilever also epitomises balance between specialization and diversification. Unilever has, from its origins, been a purpose-driven company. Today HUL's purpose is simple but clear - to make sustainable living an everyday thing.

At Unilever, the company wants to grow its business in the right way so that consumers, employees, suppliers, shareholders and communities all benefit. HUL has a vision to grow business whilst decoupling their environmental footprint from their growth and increasing positive social impact.

In 2015, HUL's 12 Sustainable Living brands grew 30% faster than the rest of the business; in 2016 they grew 40% faster and delivered nearly half of the company's growth. Sustainable Living brands are brands that combine a strong purpose delivering a social or environmental advantage, with products contributing to at least one of HUL's USLP goals.

HUL brands and products	How HUL behave	Working with others
HUL create brands that offer balanced nutrition, good hygiene and give people confidence. They are making their products accessible and affordable to consumers, wherever they live and HUL are innovating to find new products that make life better.	HUL source their products carefully, so that they protect the earth's resources. They treat people fairly and respect their rights, so employees, suppliers and communities all benefit from working with HUL.	HUL is working with others to create transformational change beyond their business while their bright Future campaign is motivating millions of people to take small, everyday actions that together make a big difference.

Figure: 2.5 Sustainable Living Plan of Hindustan Unilever Limited

Source: https://www.hul.co.in/sustainable-living/our-strategy

With 7 billion people on our planet, the earth's resources are being increasingly strained. Sustainable, equitable growth is the only fair model for HUL business. But growth and sustainability are not contradictory.

HUL's four-point strategy shows how sustainability drives value for its business.

More growth - sustainability provides innovation opportunities, opens up new markets and allows HUL's brands to attract consumers in new ways. Consumers are reciprocating - HUL's Sustainable Living brands are growing faster than the rest of its business.

Lower costs - by lowering waste and using resources wisely, HUL creates efficiencies, rationalises costs and enhances margins, while becoming less exposed to the volatility of input prices. Since 2008, they have avoided costs of over €700m through eco-efficiency in their factories.

Less risk - operating sustainably helps HUL future-proof their supply chain against climate change risks and risks related to long-term sourcing of raw materials. By 2016, 51% of its agricultural feedstock was sustainably sourced.

More trust - placing sustainability at the heart of the business model strengthens relationships. It helps the company to maintain their value and relevance to consumers, whilst inspiring Unilever's current and future employees. For example, in 2016, HUL maintained their status as the Graduate Employer of Choice in the FMCG sector among 34 of the 60 countries they recruit from.

2.20.1 SEGMENTWISE DIVERSIFIED PORTFOLIO OF HINDUSTAN UNILEVER LIMITED

Table: 2.14 Segmentwise Diversified portfolio of Hindustan Unilever Limited

Diversification year	Segments	Includes
	Soaps, Detergents & Household Care	Soaps, detergentsbars, detergent powder, detergent liquids, scourers etc.
1903	Beverages	Tea/ instant tea, coffee.
1962	Exports	Sales of marine products, leather products, castor, mushrooms etc. As well as sales of soaps & detergents, personal products, beverages and foods etc. , by export division.
1966	Foods	Culinary products (soups, souces, dressings), spreads, cooking products and bakery fats, salt and wheat flour.
1969	Others	Plantation, chemicals, agriseeds, property development, etc.
1989	Ice Creams	Ice creams and frozen desserts.
2005	Water Purifier	Pureit water purifier.

The company is currently focused on five business groups

Table: 2.15 Segment wise items of Hindustan Unilever Limited

Segment	Includes
Soaps, Detergents & Home Care	Soaps, detergent bars, detergent powders, detergent liquids, scourers, etc.
Personal Products	Products in the categories of Oral Care, Skin Care (excluding soaps), Hair Care, Deodorants, Talcum Powder, Colour Cosmetics, Salon services, etc.
Beverages/Refreshment	Tea and coffee
Packaged foods	Branded Staples (Atta, Salt, Bread, etc.), Culinary Products (tomato based products, fruit based products, soups, etc.) and Frozen desserts
Others	Exports, Chemicals, Water business, Infant Care Products etc. Segment Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable. In addittion, the Group's others segment includes export sale of marine products, leather products etc.

2.20.2 SUBSIDIARIES AND JOINT VENTURES OF HINDUSTAN UNILEVER LIMITED

Table: 2.16 Subsidiaries and Joint venture of Hindustan Unilever Limited

S No.	Subsidiaries Companies	S No.	Joint Venture
1	Unilever Export Limited	1	Kimberly Clark Lever Private Limited
2	Lakme Lever Private Limited		
3	Pond's Export Limited		
4	Unilever Nepal Limited		
5	Deverashola Estates Private Limited		
6	Jamnagar Properies Private Limited		
7	Lever Associated Trust Limited, Livendra Trust Limited and Hindlever Trust Limited		

2.20.3 MERGERS AND DEMERGERS OF HINDUSTAN UNILEVER LIMITED

Table: 2.17 Mergers/Demergers of Hindustan Unilever Limited

S No.	Name of the Company	Merger	Demerger	Appointed Date
1	Internationl Best Foods Limited	Hindustan Unilever Limited		1 January, 2001
2	Aviance Limited	Hindustan Unilever Limited		1 July, 2001
3	Tea Estates India Limited (formerly known as Thiashota Tea Company Limited		Hindustan Unilever Limited	1 April, 2005
4	Doom Dooma Tea Company Limited (formerly known as Daverashala Tea Company Limited)		Hindustan Unilever Limited	1 April, 2005
5	International Fisheries Limited	Hindustan Unilever Limited		1 January, 2005
6	Merry Weather Food Products Limited	Hindustan Unilever Limited		1 January, 2005
7	Lipton India Exports Limited	Hindustan Unilever Limited		1 April, 2005
8	Lever India Exports Limited	Hindustan Unilever Limited		1 April, 2005
9	Toc Disinfectants Limited	Hindustan Unilever Limited		1 April, 2005
10	Vashisti Detergents Limited	Hindustan Unilever Limited		1 July, 2005
11	Modern Food Industries (India) Limited & Modern Food Nutrition Industries Limited	Hindustan Unilever Limited		1 October, 2006
12	Shamnagar Estates Private Limited		Hindustan Unilever Limited	1 November, 2006
13	Jamnagar Properties Private Limited		Hindustan Unilever Limited	1 November, 2006
14	Daverashala (Formerly known as Hindustan Kwality Walls Foods Private Limited		Hindustan Unilever Limited	1 November, 2006
15	Brooke Bond Real Estates Limited		Hindustan Unilever Limited	1 April, 2008

S No.	Name of the Company	Merger	Demerger	Appointed Date
16	Bon Limited	Hindustan Unilever Limited		1 April, 2009
17	Unilever India Exports Limited	Transfer of FMCG Exports Business of Hindustan Unilever Limited		1 April, 2011

2.20.4 NEW LAUNCHES AND EXPANSIONS OF HINDUSTAN UNILEVER LIMITED

1. SOAPS, DETERGENTS & HOMECARE BUSINESSES

Table: 2.18 Soaps, Detergents & Homecare Businesses (2001-2016) of Hindustan Unilever Limited

Year	New launch	Products Expansion
2001	Fair & lovely soap	Hamam Variants, Domex Lemon
2002	Liril ice cool	
2003	Rin supreme bar	
2004	Rin Advanced, Lux international, Hamam Aloe vera in Tamil Nadu	Surf Excel quick wash, Wheel Active, Lux pink skin care
2005	Wheel Lemon Fresh soap, Active wheel portfolio in Uttar Pradesh & Madhya Pradesh, Surf Excel quick wash test launch in Tamil Nadu & Andhra Pradesh, Pureit Water purifier	Surf Excel blue, Lux, Hamam, Rexona, Dove
2006	Surf Excel variant, Hamam Ubtan	Lifebouy hand wash liquid, lux white glow uplifting bar, dove variants
2007	Surf Excel bar, Sunlight with superior wash properties, Vim dish wash liquid	Lux pink, grey, crystal shine, Lifebouy Care and Deo fresh, Dove variant
2008	Wheel Gold bar & powder	Lux Strawberry & Peach,
2009		Lux, Liril, Rexona, Hamam variants
2010		Lux, Lifebuoy, Hamam variants

Year	New launch	Products Expansion
2011	Surf Excel quick wash powder & bar, Comfort green Fabric Conditioners, Rin Perfect Shine Fabric Whitener, Pureit Intella, Pureit Marvella RO	Lux, Pears, Lifebuoy
2012		Rin, Surf Excel
2013	Rin detergent powder, Surf Excel detergent liquid, Vim Anti-Germ mix (bar & liquid)	
2014		Vim (tub bar & liquid)
2015	Ultima RO+UV with Oxytube	Vim Liquid
2016	Surf Excel Matic liquid, Rin Antibac Powder,	Rin water saving bar, Pureit Reverse Osmosis(RO) with classic RO range of water purifier

2. BEVERAGES / REFRESHMENT

Table: 2.19 Beverages/Refreshment Businesses (2001-2016) of Hindustan Unilever Limited

Year	New Launch	Products Expansion
2001	Bru Variant, A1stronger tea, Kwality Wall's Sundae tub with delicious sauces, Max 123, Cornetto Snackers, Feast snacko	
2002	Lipton Ice tea, Deluxe Green Label coffee, Kwality Wall's Black Currant Sundae, Viennetta vanilla & chocolate variant, Kesar magic	
2003	Brooke Bond master brand, Viennetta, Cappuccino Nut, Double Sundaes, super cornetto triple choc, Feast Almond Fudge	Beverages export business in USA, Australia, Japan, UAE and South East Asian countries, Tea bag unit in Pune
2004	LiptonIice tea in Bangalore & Chennai, Bru Filter coffee, Bru Roast & Ground	Cornetto at Rs. 15 in select geographies, Feast Crunchy chocobar at Rs 12, Lime Punch at Rs. 10, Sunshine Zero Cone at Rs 10, Viennetta Vanilla Chocolate variant, Cake cream and Chocolate Xcess, Black Forest Sundae with 100% vegetarian cake

Year	New Launch	Products Expansion
2005	Brooke Bond & Lipton Red Label natural care,Cornetto Chocobloc and Bikimax	
2006	Cornetto Feast Fruit n Nuts	Brooke Bond Taj Mahal & Brooke Bond Taza,
2007	Brooke Bond 3 Roses & Brooke Bond Red Label, Taj Mahal Dessert Teas, Moo a milk based Ice Cream in sticks & brick formats, Cornetto Flirty strawberry & Cornetto Cookies and Cream and Caramel Crunch	Ice Cappuccino Coffee
2008	Taj Mahal Tea bags in ginger, cardamom & lemon flavours, Bru instant coffee	Tiramisu Gelato & Nochiola Gelato, Cornetto almond praline, Cornetto Choco brownie, Cornetto Cone variants called Black Forest & Strawberry
2009	Brooke Bond Sehatmand	Cornetto Black Forest Flirt
2010	Padde Pop Fun Mango, Strawberry Jelly kick, Rainbow Punch and Twister Ninja, Black Forest and Dutch Choco Nut	3 Roses & Red Label
2011	Taj Mahal & Lipton green tea bags, Lipton Ice tea Bru Exotica Coffee, Cornetto in premium Cones Apple, Grape Jelly, Roasted Almond choc and black current and Raisins Ice creams	
2012	Fruttare an Ice Cream made with real fruits	Taaj Mahal, Taaza, Red Label, 3 Roses range, Premium Bru Exotica coffee range
2013		Bru range
2014	'Brown & Polson' and 'Rex' brands desserts	
2015		Taj Mahal & Lipton Green Tea range
2016	Cornetto Kulfi	Brooke Bond Red Label & 3 Roses Natural care tea with Ayurvedic ingredients

3. PACKAGED FOODS

Table: 2.20 Packaged Foods Business (2001-2016) of Hindustan Unilever Limited

Year	New Launch	Products Expansion
2001 *	Knorr variants, Annapurna Ready to eat Chapaties in Mumbai	Dalda Classic, Zahura (Punjab) unit expansion, modern milk Classic bread, Annapurna Salt
2002	Annapurna '3 Must Atta' in North and East	
2003	Kissan Mr. Fruit, Knorr Annapurna soupy snax, Kissan Greedy Bistix, Kissan Atta bread	Annapurna salt variant
2004	Kissan Squashes & Jams variants	Factory in Nasik and Bangalore
2005	Knorr Soups, Annapurna Atta, Anapurna Salt	
2006	Kissan ketchup & Jams variants	
2007		Kissan Ketchup, Jams, Knorr soups variants
2008		Knorr soups variants
2009	Ready-To- Cook range of Knorr, Knorr Soupy Noodles	
2010	Kissan Fruit & Soya, Kissan Creamy spread, Kissan Nurishmart	
2011		Knorr soupy Noodles variants
2012	Cakes, Cookies, Idli/Dosa Batter, dry mix powder	
2013		Kissan variants
2014	Instant soup variants	Knorr Noodles Chinese Flavours
2015	New range of mixed spices under Knorr Chef's Masala	
2016		Jams variants, Company expanded its 'Cook Up' offerings with the launch of international flavours in a '4 serve' format

*The salt factory at Gandhi dham (Gujrat) had undergone extensive damage during the Earthquake in January, 2001 and this was restructured in an ambicable manner during the year.

4. Personal Care

Table: 2.21 Personal Care Businesses (2001-2016) of Hindustan Unilever Limited

Year	New Launch	Products Expansion
2001	Fair & lovely dark circle under eye cream	Sunsilk & All Clear shampoos sachets, Fair & Lovely eye cream, Dove cream, Pepsodent Whitening tooth paste in Kazakistan
2002	Axe Shaving products	Axe Mens Talcum powder
2003	Fair & Lovely anti marks cream, Lakme' Face Magic soufflé, Lakme' winter care lotion, True Wear nail enamel	Lakme' beauty salon business expanded its network to 57 locations in India, Axe deodorant, Lever Ayush range
2004	Clinic plus 5 benefit shampoo, Clinic All Clear antidandruff shampoo, Pond's mini talcum powder, Lakme' Jewel Sindoor, lakme' lipcolor & shimmer eye cube, lakme' radiant compact face powder	Fair & Lovely oil control gel, Fair & Lovely perfect radiance
2005	Sunsilk thick & strong shampoo, Clinic Plus sachet pack, Pond's oil control	Fair & Lovely range, Lakme' next hair styling range
2006	Fair & Lovely Active Sun Block for men's, Pond's Antiageing moisturising & skin lightening fach wash, Vaseline Aloe fresh, Vasline Lotion, Pepsodent Complete tooth paste	Close-Up milk calcium variant
2007	Premium range of Dove shampoos & Conditioners, Clinic All Clear men's range, Fair & Lovely Multivitamin, Pepsodent Kids tooth paste	Lakme' free spirit cream
2008		Dove shamppos & Conditioners range, Sunsilk range, Vaseline body lotion range Close-Up variants
2009	Lakme' lip duo	Clinic Plus, Sunsilk, Dove shampoos & Conditioners range

Year	New Launch	Products Expansion
2010	Pond's talcum powder, Pepsodent Germ kill	
2011	Sure Roll on	Vasline body lotion variants, Axe, Denim, Dove deodorants
2012	Lakme' ansolute, 9 to 5 , Elle-18, elixir range of oils	Clinic plus, fair & lovely, close-up variants, axe Apollo deodorants, dove deodorant
2013	Lakme' New Complexion Care (CC) cream, Toni & Guy	Best ever fair & lovely
2014	Pond's men face wash and moisturiser, Lakme' absolute gloss addict, Spa Rejuvenation, Axe signature spray	Close-up range
2015	Lakme' mousse foundation, Lakme' Absolute eye liner	Pepsodent germi ckeck, lever ayush products are available on the e-commerce platform, pond's spot removal
2016	Lakme'Argan oil variants, Enrich Matte Lipstick, Fair & Lovely Ayurveda cream, Clinic Plus Ayurveda shampoo	Facial Cleansing across Fair & Lovely, Pond's and Lakme', Close-Up and Pepsodent with an improved product

2.21 BUSINESSES OF HINDUSTAN UNILEVER LIMITED

HUL is the market leader in Indian consumer products with presence in over 20 consumer categories such as soaps, tea, detergents and shampoos amongst others with over 700 million Indian consumers using its products. Sixteen of HUL's brands featured in the AC Nielsen Brand Equity list of 100 Most Trusted Brands Annual Survey (2014), carried out by Brand Equity, a supplement of The Economic Times.

I. Food and Drinks Brands

- Annapurna salt and spices
- Bru coffee
- Brooke Bond (3 Roses, Taj Mahal, Taaza, Red Label) tea
- Kissan squashes, ketchups, juices and jams
- Lipton tea
- Knorr soups & meal makers and soupy noodles
- Kwality Wall's frozen dessert

- Modern Bread, ready to eat chapattis and other bakery items(now sold to Ever stone Capital)
- Magnum (ice cream)

II. Homecare Brands

- Active Wheel detergent
- Cif Cream Cleaner
- Comfort fabric softeners
- Domex disinfectant/toilet cleaner
- Rin detergents and bleach
- Sunlight detergent and colour care
- Surf Excel detergent and gentle wash
- Vim dish wash
- Magic – Water Saver

III. Personal Care Brands

- Aviance Beauty Solutions
- Axe deodorant and aftershaving lotion and soap
- LEVER Ayush Therapy Ayurvedic health care and personal care products
- Breeze beauty soap
- Brylcreem hair cream and hair gel
- Clear anti-dandruff hair products
- Clinic Plus shampoo and oil
- Close Up toothpaste
- Dove skin cleansing & hair care range: bar, lotions, creams and anti-perspirant deodorants
- Denim shaving products
- Fair & Lovely skin-lightening products
- Hamam
- Indulekha Ayurvedic hair oil
- Lakmé beauty products and salons
- Lifebuoy soaps and hand wash range
- Liril 2000 soap
- Lux soap, body wash and deodorant
- Pears soap, body wash
- Pepsodent toothpaste
- Pond's talcum powder and creams
- Rexona
- Sunsilk shampoo
- Sure anti-perspirant
- Vaseline petroleum jelly, skin care lotions
- TRESemmé
- TIGI

IV. Water Purifier Brand

- Pureit Water Purifier

I Food and Drinks

1- Annapurna:

Annapurna provides a range of wholesome food products at affordable prices.

- **Annapurna Iodised Salt:** Annapurna Salt was launched in early 1995. When iodine deficiency was identified as a serious health concern in India and iodised salt became a government policy, HUL launched Annapurna Iodized salt.
- **Annapurna Crystal Salt:** In order to cater the needs of the South Indian consumers, Annapurna Crystal Salt was launched.
- **Annapurna Atta:** Launched nationally in 1998, Annapurna Atta provides wholesome tasty nutrition to consumers. Annapurna Atta assures soft tasty rotis, as it is made from the best grains, sourced directly from the farms, cleaned three times and packed in hygienic conditions.

2-Brooke Bond:

Brooke Bond 3 Roses tea has the perfect taste, colour, flavour and irresistible aroma. Since 1869, Brooke Bond tea serves refreshing tea sourced from the best tea gardens in the country.

- **Brooke Bond 3 Roses:** Brooke Bond 3 Roses tea is tested by professional tea tasters, graded and blended in Brooke Bond's novel Tea Excellence Centre, giving it the desired taste, colour, flavour and irresistible aroma.
- **Brooke Bond 3 Roses Natural Care:** Brooke Bond 3 Roses Natural Care includes five natural ingredients namely Cardamom, Ginger, Mulethi, Tulsi and Ashwagandha and is clinically proven to enhance immunity and reduce incidence of illness.
- **Brooke Bond 3 Roses Easy Boil Tea Buds:** Brooke Bond 3 Roses Easy Boil Tea Buds gives a new way to savour a delicious cup of tea. The same Brooke Bond 3 Roses tea is put in the easy to boil tea buds. One tea bud per cup of tea is boiled in water and milk as is normally done to prepare tea.

The blend can be poured directly into a cup, without using a strainer thus providing a convenient tea time experience.

- **Brooke Bond Red Label Swad Apnepan Ka'** (Taste of Togetherness) Brooke Bond launched Red Label in 1903 and today it is one of India's most preferred tea brands. From then, Brooke Bond Red Label has changed the way people consume tea. Earlier, tea was consumed for refreshment or just as a habit. However, Brooke Bond Red Label worked to create India's favourite beverage 'chai.' Brooke Bond Red Label Tea is a blend of CTC tea with best quality leaves, processed in the unique Brooke Bond Tea Excellence Centre.

  The Taste of Togetherness Brooke Bond Red Label is one of India's largest selling tea brands. Every cup of Red Label Tea is brewed with the best chosen tea leaves. Red label stands for Swad Apnepan Ka.

- **Red Label Natural Care -** Has a mix of five Ayurvedic ingredients namely Tulsi, Ashwagandha, Mulethi, Ginger and Cardamom. Red Label Natural Care is clinically proven to boost immunity and reduce the occurrence of illness.

- **Red Label Dust -** Is strong, has rich colour and a refreshing taste.

- **Brooke Bond Taaza -** Brooke Bond Taaza is available in three variants, namely, Taaza Leaf, Taaza Masala Chaska and Taaza Dust.

  Brooke Bond Taaza Leaf -Brooke Bond Taaza Leaf is a tea blend with high quality fresh green tea leaves.

  Brooke Bond Taaza Masala Chaska -This premium blend of tea from Brooke Bond Taaza has added ginger, cardamom and cloves with an exemplary aroma and finer refreshment. The company promises that the taste of Taaza Masala Chaska is so good that that you cannot stop at just one sip!

  Brooke Bond Taaza Dust

- **Brooke Bond Taj Mahal-** This blend from the Brooke Bond family gives you a strong cup of tea that refreshes your mood and prepares you for all challenging tasks. When the history of tea is penned, the year 1966 will highly celebrated. In that year, Brooke Bond Taj Mahal Tea was born, with a promise

- to foster excellence in each cup. Fifty years on, the brand continues to stand true to its promise.

3-Bru –

Launched in 1962, under the brand name Brooke Bond Green Label, BRU Coffee is India's largest coffee brand. Since 1968, BRU has pioneered bringing authentic coffee to Indian consumers. The best coffee beans are chosen from innumerable coffee trails and freshly roasted, to make a cup of strong, irresistible coffee. BRU has four distinct offerings - BRU Instant and BRU Gold in Instant coffee, BRU Green Label and BRU Select in Filter coffee.

4-Cornetto-

The Cornetto experience consists of a delicious, crispy-baked wafer, coated with a layer of chocolate inside from top to bottom, combined with a delectable ice cream.

5-Kissan –

Started in 1934, Kissan offers much more thanjams, ketchups and squashes. The brand focuses on kids eating happily and in turn, growing happily. Kissan Ketchup is offered in a range of tastes - from the Fresh Tomato Ketchup to the recently launched spicy range. Kissan jam also offers an exciting combination of flavors. Pulp from eight fruits is blended to make the popular Kissan Mix Fruit jam and real Alphonso mangoes are used to make the Kissan Mango Jam, giving breakfast a yummy tinge.

6-Knorr-

Knorr has yummy soups, delicious noodles and mouth-watering masalas in India. Knorr soups are available in 18 exciting flavours with 100% real vegetables & no added preservatives. The Classic range of soups consists of Thick Tomato, Mixed Vegetable, Sweet Corn Vegetable, Hot and Sour Vegetable, Sweet Corn Chicken and Chicken Delite. Range of international Soups -Thai Vegetable, Mexican Tomato Corn, Italian Mushroom, Hong Kong Manchow Noodle and Shanghai Hot and Sour Chicken. Both ranges serve four people. Knorr Instant soups for small hunger pangs in-between meals are available in a variety of flavours.

7-Kwality Wall's –

Kwality Wall's, the brand with a big heart, offers a range of delightful frozen desserts that makes millions of Indians smile, be it kids, teens or adults.

8-Lipton-

Lipton offers a variety of green teas for every taste and mood.

9-Magnum-

Launched in 1989, Magnum was the first handheld premium ice cream launched for adults. Today, Magnum is a leading global brand, selling 1 billion units globally in a year, and is the biggest of Unilever's ice cream brands.

II Home Care

1- Active Wheel -

Launched in 1988, Active Wheel is one of South Asia's largest selling detergent brands consumed by close to 200 million households annually. Active Wheel offers deep cleaning and fragrant freshness at a modest price.Active Wheel is ranked 5th in the Most Trusted Brands in the Fabric Care Category as per ET Brand Equity 2016.

2-Cif-

Cif is sold in 51 countries around the world. Cif is the number one abrasive cleaner in the world. Cif has the fastest-growing spot in the Asian market and is largest in India. Cif is also sold as Jif, Vim, Viss and Handy Andy.

- Cif Sprays- Cif Sprays with novel lift action technology removes dirt and grime with ease. It is available in kitchen, bathroom, multipurpose lemon and multipurpose ocean variants.
- Cif Creams - Removes 100% of the dirt from surfaces by employing micro-particles that lift grime away. These areavailable in white and lemon variants.

3-Comfort-

Comfort is a fabric conditioner marketed globally, with a number of variants such as Comfort Easy Iron and Comfort Bright Whites. It is also sold under local names, such as Drive and Yumo in some markets. Comfort was the first fabric softener to be launched in the UK in 1969.

4-Domex –

Domex (known in many countries as Domestos) is powerful, quick-acting bleach. Launched in the UK in the 1920s, it was sold door-to-door by salesmen on bicycles. At that time, it was used to whiten cotton and household surfaces, and salesmen were assigned to give live demonstrations. Today, it is sold all over the world. The brand is working to extend its reach to toilets in disadvantaged parts of the world.

5-Rin-

- **Rin bar -** Rin was launched in India as a bar in 1969 with the iconic lightning symbol. Over the years, the brand has grown to become synonymous with rendering 'dazzling white clothes with one stroke.' In 2016, Rin relaunched a water saving bar in key markets to address the rising water stress across India. Rin Bar reduces water usage by half.
- **Rin detergent powder**- Rin detergent powder was launched in 1994. This was the first product extension from the iconic brand. Rin further introduced Rin Refresh with the fragrance of lemon and rose that penetrates the fabric to give the same brightness and freshness. In 2016, it also added Rin Antibac Powder to its portfolio, which promises not just bright clothes, but also kills 99.9% germs.
- **Rin Ala** - Rin Ala was launched in 2007. Bleach being another 'whiteness' solution for numerous Indian households was a logical extension for the brand.
- **Rin Matic -** Rin also added Rin Matic, a specialist washing machine powder to its portfolio, based on the knowledge that ordinary powders did not perform well under machine-wash conditions, thus addressing an unsatisfied consumer need.
- **Rin Career Ready Academy -** Across India, the middle class is determined to improve standard of life for themselves. They are progress seekers and have the confidence and resolve to move forward, progress and

shine. Their appearance, clothes, and skills are crucial in making them feel confident. In 2015, Rin launched the Rin Career Ready Academy to prepare talented youth for a brighter future. The Academy offers free courses in English Speaking, Office Dressing and Interview Training, which can be accessed either on www.rin.in or on voice.

- **Rin today -** The 'Rin' brand is trusted by millions of Indian households and continues to grow.

6-Sunlight –

The first brand of Unilever in India - introduced in the summer of 1888.Sunlight laundry detergent powder and soap is today present in the states of Kerala and West Bengal.

7-Surf Excel –

Surf excel (also known as Surf/Omo in many parts of the world) is India's most popular laundry detergent brand known for its iconic and memorable advertising. It launched in 1959 and is now available in Europe, Latin America, Asia and Africa in the form of bars, powders, liquids, tablets and capsules that promise tough stain removal.

8-Vim -

Launched in 1993, Vim was the original hand dishwashing brand that created its category and is the market leader in the dishwashing segment to date.

- **Vim gel** -Vim was the first brand to introduce Dishwash gel in India in 2005 and leads the segment. Vim gel cleans without leaving any residue.

III Personal Care Products

1- Aviance- Aviance is a beauty brand with products including hair care, skin care and cosmetics. The brand is popular in India.

2- Axe- All Axe fragrances are specially crafted by the world's leading perfumers to help men smell and feel their best. Axe has a varied range of male grooming products such as Axe deodorants, aftershave lotions, shaving cream, cologne talc and body perfumes.

3- **Breeze (soap)**-Breeze is a beauty soap brand from India that was launched in 1988. The soap comes in three variants: French Rose, Divine Scandal and Lemon Splash.

4- **Brylcreem-** Hair Styling Crème for Men. Not Boys.

5- **Citra**- For over 3 decades, Citra has journeyed across the world to bring you Nature's most potent skin care secrets for healthy glowing skin.

6- **Clear**- Clear is Unilever's leading anti-dandruff shampoo brand since its first launch in 1972, in Asia. Clear also has Anti-Dandruff Hair Oil that fights dandruff and provides nourishment to the scalp, making hair stronger.

7- **Clinic Plus-** Clinic Plus is a hair care brand targeted at mothers buying for their pre-teenage daughters. The range includes shampoos and conditioners.

8- **Closeup**- India's first Gel toothpaste (1967). It is the market leader in the gel toothpaste category for over three decades.

9- **Dove**- Dove grew from a moisturising Beauty Bar into a global brand with a wide range of products: body washes, hand and body lotions, facial cleansers, deodorants, shampoos, conditioners and hair styling products. In 2004, Dove ran its Campaign for Real Beauty, followed by the creation of the Dove Self-Esteem Fund in 2006.Its aim is to be "an agent of change to educate and inspire girls on a wider definition of beauty and to make them feel more confident about themselves". Dove has created a number of online-only short films, including Daughters, Evolution, Onslaught and Amy.

10- **Elle 18**- Elle 18 is a cosmetics brand in India, targeted at the youth. The range includes nail varnish and lip gloss.

11- **Fair & Lovely**-Developed in 1975, Fair & Lovely is the world's first fairness cream. It contains no bleach or harmful ingredients. Instead, it provides visible fairness in a safe and reversible way. In 2003, it was rated the 12th Most Trusted Brand in India by AC Nielsen ORG-MARG. In 2004, it was identified as a "Superbrand".

12- **Hamam**- Launched in 1931 as a 'mild, family soap', Only Hamam has Neem, Tulsi and Aloe Vera, which protect the body from ten skin problems such as rashes, pimples, prickly heat, body odour, etc. Hamam is the most recommended soap by doctors in Tamil Nadu.

13- **Indulekha-** Indulekha is an Ayurvedic proprietary medicine for Hairfall. Enriched with Bringhraj, a herb known in Ayurveda granthas as 'Keshraj-King of hair.' Extracts of Bringhraj plant are known for their medicinal properties that not only lessen hair fall, but also revive and regenerate hair.

14- **Lakmé-** Launched in 1952, Lakmé is the first home-grown, successful cosmetics brand in India. Lakmé is the country's first cosmetic brand to introduce makeup to Indian women and pride itself in being the Indian beauty expert for over 65 years. It offers a full range of beauty and cosmetics products spanning colour cosmetics and skin care and extends to beauty services through a network of Lakmé Salons. Its focus on beauty and fashion is manifested through the Lakmé Fashion Week, which is now the largest fashion event in the country.

15- **Lever Ayush**- Lever Ayush's exclusive range of personal care products have been carefully selected using authentic recipes from the age old Granthas. Each product is formulated with Ayurvedic ingredients to create effective Ayurvedic solutions.

16- **Lifebuoy**- Lifebuoy is a soap brand that was launched in England in 1895. It was launched as part of William Hesketh Lever's goal to promote hygiene in the home and halt cholera in late Victorian England. Through its sustainability work with partners, it is bringing better health and hygiene primarily to the disadvantaged market.Lifebuoy is produced by Unilever in Cyprus for the UK, EU, US and Brazil markets, in Trinidad and Tobago for the Caribbean market, and in India for the Asia market. Lifebuoy is available in bar soaps, liquid hand wash, hand sanitizer and talc.

17- **Liril**- Liril is an iconic brand synonymous with freshness.One of the oldest soap brands in India, Liril has created innovative advertising campaigns over the years.

18- **Lux**-Lux is a global brand that was launched in 1925. Its range of products includes beauty soaps, shower gels, bath additives, shampoos and conditioners of the stars - from Elizabeth Taylor, Audrey Hepburn, Marilyn Monroe, Aishwarya Rai, Katrina Kaif and Shu Qi. The product is available in more than 100 countries.

19- **Pears**- Pears is a skin-care brand. Its range includes face wash and hand soap, contains glycerin and natural oils, making the products gentle and non-abrasive. It is also recommended by doctors and pediatricians.

20- **Pepsodent**- Pepsodent is a leading oral care brand with a wide range of products that benefit from Unilever's extensive R&D in this product range. In 2008, Pepsodent collaborated with the Indian Dental Association (IDA) and the World Dental Association (FDI) to help educate school children on the importance of regular brushing. Pepsodent was launched in 1993 in India and since then the brand has raised the benchmark in Oral Care solutions in India. Pepsodent has a range of toothpastes and toothbrushes that address specific oral care needs.

21- **Pond's-** Brand Pond's has been in existence since 1846. Pond's is a beauty brand that provides beauty transformation through revolutionary product innovations making an actual difference to women's skin and the way they live. Pond's has Skin care products ranging from Skin cleansing to Skin lightening to Anti ageing. Each range within the portfolio offers a variety of options, which include day creams, night creams, serums, masks, eye treatments and facial foams.

Pond's for men- The range consists of two product platforms: Energy Charge and Oil Control.

22- **Rexona**- Rexona was launched in the year 1947 as a natural skin care soap that gives silky, glowing skin. Rexona is enriched with coconut and olive oils.

23- **Sunsilk**- Sunsilk is a hair care brand for women. It is the world's leading brand in hair conditioning and the second largest in shampoo. Its shampoos, conditioners and other hair care products are sold in 69 countries, often under local brand names such as Seda and Sedal. The brand is most formidable in

Asia, Latin America and the Middle East and is the number one hair-care brand in Pakistan, India, Brazil, Argentina, Bolivia, Bangladesh, Sri Lanka, Indonesia and Thailand.

24- **Sure-** Sure, also known in many countries as Rexona, is a deodorant brand for men and women, offering a range of antiperspirants and deodorants that last up to 48 hours. It was developed in 1908 by an Australian pharmacist and his wife and its products include aerosols, pumps, roll-ons, sticks and creams. The brand promotes good personal hygiene. Millions of people in low-income markets across Asia use Rexona products with their affordable mini-sticks, mini-roll-ons and sachets of deodorant lotions.

25- **TIGI**- TIGI is a hair-care brand that is strongly connected with fashion and sold only through professional hairdressers. Products are released in collections such as the Bed Head and the Catwalk ranges, each with a particular style aesthetic. TIGI products are available in salons in the US, India and Russia.

26- **TONI&GUY**- TONI&GUY hair products help ensure your hair is as stylish as your wardrobe with shampoos, conditioners, styling products and treatments to achieve catwalk-worthy locks and looks.

27- **TRESemmé** - TRESemmé is a hair care brand offering salon-quality products for men and women. It has its origins in hair salons, dating back over 60 years, and today it offers a range of hairstyling products for use at home.

28- **Vaseline**- In 1869, Robert Chesebrough, a dispensing chemist, discovered something amazing. He discovered a 100% natural product, rich in minerals from deep within the earth, yet totally pure, which had fantastic healing properties when applied to cuts, burns and abrasions of the skin. That product was branded Vaseline petroleum jelly.

IV Water purifier products

1- **Pureit**- Pureit is the world's most advanced in-home water purifier. The output water from Pureit meets stringent criteria for microbiologically safe drinking water, from one of the toughest regulatory agencies the US’ EPA

(Environmental Protection Agency). From a single SKU brand in 2008, Pureit now has eight variants in its portfolio namely: Pureit Classic 23 litres, Pureit Classic 14 litres, Pureit Intella 12 litres, Pureit Classic Autofill 23 litres, Pureit Marvella OGT, Pureit Marvella RO, Pureit Advanced and Pureit Marvella UV.It was designed by unilever in order to purify tap water and make it "as safe as boiled water without the hassles of boiling."

2.22. FINANCIAL STATEMENTS

Table: 2.22 Profit & Loss - Hindustan Unilever Ltd.

Rs (in Crores)

	Mar'17 12Months	Mar'16 12Months	Mar'15 12Months	Mar'14 12Months	Mar'13 12Months
INCOME:					
Sales Turnover	34487.00	34417.48	32721.44	29557.90	27283.59
Excise Duty	2597.00	2430.31	1915.82	1538.77	1473.38
NET SALES	31890.00	31987.17	30805.62	28019.13	25810.21
Other Income	0	0	0	0	0
TOTAL INCOME	32416.00	32487.80	31424.01	28640.16	26417.11
EXPENDITURE:					
Manufacturing Expenses	257.00	271.41	304.62	321.05	319.91
Material Consumed	15685.00	15371.85	15748.56	14455.32	13602.66
Personal Expenses	1620.00	1592.02	1578.89	1435.95	1318.34
Selling Expenses	3470.00	4526.17	.00	.00	.00
Administrative Expenses	4811.00	4495.80	7965.31	7331.55	6565.55
Expenses Capitalised	.00	.00	.00	.00	.00
Provisions Made	.00	.00	.00	.00	.00
TOTAL EXPENDITURE	25843.00	26257.25	25597.38	23543.87	21806.46
Operating Profit	6047.00	5729.92	5208.24	4475.26	4003.75
EBITDA	6573.00	6230.55	5826.63	5096.29	4610.65
Depreciation	396.00	320.75	286.69	260.55	236.02
Other Write-offs	.00	.00	.00	.00	.00
EBIT	6177.00	5909.80	5539.94	4835.74	4374.63
Interest	22.00	.18	16.82	36.03	25.15
EBT	6155.00	5909.62	5523.12	4799.71	4349.48
Taxes	1906.00	1788.22	1872.16	1160.90	1161.21
Profit and Loss for the Year	4249.00	4121.40	3650.96	3638.81	3188.27
Non Recurring Items	241.00	-39.03	664.30	228.68	608.40
Other Non Cash Adjustments	.00	.00	.00	.00	.00
Other Adjustments	.00	.00	.00	.00	.00
REPORTED PAT	4490.00	4082.37	4315.26	3867.49	3796.67

KEY ITEMS					
Preference Dividend	.00	.00	.00	.00	.00
Equity Dividend	2878.00	2785.00	2609.42	2349.89	3344.30
Equity Dividend (%)	1332.40	1287.02	1206.11	1086.55	1546.49
Shares in Issue (Lakhs)	21643.50	21639.37	21634.65	21626.96	21624.72
EPS - Annualised (Rs)	20.75	18.87	19.95	17.88	17.56

Source: Dion Global Solutions Limited
https://www.moneycontrol.com/financials/hindustanunilever/profit-lossVI/HU#HU

2.23 SWOT ANALYSIS

STRENGTHS:

1. **Market share:** Through high market penetration, HUL has managed to hold their high market share in different product categories.

2. **Brand visibility:** From soap to mineral water, HUL is affecting the lives of 1.3 billion people daily. Being active in the consumer goods market with its 20 consumer categories such as soap, tea, detergents, shampoo etc. and each having large assortments, helped HUL in occupying the large shelf space of Grocery /departmental stores which itself explains the acceptance/demand of its products in the market.

3. **Market leader in consumer goods:** According to Nielsen data, two out of three Indian consumers use HUL products. HUL employed selective targeting strategy to become the leader in the Indian market.

4. **Extensive and integrated distribution system:** HUL's brands are now household name, which is only possible due to its four-tier distribution system namely,

a) Direct Coverage: through common stockist in a town of population less than 50,000.

b) Indirect coverage: targets villages closer to larger urban markets.

c) Streamline: leverages rural wholesale market to reach markets that are not accessible by road.

d) Project SHATKI AMMA: It targeted the very small villages (population of 2,000) and drawed on pre-existing women's SHG (self-help groups). Market segmentation has been done based on their accessibility and business prospects.

5. **Innovative FMCG Company:** Hindustan Unilever Research Center (HURC),Mumbai & Unilever Research India, Bangalore, both research facilities were consolidated in a single site in Bangalore in 2006. Employees in this facility work on innovations in products and manufacturing processes, which is helping HUL remain a front-runner in the Indian consumer goods market.

6. **High Brand awareness:** By signing popular celebrities as ambassadors of its products, HUL has created a wave of positive word-of-mouth marketing, which helped in the social acceptance of the company's products, intelligently targeted towards different income groups.

7. **Product line:** HUL offers product categories namely oral care, personal care, household surface, fabric care and pet nutrition etc. offering great variety across its product categories.

8. **Financial position:** With more than 80 years of experience in the consumer goods market and backed by multinational giant Unilever, which owns 67% controlling share in HUL, it is a financially strong enterprise.

9. **Share of Wallet:** Whether one buys Surf, Wheel or Rin detergent, and money will go to HUL's coffers. HUL's strategy to offer different products for different income groups (selective targeting) has been successful in gaining share of the consumer's wallet.

10. Access to Unilever's global technology capability and sharing of best practices from other Unilever Companies.

11. Ability to deliver cost savings

WEAKNESSES:

1. **Large number of brands in different product categories:** Sometimes having broad portfolio of brands can result in confused positioning. Price positioning in some categories enables low price competition like Amul captured Kwality's market share.

2. **Decreasing Market share:** Competitors focusing on a particular product and eating up HUL's share, like Ghadi and Nirma detergent ate up HUL's Wheel detergent's market share.

3. **Complex Supply Chain configuration:** Very large number of SKUs with dispersed manufacturing locations.

OPPORTUNITIES:

1. **Increasing Income levels:** Due to stable political environment, higher literacy rate and controlled inflation, disposable income with people is increasing, thereby resulting in surge in demand and changing their lifestyle too.

2. **Expanding market:** By higher penetration in the rural markets through its project Shakti AMMA and transition of unorganized business to organized one will lead to increased expansion of the consumer goods market.

3. **Awareness in usage of consumer goods:** People are getting more aware and conscious about the usage through advertising/word-of-mouth/doctor prescription, leading to increase in higher usage of the company's products.

4. Emerging modern trade for introduction of more up market personal care products.

5. Leveraging the latest IT technologies.

THREATS:

1. **Price of commodities:** Increasing price of commodities will result in higher prices that might affect uptake of the company's products. Further increase in price may result in decline in sales, margins and brand switching.

2. **Buyers power:** With a highly diversified consumer goods market where there are numerous brands claiming various product benefits, sticking to a particular brand is difficult for consumers. This results in brand switching, where consumer selects a brand based on several factors like availability, reference group recommendation, preference and price.

3. **Competition in the market:** With increasing number of local and national players in the market, it is becoming difficult for companies to differentiate themselves from others. There is also a threat from counterfeit products hurting the brand image of a company in the market.

4. Spurious products in rural areas and small towns.

5. Unfavourable raw material prices in oils, tea commodity etc.

6. Changes in fiscal benefits.

2.24 AWARDS & ACCOLADES

- On World Environment Day 2017, Unilever Nepal Limited (UNL) was recognised as the 'Company of the Year,' 2016-17 by the Ministry of Population and Environment, Government of Nepal for environmental excellence.

- HUL won the 'Client of the Year' title at the Effies 2016 Awards; a total of 12 awards - two Gold, five Silver and five Bronze awards.

- Brooke Bond Red Label Tea's '6-Pack Band' campaign won the Grand Prix 'Glass Lions' at the Cannes Lions 2016.

- HUL was recognised as the top Indian FMCG, and as one of 'India's Top 500 Companies' at the 2016 Dun & Bradstreet Corporate Awards.

- HUL reclaimed the 'Media Client of the Year' title at EMVIES 2016 with a record-breaking performance, winning a total of 35 medals - 8 Gold, 16 Silver and 11 Bronze.

- HUL was honoured with the 'Best Digital Business of the Year' Award at the 2016 CMO Asia Awards held in Singapore.

- HUL won the 'Client of the Year' title at the Campaign India Digital Crest Awards (CIDCA) 2016 for the second consecutive year for excellence in digital marketing and advertising.

- Lifebuoy, Fair & Lovely, Lux and Brooke Bond were featured in the top 20, in the 2016 edition of Brand Footprint, the IMRB Kantar World panel's annual ranking of the most chosen consumer brands in India, published by Mint.

- Clinic Plus won in both the India Star and the Asia Star competitions for excellence in packaging design, innovation and sustainability in 2016..
- Kissan Tomato Ketchup bagged a silver for its 'Kissanpur - Where Experiences Happen' campaign in 'The Effectiveness Award' category 2016, at the Festival of Media- Asia (FOMA) awards.
- The Institute of Competitiveness, India, has recognized HUL's Project SHAKTI for 'Creating Shared Value' and bestowed upon the company the Porter Prize for (2014).
- HUL was the 1sthighest ranked Indian company on the Forbes list of 'Most Innovative Companies' across the globe for (2014).

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CHAPTER – 3

Review of Literature

CHAPTER - 3

REVIEW OF LITERATURE

3.1 INTRODUCTION

A review of Literature is an essential part of our academic research Project. The review is careful examination of a body of literature directing towards the answer to our research question. A Literature review is a text of a scholarly paper, which includes the current knowledge including meaningful findings, as well as theoretical and systematic contributions to a particular topic. Literature reviews are secondary sources and do not report new or pioneering experimental work.

This chapter reviews literature examining what other scholars and authors have said on diversification strategy, strategy implementation, strategy implementation challenges, and measures to address strategy implementation challenges.

3.2 STRATEGY IMPLEMENTATION

In studying strategy implementation, we need to look at the whole practice of strategic management, which includes strategy formulation, implementation and evaluation, which are inseparable and continually influencing one another. Kriemadis (1997), David Salhieh and Singh (2003) believe that strategists should consider certain tasks to achieve suitable strategic decisions. Strategy formulation involves performing situation analysis, setting objectives and formulating a strategic plan. It involves determining where you are now, where you want to reach and determining how to get there.

Strategy implementation involves allocation of adequate resources (financial, human, time and computer system support), building a chain of command or some alternative framework (such as cross-functional teams), and delegating responsibility of specific tasks or processes to specific persons or groups. When implementing particular programs, this involves procuring the requisite resources, developing the methodology, training, testing, documentation and fusion with (and/or conversion from) legacy process. Managers are encouraged to consider analysis of organizational frameworks and systems before strategy implementation as well as analysis of culture, power and conflict (Omolo, 2007).

The reward system is an important element of strategy implementation. Johnson and Scholes, (2002) observes that motivators such as salary raises, stock options, fringe benefits, promotions, criticism, fear, increased job autonomy and awards can motivate managers and employees to strive hard for successful implementation of strategy. If strategy implementation is top priority, then the reward system must be clearly and highly linked to strategic accomplishment by individuals and rewarding good achievement by individuals and organizational units are key constituents in effective strategy implementation (Pearce and Robinson, 1997).

3.3 IMPLEMENTATION OF CORPORATE LEVEL STRATEGIES

Few researchers focus on the execution of corporate level strategies, such as Wernham (1985) and Schmidt & Brauer (2006), while many examine SBU level strategies (Gupta & Govindarajan, 1984; White, 1986; Govindarajan, 1988; Govindarajan, 1989; Govindarajan & Fisher, 1990; Skivington & Daft, 1991; Roth & Schweiger & Morrison, 1991; Floyd & Wooldridge, 1992b; Waldersee & Sheather, 1996; Nilsson & Rapp, 1999; Chimhanzi & Morgan, 2005; Olson & Slater & Hult, 2005; Schaap, 2006; Brenes & Mena & Molina, 2007). The same is true for functional strategies: We have found eight studies that focus on the execution of such strategies, namely Rapert & Lynch & Suter (1996), Sashittal & Wilemon (1996), Piercy (1998), Noble (1999a), Noble & Mokwa (1999), Chimhanzi (2004), Qi (2005), Viseras & Baines & Sweeney (2005). Most of these studies, however, focus on marketing strategy (such as Sashittal & Wilemon, 1996; Piercy, 1998; Noble & Mokwa, 1999, Chimhanzi, 2004). There are few studies dedicated to the implementation of other functional strategies (this is clearly an area of future research). The only other study of functional strategy execution that we identified is Viseras, Baines and Sweeney's study (2005) in the context of manufacturing strategies.

3.4 DIVERSIFICATION DECISION

In today's markets, companies face difficult decisions, one of the toughest decisions being whether they should diversify their business. Diversification simply means to add a wide variety of investments within a portfolio. It is an approach by which a firm expands from its key business into other product markets (Gluck 1985). The logic behind this technique is that a portfolio of different types of investments will, on average, give higher returns and present a lower risk than any single investment found within the portfolio (Silvia M. Chan-Olmsted, 2007). Successful firms strive to transfer their winning business knowhow to new activities. To these firms, diversification seems like looking at new industries as interesting opportunities. The decision to diversify is made at the highest level and is triggered as a corporate strategy.

Berger and Ofek (1995), conclude that diversification does not increase the value of the firm. On the other hand, study suggests that properly organized conglomerates can be efficient (Klein, 2001). In a developing economy, where there is rapid industrial growth and not very developed and competitive market, industries have some opportunities to invest in unrelated business and it improves profitability vis-a-vis a developed economy (Khanna & Palepu, 1997; Khanna & Palepu, 2000).

Studies conducted by Rumelt (1974), Wrigley (1970) helped in identifying measures for classification of firms as diversified, undiversified, related diversified and unrelated diversified. The study of performance of the diversified companies using market-based measures was carried out by Sharpe (1966) Treynor (1965) and Jenson (1968). Mohindar kaura (1987) and Pittis and Hopkins (1982) examined the diversification profile. Allen Michel and others (1984) Stuti lal (1979), Robert grant and others (1986) and George Paul (1985) examined the diversification strategy and its impact on profit and performance of different companies.

3.4.1 CONCENTRIC DIVERSIFICATION

Concentric diversification happens when a firm adds related products or markets. The goal of concentric diversification is to accomplish strategic fit, which enables an organization to achieve synergy. Essentially, synergy is the ability of two or more parts of an organization to achieve higher total productivity together than would be experienced if the efforts of the independent parts were added. This involves the firm acquiring related businesses in terms of technology, markets and products (K. Scholes, 2006). With this strategy, the selected target companies possess high degree of compatibility with the firm's current business. The ideal concentric diversification strategy occurs when the combined company profits raise the strength and opportunities while at the same time lower the weaknesses and the exposure to risks. Thus, the acquiring firm searches for businesses whose products, markets, distribution channels, technologies and resource requirements closely match with but are not identical with its own; whose acquisition results in synergies but not complete interdependence (Pearson and Robinson, 2003).

According to Chandler (1977), a firm pursues diversification strategy when it has opportunities rooted in market framework and technology as well as opportunities for expansion in the firm's primary business. This means that firms diversify into other businesses if after consolidating their positions in their primary industry or market they still possess underutilized resources, which can be employed in other sectors of low opportunity (Chandler, 1962). The assumption is that diversification may increase economic benefits through a more efficient deployment of organizational resources across multiple markets (Clarke, 1985).

Oijen and Douma (2000), Related Diversification (Concentric) can be defined as the corporate development beyond the existing market or product, but within the capabilities of the organization. Related diversification is of different types and depends on the direction a company adopts after a strategic decision based on its capabilities, resources and opportunities.

3.4.2 CONGLOMERATE DIVERSIFICATION

Conglomerate diversification signifies diversification of a firm into areas that are unrelated to its current line of business. Synergy may result from the application of management acumen or financial resources, but the main objective of conglomerate diversification is improved profitability of the acquiring firm. There is little concern, if any, for achieving marketing or production synergy in this type of diversification. One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are restricted (Richard Lynch, 2009). Finding an attractive investment option requires the firm to consider alternatives in other types of business.

Unrelated Diversification (Conglomerate) is a form of diversification when the business moves to new or unrelated product lines and reaches out to new markets beyond its current capabilities. There is no direct connection with the company's existing business.

The company aspires to achieve competitive advantage by allocating capital internally and using it efficiently and by utilizing market opportunities for better cash flows and revenue. This is essentially an alternative initiative of the firm to achieve capability to deliver better internal return on capital and labour resources than externally available to its competitive advantage (Paul, 1985). Based on market and firm capabilities, the following methods are adopted for conglomerate diversifications:

(a) Expanding from existing markets into new ones and starting new lines of production;

(b) Penetrating completely new markets;

(c) Developing new competences to take advantage of new market opportunities.

3.4.3 HORIZONTAL DIVERSIFICATION

Charles (1971), Horizontal Diversification is providing new products and services by using the firm's existing capabilities and resources in the existing market, where it currently operates. In such a process, the company relies on sales and technological resources and effective and efficient use of existing product lines.

3.4.4 VERTICAL DIVERSIFICATION

Oijen and Douma, (2000), Vertical Diversification takes place when the company grows by entering the value chain by either producing value added products from its existing products or starting to manufacture input materials for which the company normally depends on a supplier. This kind of diversification may also ensure a regular supply of raw materials with better quality and cost efficiencies.

There are arguments about effective allocation of resources and efficiency of unrelated diversification and there were serious doubts about such diversifications resulting in agency costs, a form of empire building, or a response to antitrust limits on horizontal expansion. Williamson (1975) offers one efficiency justification for a diversified firm based on intra-firm capital allocation as a substitute resource-allocation mechanism. In these firms, there is central allocation of resources via an internal capital market among divisions of the firm that operate as profit centres. This internal capital market replicates the distributive and regulatory roles of the financial markets, ideally moving resources toward more profitable activities by a process of winner picking. According to the internal capital markets hypothesis, diversified firms arise when deficiency in the external capital market allow internal management to distribute and manage funds more efficiently than the external capital market. These efficiencies may arise from several sources: top management has advantage over others, as they have access to internal information and they strategize accordingly to their competitive advantage (Williamson, 1975).

On the other hand, studies by Michel and Shaked (1984), and Montgomery and Wilson (1986) concluded that firms diversifying into unrelated areas have been able to generate better performance over those with largely related businesses. Different researchers have either endorsed different forms of diversification-performance relationship, or have concluded that diversification has a negative or no impact on performance.

3.4.5 INTERNAL & EXTERNAL DIVERSIFICATION

Diversification efforts may be either internal or external. Internal diversification occurs when a firm enters a different, but usually related, business by initiating work on the new line of business itself. Internal diversification often involves extending a firm's product or market base. External diversification may attain the same result; however, the company enters a new area of business by acquiring another company or business unit. Mergers and acquisitions are popular forms of external diversification.

One type of internal diversification is to market current products in new markets. A firm may choose to widen its geographic base to include new customers, either within its home country or in overseas markets. A business could also strive for an internal diversification strategy by exploring new users for its current product. Firms may attempt to alter markets by raising or reducing the price of products to make them appealing to consumers of varying income levels (David, 2003). Another form of internal diversification is to sell new products in existing markets. Normally, this strategy entails using existing mediums of distribution to market new products. Retailers frequently modify product lines to include new items that seem to have promising market potential. Johnson & Johnson added a line of baby toys to its existing line of items for infants. Packaged food companies have added salt-free or low-calorie alternatives to existing product lines (Oyugi, 2007).

External diversification occurs when a firm looks beyond its current operations and acquires access to new products or markets. Hussey (1988) observes that mergers are a usual form of external diversification. Mergers occur when two or more firms consolidate operations to form one corporation, may be with a new name. These firms are usually of comparable size. One aim of a merger is to achieve management synergy by creating a robust management team. This can be attained in a merger by joining the management teams from the merged firms. An acquisition, a second type of external growth, takes place when the purchased corporation loses its individuality. The acquiring company absorbs it. The acquired company and its assets may be assimilated into an existing business unit or remain unchanged as an autonomous subsidiary within the parent company. Acquisitions usually take place when a larger firm buys a smaller company. Acquisitions are termed friendly if the firm being bought is responsive to the acquisition. Mergers are usually "friendly" (Gluck, 1985). Unfriendly mergers or hostile takeovers occur when the management of the firm chosen for acquisition resists being acquired. Diversification strategies can also be categorized by the direction of the diversification.

3.5 IMPACT OF PRODUCT – MARKET DIVERSIFICATION STRATEGY

A review of literature reveals a massive effort by many economics and business policy and strategy researchers to evaluate the effect of product-market diversification strategy on the corporate functioning of firms (e.g. Rumelt, 1974, 1982; Caves, Porter, Spence and Scott, 1980; Lecraw 1984; Montgomery 1985, 1994; Pelepu 1985; Grinyer et al; 1988; Montgomery and Wernerfelt, 1988; Wernerfelt and Montgomery, 1988). Early research (Rumelt, 1974) suggests that firms that developed through related diversification fared better than those firms that remained specialized and those that grew through unrelated diversification. These recommendations were later questioned (Montgomery, 1982). The results of factual studies connecting patterns of diversification to financial performance remain unclear. Some of the particular evidence manifested by the research on diversification shows that profitability grows with diversity, but only up to the limit of complexity (Grant, Jammine and Thomas, 1988). Results from other studies suggest that the overseeing the process of diversification may be a more important influence on achievement than the type or mode of diversification itself (Varaderajam and Ramanujam, 1987). For instance, Nesbit and King (1989) studied the progress of 1800 US companies between 1978 and 1988 and concluded that corporate accomplishment is dependent on strategy implementation rather than the strategy itself. From a review of the literature, it is apparent that a common prescription of the rewards of diversification may be improbable to find. From an eventuality perspective, the likely success or otherwise of diversification may be highly dependent on and decided by the circumstances of an organization such as the extent of industry growth, market framework, the firm's size, the resource circumstances of the organization and the firm's institutional framework. It has been found, for example, that under exploitation of physical resources or intangible resources such as brand name is likely to inspire related diversification whereas excess monetary resources may well make an organization susceptible to follow unrelated diversification (Chartejee and Wernerfelt, 1991).

Wernerfelt and Montgomery (1988) explain the differences in performance by relating to the increased efficiency firms attain from transferring and leveraging skills and knowledge to widely varying markets. Unrelated diversification may proliferate market related risks, but it can achieve systematic capital management. On the other hand, related diversification can lead to higher corporate achievement, when compared to unrelated diversification. According to Hill (1994), by following a strategy of related diversification, firms can focus on key organizational potential and exploit the connection between business lines to attain economies of scope by sharing physical business resources and economies of scale through higher coordination and the sharing marketing, information, technological knowledge and capabilities across related industries, all of which result in lower production, selling, servicing and distribution costs, better market spread, stronger brand image and company standing and lower order processing costs.

3.6 IMPACT OF DIVERSIFICATION ON PERFORMANCE

The performance of diversified companies has been examined with the accounting based measures while there is an agreement on various profitability initiatives in terms of ROA, ROI, and ROE similar concurrence could be seen in case of growth initiatives (Donald, 1984; Hall, 1982); Varadarajan and Ramanujam, 1987 and Stephensen, 1972).

Few studies have evaluated the performance of a firm from the investors' point of view. Generally, the equity shareholders expect that a diversified firm should generate superior equity returns with quicker growth in their intrinsic value. Michale and shaked (1984) using shareholders' return found that an unrelated diversification leads to improved performance over related diversification while using accounting return on equity. Donald (1985) found that conglomerates outperform the other strategy types.

The impact of diversification on firm’s performance is mixed. Three recent reviewers (Datta, Rajagopalan and Rasheed ,1991; Hoskisson and Hitt, 1990; Kerin, Mahajan and Varadarajan, 1990) broadly conclude: (a) the empirical evidence is indecisive; (b) models, perspectives and results differ based on the disciplinary view chosen by the researcher; and (c) the relationship between diversification and performance is intricate, and is affected by interfering and contingent variables such as related versus unrelated diversification, type of relatedness, the acumen of top managers, industry structure, and the mode of diversification.

Jocquemene and Berry (1979), and Grant (1986), have calculated the degree of diversification through Specialization Ratio (SR) and Related Ratio (RR). Specialization ratio is the ratio of a firm's sales in its major activity to its total sales. Related ratio is proportion of firm's total sales that are related to one another.

Jocquemene and Berry (1979), have constructed an 'entropy' measure of diversification, which is nothing but the weighted average of a firm's share in different product lines. Rumelt (1974) and Wrigley (1970) have classified the firms as those pursuing single business when the Specialization Ratio is more than 95 percent. Dominant firm is one when its Specialization Ratio is more than 70 percent but less than 95 percent.

Diversified business is one for which are also consider the related classification. Related business is that which has a Specialization Ratio less than 70 percent and a Related Ratio is more than 70 percent. The unrelated firms are those that record both the Relatedness Ratio and Specialization Ratio less than 70 percent.

Study of businesses across developed economies shows that performance of firms engaged in related diversification outperforms those firms that are in unrelated or conglomerate diversification. In spite of such findings in a developed economy like the United States of America (hereinafter: US), there are firms which are conglomerates and doing well and there are firms which adopted restructuring in I980's and focused on single business perished from business scene. Unlike developed countries, the situation in developing countries is different and conglomerates are more important than single business firms, accounting for a large share of economic activities in countries like India and Korea (Khanna & Palepu, 1997; Khanna & Palepu, 2000).

Overall, the evidence suggests that on an average firms that are conglomerates and are internally better organized can be efficient (Klein, 2001; Stein, 2003). In a developing economy that is factor-driven, internal capital markets will tend to add value where the external capital markets are hampered by regulation, inefficient legal structures, and other institutional impediments. This explains the prevalence of diversified business groups in emerging markets (Khanna & Palepu, 2000).

Zhang et al (2005), highlighted that diversification results in significant costs for firms, however he found tobins q. and firm performance are positively related. This finding is inconsistent with the study in developed countries due to the incomplete transition market in China, researcher also find diversification does not lower the risk of the firm to be financially distressed (ST, FTAR delisted). At least researcher findings suggest that overall the diversification strategy is not beneficial for listed firms in China.

Wernerfelt and Montgomery (2006) found that industry profitability and industry growth, the two aspects of industry attractiveness, have different implications for unrelated diversification (which they termed as inefficient) firms. They proposed that unrelated firms would do better in high growth industries. Hitt, Ireland and Hoskisson (2009) noted that an unrelated multiproduct diversification strategy is frequently used in structured and developed markets (such as the UK and the US), as well as in emerging markets (such as China, Korea, Brazil, Mexico, Argentina, and India).

According to Chakrabarti, Singh and Mahimood (2007), diversification is a business development strategy for utilizing firm's resources and capabilities in new market or product and services. It can also be a response to market decline for a firm or successful means of risk management. When diversification is implemented based on firms' intrinsic capabilities, it improves efficiency and contributes towards keeping the company stable even during recession. Diversification of business activities brings competitive advantages through efficiency gains and corporate parenting capabilities allowing companies to reduce business risks.

Gaur and Kumar (2009), examine the link between international diversification and firm's accomplishment for emerging economy firms. They suggest that there is a positive connection between a firm's performance and degree of internationalization and go on to conclude that this performance declines for firms affiliated with business groups in a developing country like India.

Gubbi, Aulakh, Ray, Sarkar and Chittoor (2010), argue that there is limited appreciation about the value created by international acquisition by an emerging economy firm. They suggest that such acquisition allows internalization of resources that take time to grow internally and are difficult to trade through market transactions. Hence, it forms an important strategic force of increased value for emerging-economy firms. Furthermore, due to higher quality of resources in advanced economies such acquisitions create more value and therefore, provide robust match to the existing potential of emerging economy firms. They published their findings in support of their assertion by studying 425 cross-border acquisitions by Indian firms during the period 2000-2007.

Purkayastha, Manolova and Edelmanl (2012), propose that although connection between diversification and performance has become an important topic for research in various areas such as industrial organization, strategic and financial management, there is no detailed work of research done in developed and emerging markets. They strongly advocate for the appropriateness of the types of diversification commensurate with market economies. They succeed in establishing that related diversification is more relevant in a developed economy, and unrelated one in a rising economy.

Saft and Reuters (2014), studied about changing trends of investors in U.S, according to study, the retired savers of U.S. are increasingly diversifying into international equities, but are still leaving much of what has to be considered a free lunch on the table. A new study of 3.8 million U.S. savers in 401(K) retirement accounts over the period from 2006 to 2011 shows a general trend towards improved diversification internationally, but with most accounts still markedly under-diversified. Yet, it has given the falling share of U.S. companies in global market.

Product diversification has been found to be negatively connected to firm's value (Lang and Stulz, 1994; Servaes, 1996) and to arise in firms with less managerial and shareholder equity ownership (Denis et al., 1997).

As far as unrelated product diversification is concerned, previous research found a correlation between failures of diversification and failure to establish connectedness among various business lines at the corporate level (Narasimhan and Kim, 2002). In contrast to Rumelt's work, Michel and Shaked (1984) found that unrelated product diversifiers outperform related product diversifiers. Reconciling the two views, other research suggests that each form of corporate strategy is associated with a different set of economic benefits (Teece, 1982).

In the case of unrelated product diversification, the main advantages are economies of internal capital markets in that unrelated business units can be supervised more effectively by restricting them to a single internal capital market - rather than by the external capital market en masse (Williamson, 1999). In the case of related product diversification, the main monetary benefits are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production (Klein et al., 1978).

Some studies on breadth and performance find relatedly diversified firms perform better than firms that are unrelatedly diversified (Rumelt 1974, 1982, 1986). Others show astonishing effects on a firm's performance because of diversification category and industry (Christiansen and Montgomery 1981, Montgomery 1985). Recent studies propose that service firms should not diversify (Normann 1984), whereas, Nayyar (1993), shows that in the service industry diversification based on information irregularity is positively linked to performance, whereas diversification based on economies of scope is negatively linked to performance. A contradiction of Johnson and Thomas' (1987) confirmation of Rumelt's finding that the properness of product diversity is judged by an equilibrium between economies of scope and diseconomies of scale. It also appears that there is a limit on how much a firm can diversify. If a firm goes beyond this point, its market value deteriorates and reduction in diversification by refocusing is linked to value creation (Markides 1992).

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CHAPTER – 4

Research Methodology

CHAPTER - 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

"Research methodology primarily means the science of how research is to be done scientifically. It's a means of solving a problem systematically and logically which help us to understand not just the outcome of research but also the process and methods in addition to the information obtained by them." In a research study, numerous steps are adopted by a researcher along with the logic behind them in studying the research problem.

STEPS OF RESEARCH METHODOLOGY

Research process contains a chain of closely linked activities which has to be carried out by a researcher. Research process requires patience. There is no measure which shows that your research is the best. It is an art rather than science. The main steps in social or business research process are as follows:

1. Selecting a Research Problem
2. Extensive Literature Survey
3. Hypothesis Making
4. Drafting the Research Design
5. Sampling
6. Collecting Data
7. Data Analysis
8. Testing of Hypothesis
9. Generalization and Interpretation
10. Reporting

A researcher needs to understand not only the research techniques but also the methodology. Researchers not only need to know how to develop certain indices or tests, or the method of calculating mean, median and mode or standard deviation or such other statistical techniques and how to apply them but also they need to realize which of these methods or techniques are feasible and which are not.

Researchers should also understand the assumptions concealed under various techniques and they need to take into account the criteria by which they can analyze which techniques and procedures would be feasible for a particular problem and which are not. Hence, it means that it is necessary for a researcher to frame certain methodology for his problem as it may differ from problem to problem.

4.2 OBJECTIVES OF RESEARCH STUDY

(A) Primary Objective:

- To study and analysis of diversification strategies in Indian Tobacco Company Limited and Hindustan Unilever Limited, India.

(B)Secondary Objectives:

1. To analyze the purpose of products and services diversification strategies at selected companies.
2. To examine the support received from various stakeholders for products and services diversification.
3. To uncover the advantages of diversification by managerial personnel in selected companies.
4. To analyze managerial opinion on problems faced in diversification strategies in selected companies.
5. To appraise outcomes of diversification in the companies undertaken.

4.3 SIGNIFICANCE OF RESEARCH STUDY

- The study analyses the Managerial Opinion for products and services diversification strategies at selected companies.
- The study measures the Stakeholders support received for products and services diversification strategies at selected companies.
- The study analyses the outcomes of products and services diversification strategies at selected companies.

4.4 SCOPE OF THE STUDY

- The study is conducted in India keeping in concern the time and cost constraints.
- The field of study is the analysis of Managerial Opinion towards the products and services diversification of Indian Tobacco Company Limited and Hindustan Unilever Limited.
- The present study will cover purpose of products and services diversification, support from stakeholders, advantages, problems and outcomes from product and services diversification strategies by managerial personnel at selected companies.

4.5 HYPOTHESIS OF THE STUDY

The below mentioned hypothesis has been formulated to fulfill the former objectives.

H1 (Null): ITC management does not gain its purpose of products and services diversification strategies.

H1 (Alternate): ITC management gained its purpose of products and services diversification strategies.

H2 (Null): Stakeholders do not provide adequate support for products and services diversification of ITC.

H2 (Alternate): Stakeholders provide adequate support for products and services diversification of ITC.

H3 (Null): ITC management does not receive advantages from products and services diversification.

H3 (Alternate): ITC management receives advantages from products and services diversification.

H4 (Null): ITC management does not face problems in products and services diversification strategy.

H4 (Alternate): ITC management faces problems in products and services diversification strategy.

H5 (Null): ITC outcomes are negatively influenced from products and services diversification strategy.

H5 (Alternate): ITC outcomes are positively influenced from products and services diversification strategy.

H6 (Null): HUL management does not gain its purpose of products and services diversification strategies.

H6 (Alternate): HUL management gained its purpose of products and services diversification strategies.

H7 (Null): Stakeholders do not provide adequate support for products and services diversification of HUL.

H7 (Alternate): Stakeholders provide adequate support for products and services diversification of HUL.

H8 (Null): HUL management does not receive advantages from products and services diversification.

H8 (Alternate): HUL management received advantages from products and services diversification.

H9 (Null): HUL management does not face problems in products and services diversification strategy

H9 (Alternate): HUL management faces problems in products and services diversification strategy.

H10 (Null): HUL outcomes are negatively influenced from products and services diversification strategy.

H10 (Alternate): HUL outcomes are positively influenced from products and services diversification strategy.

4.6 RESEARCH DESIGN

A Research design is an action plan to be carried out in connection with a research project.

The research is conducted within the conceptual structure consists of the layout of data collection, measurement and analysis. It's the description of methods and procedures for gathering information required to resolve the problem. Decisions related to what, where, when, how much, by what means are subjected to an inquiry or a research study frames a research design. A research design is the bodywork or a structure used as a guide in collecting and analyzing data for a study.

Mainly there are three fundamental types of research design which are: exploratory, descriptive, and causal. The names of the three types of research design itself explain their purpose very well. The objective of exploratory research is to explore ideas and insights. Descriptive research is used to describe a population with the values of important variables. Causal research is used to form cause-and-effect relationships between variables.

The current study follows both exploratory and descriptive research approach. Exploratory research is executed through a review of available literature in formulating Hypotheses.

Further descriptive research design is taken into consideration to test the hypotheses and inferences were drawn from data analysis. The present study contains the quantitative approach of problem solving. This includes a quantitative, descriptive, and comparative research with cross-sectional survey of data from Management of ITC and HUL. Survey data is employed to estimate population characteristics and to explore the significance of predictor variables. The research which has been carried on managerial opinion towards diversification strategies is descriptive in nature. It focuses on purpose of products and services diversification, stakeholders support, advantages, problems and outcomes etc. It is a fact finding investigation with adequate interpretation.

- **Sampling**

Sampling is determined as selecting a portion of a population on account of which interpretation or conclusion about the aggregate or about the total is drawn. A sampling design is a decisive plan of acquiring a sample from a sampling frame. It mentions the technique or the procedure to be adopted by the researcher in selecting the sampling units. Sampling design incorporates population and sampling unit, determining the sampling techniques and sampling size.

- **Population**

  A population is the sum total of all those elements that share some similar characteristics and which constitutes the universe for the prospect of the research problem. All the contents under concern in any field of the study or research forms a ‘universe' or 'population'. The universe of current study is comprised of the top level managers of both companies.

- **Universe**

  The universe in research study is finite. In the finite universe, numbers of components are certain. In this study, the universe is management personnel who are responsible for diversification strategies in the selected companies.

- **Sample Unit**

  Individual management personnel of selected companies.

- **Sample size**

  An optimum sample is one which is an appropriate representative and within the reach of the researcher. In the current research work, the sample size will be of 47 respondents.

  30 respondents are from ITC (1 Chairman, 1 Managing Director, 2 executive director, 9 non executive directors and 17 business head) and 17 responses from HUL (1 Chairman, 1 Managing Director, 5 independent director and 10 executive directors).

- **Sampling Technique**

  Respondents were chosen by Convenience Sampling technique.

- **Criteria of sample selection**

The sampling units of the study are Managers working in Indian Tobacco Company Limited and Hindustan Unilever Limited because their role and involvement in diversification decisions is important to get answers of the research questions.

4.7 DATA GATHERING AND GENERATION OF SCALE ITEMS

This research work is in the structure of empirical and exploratory study for which the information was gathered from the Primary and Secondary sources. The researcher adopted the following methodology to complete this study.

(A) Primary Data

For primary data, a well fabricated questionnaire has been prepared .This was filled by the Management of ITC and HUL.

1. **Questionnaire**

   The questionnaire was framed on grounds of pilot study which provided initial fillers and trends. It allowed the researcher to incorporate worthwhile queries and eliminate the irrelevant ones.

2. **Schedules / Interview**

   The researcher conducted interview of resourceful respondents to infer meaningful information that facilitated the researcher to collect data for further interpretation.

(B) Secondary Data: The sources of collecting secondary data for research study were as follows:-

1. Print media

a) Various studies already being conducted in this area

b) Books

c) Magazines

d) Journals

e) Newspapers

f) Periodicals

g) Reports

2. Electronic media

a) E-Books

b) Online journals

c) Websites

Data Collection Tool

The proposed research format is based on cause-effect relationship between independent and dependent factors. Questionnaire was used for data collection. All selected respondents received a questionnaire as part of data collection process. It is a form which contains a series of questions to be asked to respondents. Structured questionnaire consisting of comprehensible questions were prepared. The reason for development of the questionnaire was to create an initial version to be used for testing. The accuracy and reliability of questionnaire were checked with pilot test before finalizing which also includes the testing of reliability of scales and validity of the questions. Pilot test were used for improving the questionnaire and some questions were then appropriately revised.

Data Collection period

Survey tools were distributed directly and indirectly (online link) to users over an 18 month period from June, 2016 to December, 2017.

Questionnaire Design and Scale Design

The questionnaire was structured into two main substantive sections. In the first section, questions were asked to respondents about their demographic profile, which included age, gender, qualification, management level, duration of service in the organization, functional areas etc. The second section includes questions about managerial opinion towards purpose, stakeholders' support, and advantages of products and services diversification, problems faced during implementation of products and services diversification and outcomes after products and services diversification.

Some of questions on measuring perception is measured using 5 point Liker Scale which ranges from a score of 1 for 'Strongly Disagree' to 5 'Strongly Agree', with 3 being the neutral. The last stage of questionnaire consists of pre-testing and revising the preliminary questionnaire.

Piloting testing:

The piloting strategy is used for this survey. Two stages of pilot work were carried out before the main fieldwork stage:

1. A small-scale cognitive testing stage
2. A pilot stage carried out through interviews.

Cognitive testing is based on a thorough understanding of the concepts which respondents use in trying to answer survey questions. The goal is to analyze whether he/she understands the questions as a whole and any key specific words and phrases it contains and information which is needed to retrieve in order to answer the questions. Five cognitive interviews were conducted face to face, with respondent having different socio-demographic characteristics.

Pilot Study

After making necessary amendments to the questionnaire based on findings from the cognitive testing, a pilot survey was conducted. The questionnaire was tested in a forum of 10 experts and 5 university faculties to ensure the relevance of questions and sections in the survey. After the pilot study, amendments were done to the questionnaire for clarity to enable some new questions to be added and to remove others.

4.8 STATISTICAL TOOLS USED IN THE STUDY

There are various sources of data collection which differs mainly in context of cost, time and other resources from the point of view of the researcher. Primary data could be gathered either through questionnaire and interview or schedules. The researcher selects the methods of gathering data by taking into account the nature of survey, objectives and scope of the study, financial resources, availability of time and the required degree of perfection. Primary data was collected with the help of questionnaire and for analyzing the primary data.

In present research, the respondents were selected using convenience sampling (using a cross-sectional design) from different demographic profiles. Sample of the present study, represented the population in accordance with the demographic dimensions i.e. age, gender, qualification, management level, duration of service in the company, functional areas. Care was taken to make the sample representation of the actual population.

In present study, demographic variables such as age, gender, qualification, management level, duration of service in the company, functional areas were measured as nominal variables. While one of the objectives of this was to understand the sample characteristics and other is to conduct analysis in the demographic context. Other scale items used to measure Managerial Opinion towards diversification strategies in selected companies.

Statistical tools which are used in the study are as follows:

Chi Square

The chi-square goodness-of-fit test is a type of nonparametric test which is also known as one-sample goodness-of-fit test or Pearson's chi-square goodness-of-fit test. It is used to identify whether the distribution of cases (e.g., respondents) in a single categorical variable (e.g., "age", consisting of many groups) follows a known or hypothesised distribution.

- **Assumption 1:** One categorical variable (i.e., the variable can be dichotomous, nominal or ordinal). Examples of dichotomous variables include Yes or No options, treatment type (2 groups: medication or no medication), Qualification level (2 groups: undergraduate or postgraduate). Examples of ordinal variables include Likert scales (e.g., a 7-point scale from "strongly agree" to "strongly disagree"), amongst other ways of ranking categories (e.g., a 5-point scale for measuring job satisfaction).
- **Assumption 2:** There should be independence in observations, which means that there is relationship between any of the cases (e.g., participants).

4.9 LIMITATIONS OF THE STUDY

Due to lack of time and resources there are some limitations which are given below:

1. Small sample size
2. Limited Geographical scope.

3. The researcher won't be able to collect full information regarding the study due to the lack of time.
4. The researcher won't be able to approach all the respondents due to physical constants.
5. Sometimes respondents would not show proper interest while answering the questions.
6. The Management of the ITC and HUL remains so busy with their own work that it is very hard to provide time for making clear concept in a particular area.
7. The accuracy of data largely depends on the correctness of information provided by management.
8. Some of the respondents give more than one answer of the questions.
9. Analysis done by the researcher is based on response given by respondents.
10. There is zero control over the variables; the researcher has reported only what has and what is happening?

Despite of all the limitations the researcher tried to the best level to collect the data that is sufficient enough to make this study.

4.10 EXPECTED CONTRIBUTION FROM THE STUDY

1. The study subscribes to the growing literature on diversification strategies and more specifically on business groups in more ways than one.
2. The study helps us understand the patterns of products and services diversification strategies pursued by business groups in emerging markets.
3. The study is also capable to contribute to future research scholars in the same area or related area through different views of products and services diversification strategies.
4. This study will also be helpful for the academicians for the academic interest and up gradation of their knowledge.
5. This study can definitely contribute to larger studies concerned with the enhancement of the domestic market for fast moving consumer goods.

This chapter provides an insight of research methodology used in study. It involves the objectives behind conducting the research and the importance of study. The scope of research and the limitations are also mentioned in this chapter. It describes the prime methodological outlook of the current study, the sources used for the primary and secondary data collection and the details consistent to the relevant statistical tools used for the study.

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CHAPTER – 5

Data Analysis, Interpretation and Testing

CHAPTER - 5

DATA ANALYSIS, INTERPRETATION AND TESTING

The root of any research exercise is the analysis of the collected data and the inferences that are drawn based on the interpretation of the analyzed data. This chapter presents the core of research. This chapter provides the empirical findings from the collected data. Chapter is well-classified for systematic presentation of collected data and their statistical analysis. This study is structured to examine the various issues of manager's opinion towards diversification strategies of select companies. The data received through the questionnaire and interview method was tabulated and analyzed using data classification tools. Interpretations were made to get the meaningful inferences.

PART A: FOR INDIAN TOBACCO COMPANY LIMITED (ITC)

5.1 SAMPLE DEMOGRAPHIC

Sample Size = 30 responses from manager of ITC has been selected for analysis. Their demographic summary is given below:

Table: 5.1 Respondent Demographics- Overall of ITC

	Categories	Count	Percentage
Age	20-30	0	0%
	31-40	0	0%
	41-50	0	0%
	51-60	12	40%
	61 & above	18	60%
Gender	Female	2	7%
	Male	28	93%
Management Level	Top	30	100%
	Middle	0	0%
	Lower	0	0%
Qualification	Diploma	0	0%
	Graduate Only	0	0%
	Post Graduate	28	93%
	Ph.D.	0	0%
	Other	2	7%
Length of service in the Company	Less Than a Year	0	0%
	1-5	12	40%
	6-10	3	10%
	11-15	4	13%

	Categories	Count	Percentage
	16-20	4	13%
	21 & above	7	24%
Functional area	Administrative Department	5	17%
	Finance Department	4	14%
	Operation Department	5	17%
	Marketing Department	3	10%
	HR Department	1	3%
	Research & Development Department	2	7%
	Legal Department	2	7%
	Production Department	3	10%
	Sale & Distribution Department	1	3%
	Inventory Department	1	3%
	Purchase Department	1	3%
	Logistics Department	1	3%
	Maintenance Department	1	3%

(a) Age

To identify the age wise classification of the respondents, data was tabulated in tables and diagrams as under.

Table: 5.2 Age wise Distribution

Age	Count	Percentage
20-30	0	0%
31-40	0	0%
41-50	0	0%
51-60	12	40%
61 & above	18	60%

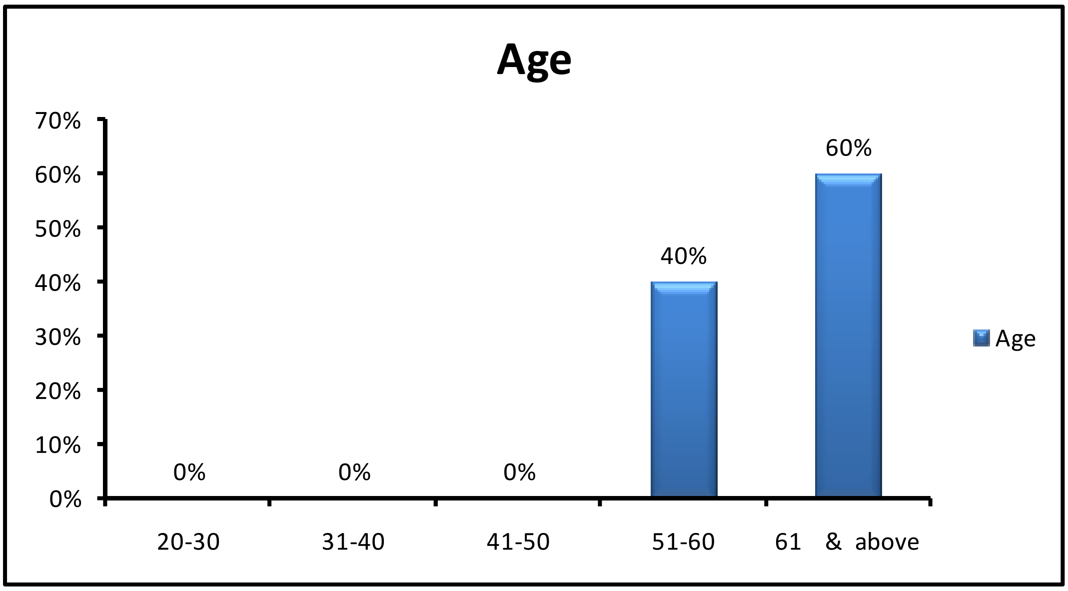

Figure: 5.1 Age wise Distribution

Interpretation: From the above table and graph, it can be concluded that majority of respondents are above 60 years of age. 40 percent of managers in the survey belong to age group of 51-60 years. Since the survey primarily considered the perception of top management of the company, we believe the respondents belong to mature age brackets. No respondents belong to lower age groups of 20-30, 31-40 and 41-50 years. Hence, it is clear that our sample constitutes of top management of ITC.

(b) Gender

To identify the gender wise classification of the respondents, data is represented via tables and diagram as under.

Table: 5.3 Gender wise Distribution

Gender	Count	Percentage
Female	2	7%
Male	28	93%

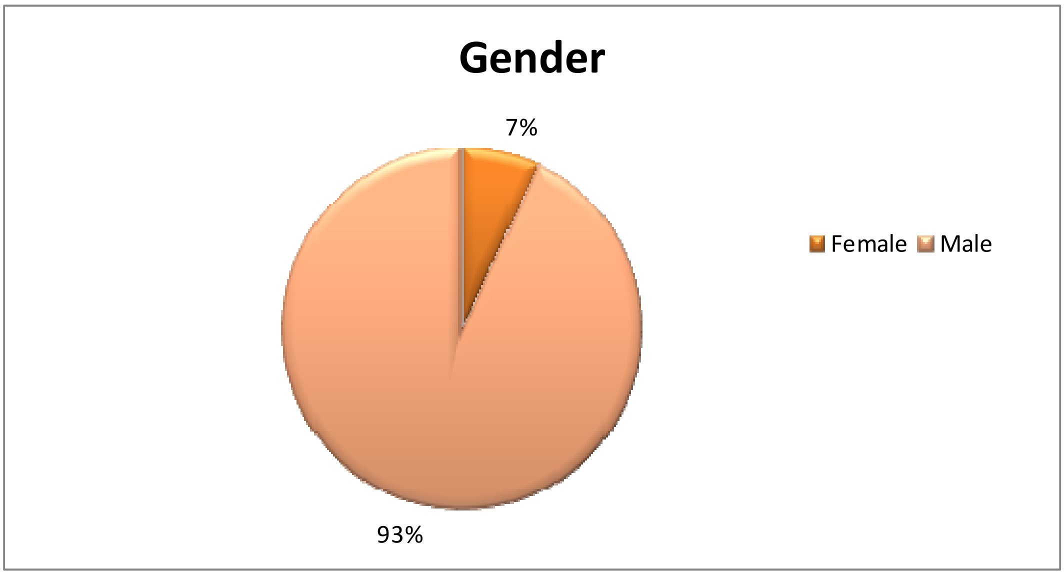

Figure: 5.2 Gender wise Distribution

Interpretation: The gender wise analysis revealed that the survey included 30 top executives of ITC. Out of the total respondents, about 93 percent of respondents are male and only 7 percent were female. Since we conducted the survey for top management, this distribution shows an imbalance in distribution of males and female. This classification is important for the analysis of gender wise difference of opinion (later). It also depicts that there is less female participation in the top management of the company.

(c) Management Level

To identify management level wise classification of the respondents, data is presented as under.

Table: 5.4 Management level wise Distribution

Management level	Count	Percentage
Top	30	100%
Middle	0	0%
Lower	0	0%

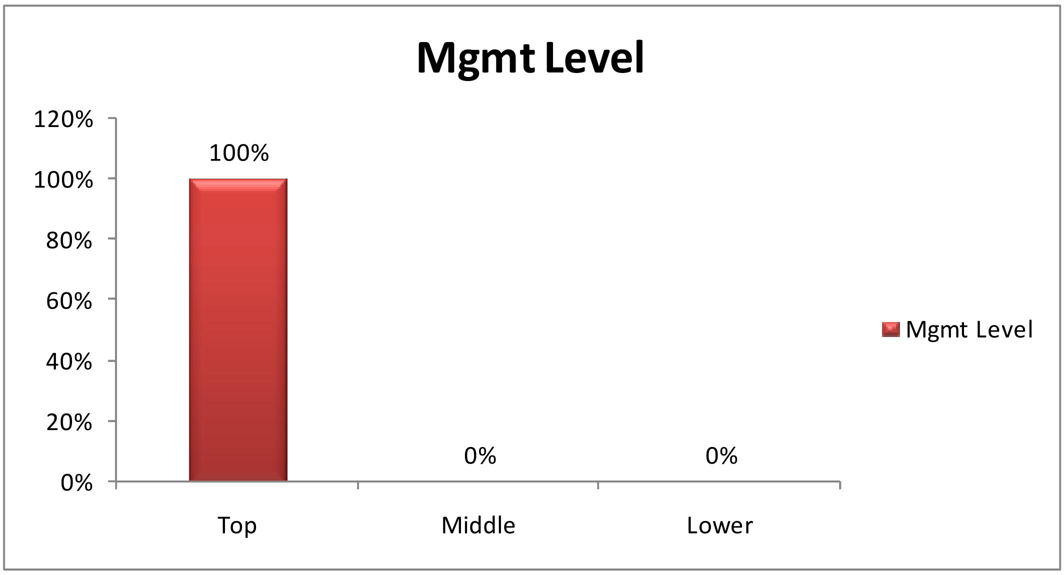

Figure: 5.3 Management level wise Distribution

Interpretation: From the above table and graph, we can conclude that all of respondents belong to top management of ITC. Their management team is responsible for the formation of major long-term planning in the company. Survey also involves executives responsible for deciding diversification strategies for the company.

(d) Length of service in the company

To identify the experience wise classification of the respondents, data is presented as under.

Table: 5.5 Experience wise Distribution

Experience level	Count	Percentage
Less Than a Year	0	0%
01-05	12	40%
06-10	3	10%
11-15	4	13%
16-20	4	13%
21 & above	7	24%

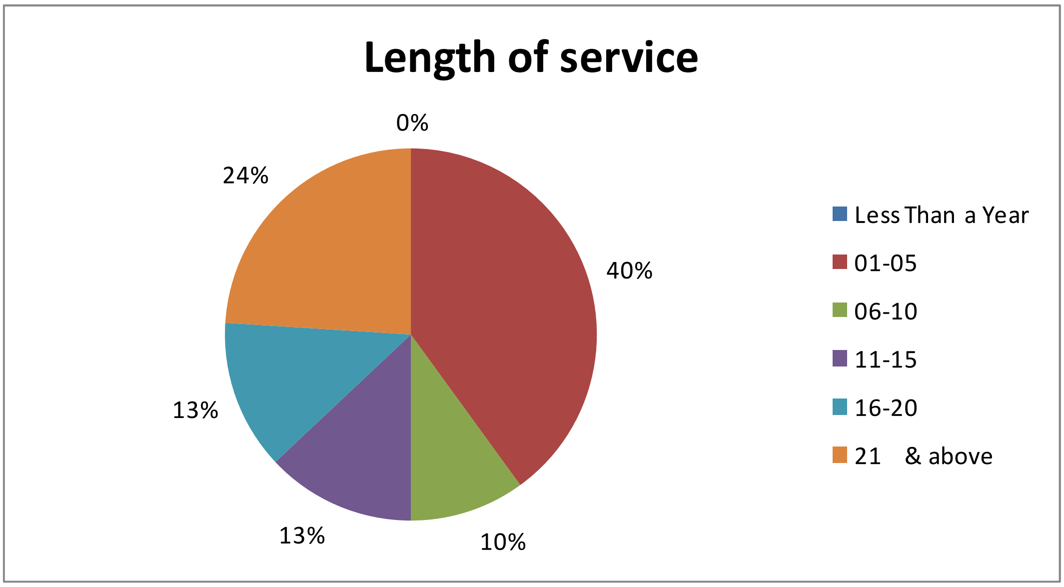

Figure: 5.4 Experience wise Distribution

Interpretation: The experience wise analysis revealed that the survey included 30 managers of ITC. Out of the total respondents, 40 percent of respondents are very new in the company having experience of 1- 5 years. 10 percent of managers in the survey have 6-10 years of experience. About 13 percent of respondents gained 11-15 years and 16-20 of experience each. The survey includes 24 percent of respondents/executives having a rich experience of more than 20 years in the company. From the table, we can conclude that there is a wide variety of respondents having vast experience in the industry. Hence, we can rely on their perception and survey results of the study regarding diversification strategies and its impact.

(e) Functional Areas

To identify the function wise classification of the respondents, data is presented as under.

Table: 5.6 Functional area wise Distribution

Functional area	Count	Percentage
Administrative Department	5	17%
Operation Department	5	17%
Finance Department	4	14%
Marketing Department	3	10%
Production Department	3	10%
Research & Development Department	2	7%
Legal Department	2	7%
HR Department	1	3%
Sale & Distribution Department	1	3%
Inventory Department	1	3%
Purchase Department	1	3%
Logistics Department	1	3%
Maintenance Department	1	3%

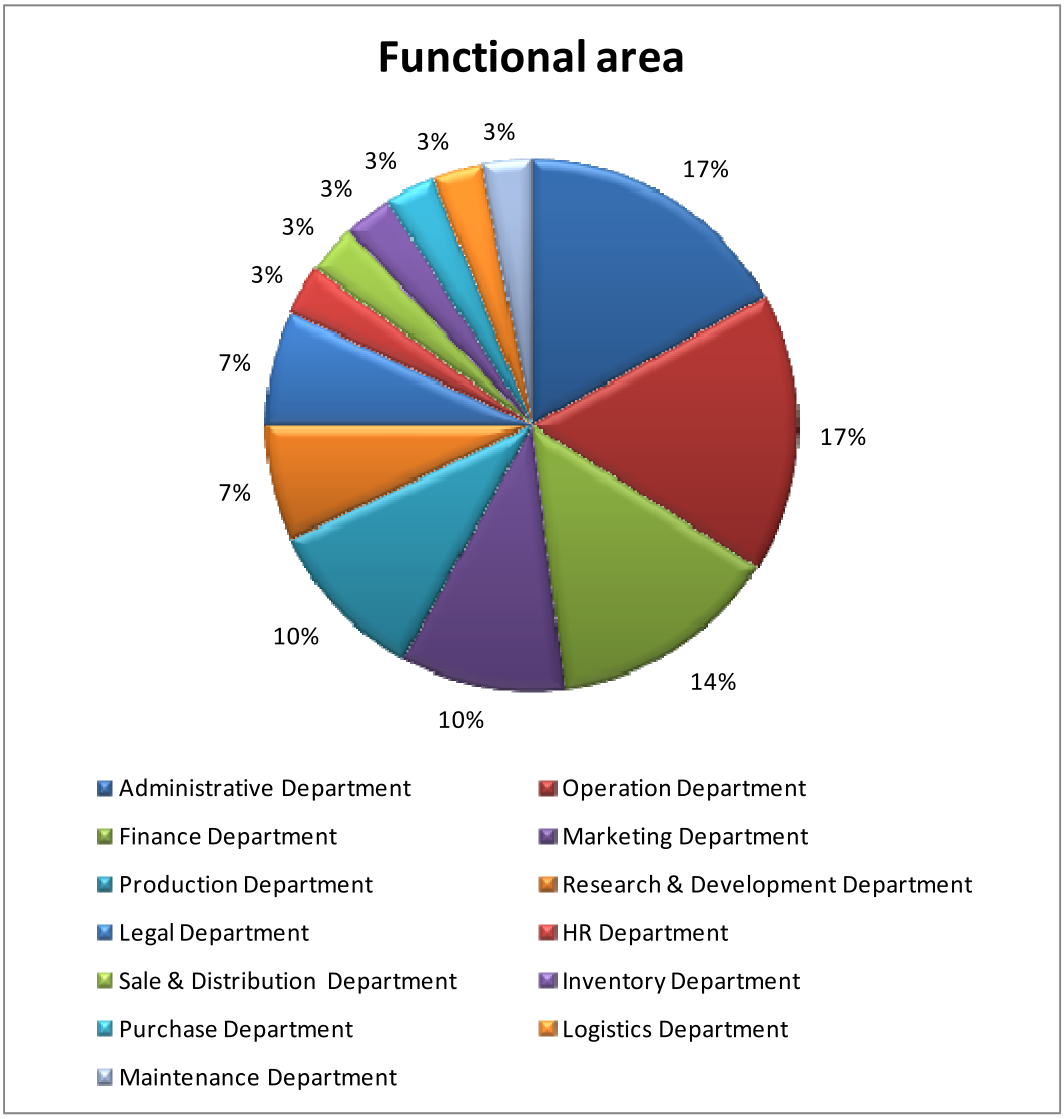

Figure: 5.5 Functional area wise Distribution

Interpretation: The department wise analysis revealed that the survey includes top management executives from almost all the departments. Out of the total respondents, about 17 percent of respondents are from Administration, operations respectively. About 14 percent of executives belong to finance department. Survey comprises 10 percent of respondents from marketing and production department. Other respondents were from R&D, Legal, HR, Sales and Distribution, purchase, logistics and maintenance departments.

(f) Qualification

To identify the qualification wise classification of the respondents, data is presented as under.

Table: 5.7 Qualification wise Distribution

Qualification	Count	Percentage
Diploma	0	0%
Graduate Only	0	0%
Post Graduate	28	93%
Ph.D.	0	0%
Other	2	7%

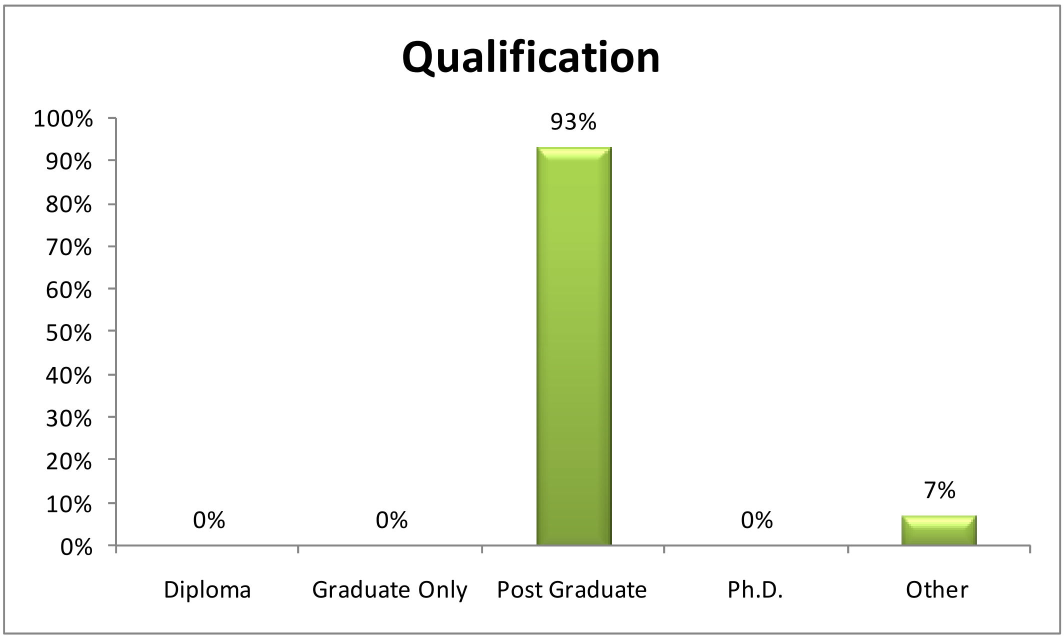

Figure: 5.6 Qualification wise Distribution

Interpretation: From the above table and graph, it can be concluded that majority of respondents are post graduates (93 percent) and 7 percent possess other qualifications and management certifications.

5.2 PURPOSE OF PRODUCTS AND SERVICES DIVERSIFICATION

Businesses diversify for a number of reasons. Perhaps the most basic of these is survival. By definition, a company that focuses on a narrow range of products will only have access to a finite number of consumers. That is fine if the market, as it stands, is big enough to support several competing businesses, but if the pool of consumers is small, the cost of running the company may outstrip the potential for revenue. In these circumstances, diversification into new product lines may be essential to the long-term viability of the company.

Following hypothesis is tested in given section:

H1 (null): ITC management does not gain its purpose of products and services diversification strategies.

H1 (alternate): ITC management gained its purpose of products and services diversification strategies.

Responses are tabulated below.

Table: 5.8 Purpose of diversification-ITC

Purpose of diversification	Count	Percent
For growth of the company	2	7%
Profit	2	7%
Risk Sharing	3	10%
To get position of competitiveness	3	10%
To capture market share	1	3%
To get advantage of loyalty of customers	2	7%
All of them	16	53%
Other – Cost minimization	1	3%

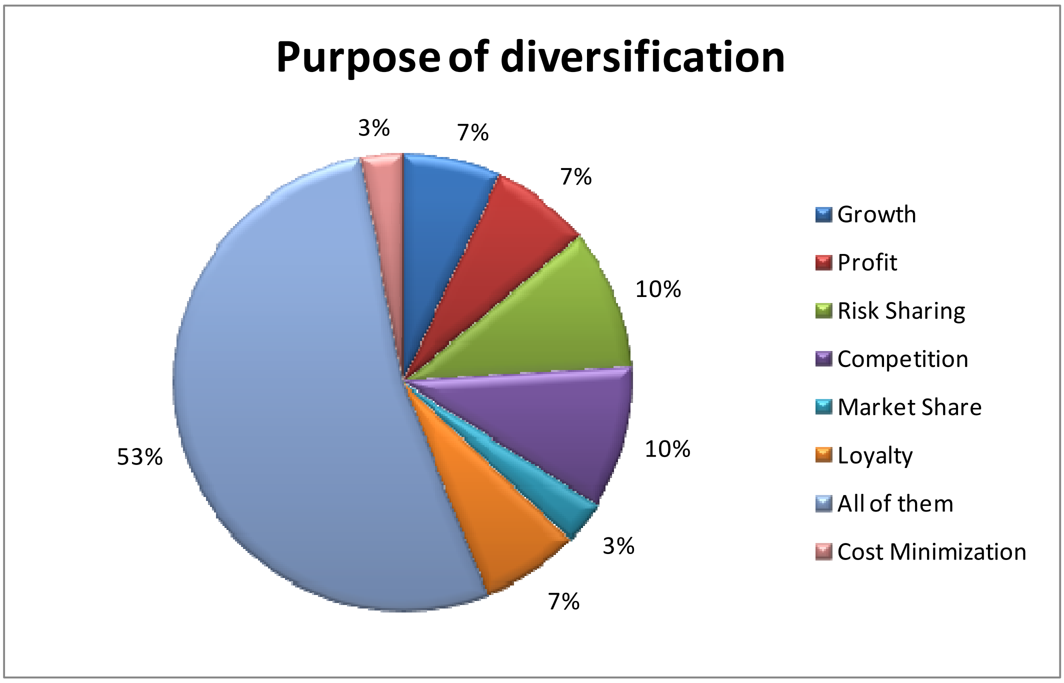

Figure: 5.7 Purpose of diversification - ITC

Table: 5.9 Chi square Test- Purpose of diversification

Observed Frequency (o)	Expected Frequency (E)	(0-E)^2/E
2	4	1.000
2	4	1.000
3	4	0.250
3	4	0.250
1	4	2.250
2	4	1.000
16	4	36.000
1	4	2.250
	Chi Square	**44.000**
	P-Value	**0.000**

Interpretation*:* From the table and chart, it is clear that one of the important reasons for the diversification decision for the product line is risk sharing and to get competitive advantage in the market. Other reasons include achieving loyalty of customers, growth of company, profit maximization and cost minimization. Moreover, majority of management team (53 percent) agreed with all the reasons mentioned as significant impact of diversification strategies.

To the distribution, chi-square goodness-of-fit test (single-sample nonparametric test) is used. From the table result above, it can be concluded that the distribution of responses are not equal among given categories as the p-value below 0.05 (Chi-square= 44.00, p-Value=0.000). Hence, data distribution revealed that majority of respondents agreed on all the reasons behind company's diversification strategies.

Hence, from the above analysis, we can conclude that majority of top management executives believed that ITC has gained its objective of products and services diversification strategies. Therefore, we can reject null hypothesis and accept alternate hypothesis that ITC management gained its purpose of products and services diversification strategies.

5.3 TYPES OF DIVERSIFICATION

Opinion regarding which kind of diversification is good for ITC growth has also been captured from the questionnaire. Responses are tabulated below.

Table: 5.10 Types of diversification-ITC

Type of diversification	Count	Percent
Related	14	46%
Unrelated	5	17%
Both	11	37%

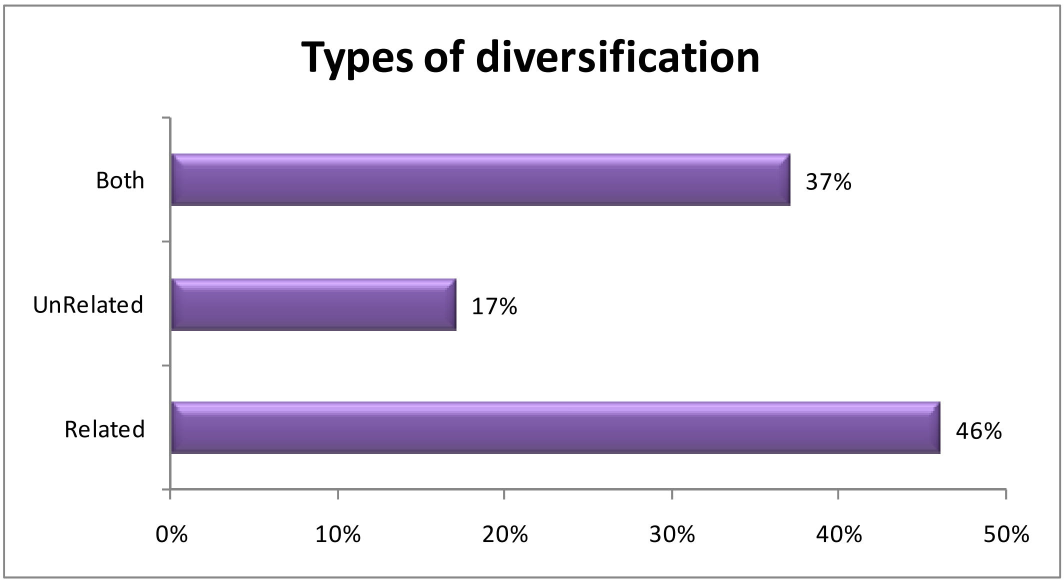

Figure: 5.8 Types of diversification

Interpretation: From the table and chart, it is clear that majority of managers of ITC perceived that related diversification is more beneficial than unrelated diversification. Related Diversification occurs when the company adds to or expands its existing line of production or markets. It is less risky. In the majority of cases, it does not require big investments and owners feel more secure because they know the opportunities and threats in the field of their main business activities. However, 37 percent of respondents also agreed to being benefited from both (related and unrelated) diversification strategies.

5.4 IMPORTANCE OF STAKEHOLDERS SUPPORT

Following section deals with the result of management perception on the support received on the diversification strategies.

5.4.1 Staff Members involvement in products and services diversification strategy

Table: 5.11Staff Members participation

Parameter	Response count	Percentage
Yes	8	27%
No	10	33%
Partially	12	40%

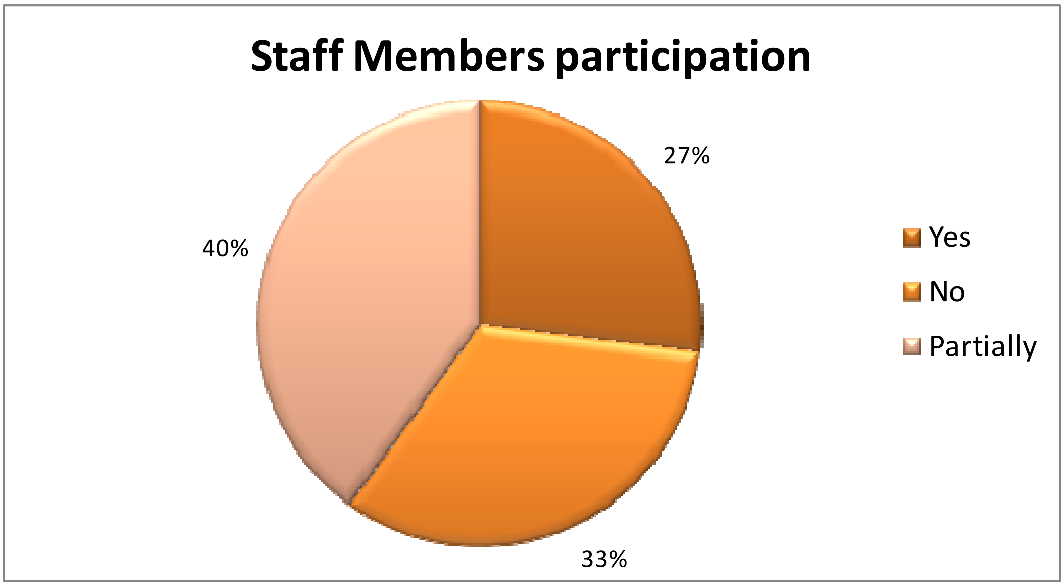

Figure: 5.9 Staff members participation

Interpretation: From the above table and graph it can be concluded that majority of top management (40 percent) believed that comp any value their contribution and decision making skills in diversification strategies. However, 33 percent of executives also reject this finding and perceive no participation from them in products and services diversification strategy of the company.

5.4.2 Support for products and services diversification

Following section also tests the given hypothesis

H2 (null): Stakeholders does not provide adequate support for products and services diversification of ITC

H2 (alternate): Stakeholders provide adequate support for products and services diversification of ITC

Given tables present the scale of items used to measure stakeholder support. Results are present below.

Table: 5.12 Stakeholders Support

Scale Items	Variable Name
Retailer provide adequate sales support for all products in the range	ITC_Support 1
Supplier provide raw materials and other supplies well in time and on better terms	ITC_Support 2
Investor's willingness to invest more in the company and having increased faith on company's ability to return on investment	ITC_Support 3
Customer's support and acceptance for diversification decision	ITC_Support 4
Employees' willingness to contribute their best and assist in implementation of diversification strategy	ITC_Support 5
Social approval and satisfaction from diversified products and services	ITC_Support 6
Government's regulatory structure provides positive support for Diversification	ITC_Support 7
Trade unions give positive support for diversification decision	ITC_Support 8

Variable Name	Yes		No	
	Count	Percentage	Count	Percentage
ITC_Support1	27	90%	3	10%
ITC_Support2	28	93%	2	7%
ITC_Support3	30	100%	0	0%
ITC_Support4	30	100%	0	0%
ITC_Support5	28	93%	2	7%
ITC_Support6	30	100%	0	0%
ITC_Support7	25	83%	5	17%
ITC_Support8	30	100%	0	0%

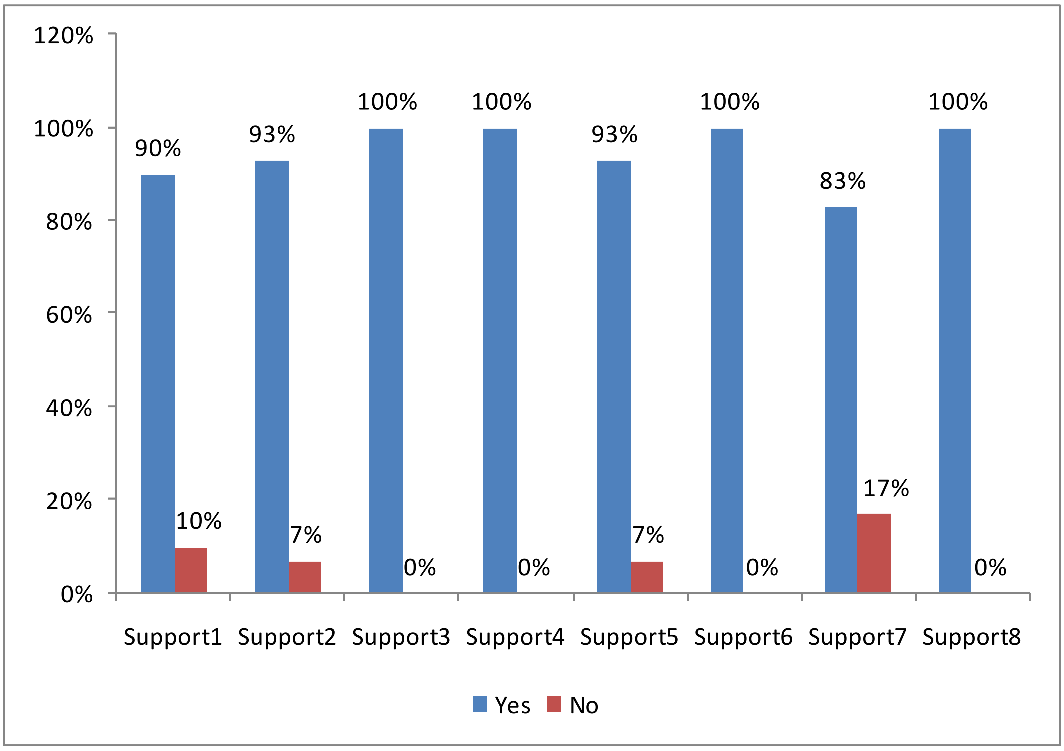

Figure: 5.10 Stakeholders Support

Table: 5.13 Chi square Test- Stakeholders Support

	Observed Frq (o)	Expected Frq(E)	(0-E)^2/E
ITC_Support1	27	28.5	0.079
ITC_Support2	28	28.5	0.009
ITC_Support3	30	28.5	0.079
ITC_Support4	30	28.5	0.079
ITC_Support5	28	28.5	0.009
ITC_Support6	30	28.5	0.079
ITC_Support7	25	28.5	0.430
ITC_Support8	30	28.5	0.079
	Chi Square		**0.842**
	P-Value		**0.997**

Interpretation: To the distribution, chi-square goodness-of-fit test (single-sample nonparametric test) is used. This test determines whether the distribution of cases follows a known or hypothesized distribution. The test depends on whether hypothesized proportion of cases expected in each group of categorical variables is equal or unequal. From the table result below, it can be concluded that the distribution of responses are equal among given

Categories, as the p-value above 0.05 (Chi-square= 0.842, p-Value=0.997). Hence, data distribution revealed that majority of respondents agreed that investors, customers, society, and trade union provide 100% support to company.

From the above-tabulated analysis, it can be concluded that ITC management perceives that retailers provide adequate sales support for all products in the range, suppliers provide raw materials and other supplies well in time. They also believe company policies enhance investors' willingness to invest more in ITC and this has increased faith in company's ability to generate return on investment. Executives also perceive that customers provide support and acceptance for diversification decisions and managers of ITC are willing to contribute their best and assist in implementation of diversification strategy. There is also a social approval and satisfaction from diversified products and services. Top management gives positive perception that government regulatory structures also provide positive supports for diversification and trade unions give positive support for diversification decision.

Moreover, management also give reasons for non-support, which include poor communication with supplier, unavailability of material, lack of coordination and support from other level of management, resistance from lower level, frequent change in taxes and duties

Hence, from the above analysis, it can be concluded that majority of top management executives believed that various stakeholders provide adequate support for products and services diversification of ITC. Therefore, from frequency distribution and result of chi-square, we can reject null hypothesis and accept alternate hypothesis that stakeholders provide adequate support for products and services diversification of ITC.

5.5 ADVANTAGES OF DIVERSIFICATION

Following scale items are use to measure management opinion towards advantages of diversification.

Following section also tests the given hypothesis:

H3 (null): ITC management does not receive advantages from products and services diversification

H3 (alternate): ITC management receives advantages from products and services diversification.

Given tables present the scale items used to measure management opinion on advantages of diversification. Results are presented below.

Table: 5.14 Scale Items- Advantages of Diversification

Advantages of Diversification	Variable
International presence increases image and preference for the brand	ITC_Advantage1
Image of brand in the society affects the level of customer satisfaction	ITC_Advantage2
For utilising existing resources and capabilities	ITC_Advantage3
Diversification spreads the risk of stakeholders	ITC_Advantage4
Increases management expertise in formulation and implementation of corporate strategies	ITC_Advantage5
Diversification is a boon to the society	ITC_Advantage6
Product diversification influences consumer buying behaviour	ITC_Advantage7
Product diversification helps in sustaining business growth	ITC_Advantage8
Diversification helps in creating new customers	ITC_Advantage9
Diversification provides freedom of choice	ITC_Advantage10
Diversification helps in increasing brand loyalty to stabilize market Share	ITC_Advantage11
Diversification offers variety of products to market	ITC_Advantage12
After diversification products are available under one roof	ITC_Advantage13
Brand identity of company's products enable repeat purchases	ITC_Advantage14
Well-known brands enable better channel relationship	ITC_Advantage15
Facilitate and economize promotional efforts	ITC_Advantage16
Increase in the firm's overall profit	ITC_Advantage17
Products and services expansion	ITC_Advantage18
New emerging markets	ITC_Advantage19
Huge population and large potential for growth in business segments	ITC_Advantage20
Using strategic marketing tools for core brands	ITC_Advantage21
Other – opportunities for strategic integration	ITC_Advantage22

Variable	Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Advantage1	30%	50%	0%	20%	0%
ITC_Advantage2	27%	73%	0%	0%	0%
ITC_Advantage3	23%	77%	0%	0%	0%
ITC_Advantage4	63%	37%	0%	0%	0%
ITC_Advantage5	77%	23%	0%	0%	0%
ITC_Advantage6	50%	50%	0%	0%	0%
ITC_Advantage7	27%	63%	0%	10%	0%
ITC_Advantage8	30%	44%	0%	23%	3%
ITC_Advantage9	57%	43%	0%	0%	0%
ITC_Advantage10	83%	17%	0%	0%	0%
ITC_Advantage11	13%	57%	0%	20%	10%
ITC_Advantage12	63%	37%	0%	0%	0%

ITC_Advantage13	50%	20%	0%	23%	7%
ITC_Advantage14	30%	70%	0%	0%	0%
ITC_Advantage15	43%	57%	0%	0%	0%
ITC_Advantage16	53%	47%	0%	0%	0%
ITC_Advantage17	57%	43%	0%	0%	0%
ITC_Advantage18	40%	60%	0%	0%	0%
ITC_Advantage19	60%	40%	0%	0%	0%
ITC_Advantage20	63%	37%	0%	0%	0%
ITC_Advantage21	30%	67%	3%	0%	0%
ITC_Advantage22	97%	3%	0%	0%	0%

Table: 5.15 Chi square Test- Advantages of Diversification

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Advantage1	**O**	9	15	0	6	0
	E	6	6	6	6	6
	(O-E)^2/E	1.5	13.5	6	0	6
		Chi Square	27			
		P-value	0.000			
ITC_Advantage2	**O**	8	22	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	0.67	42.67	6.00	6.00	6.00
		Chi Square	61.33			
		P-value	0.000			
ITC_Advantage3	**O**	7	23	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	0.17	48.17	6.00	6.00	6.00
		Chi Square	66.33			
		P-value	0.000			
ITC_Advantage4	**O**	19	11	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	28.17	4.17	6.00	6.00	6.00
		Chi Square	50.33			
		P-value	0.000			
ITC_Advantage5	**O**	23	7	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	48.17	0.17	6.00	6.00	6.00
		Chi Square	66.33			
		P-value	0.000			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Advantage6	**O**	15	15	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	13.50	13.50	6.00	6.00	6.00
		Chi Square	45.00			
		P-value	0.000			
ITC_Advantage7	**O**	8	19	0	3	0
	E	6	6	6	6	6
	(O-E)^2/E	0.67	28.17	6.00	1.50	6.00
		Chi Square	42.33			
		P-value	0.000			
ITC_Advantage8	**O**	9	13	0	7	1
	E	6	6	6	6	6
	(O-E)^2/E	1.50	8.17	6.00	0.17	4.17
		Chi Square	20.00			
		P-value	0.000			
ITC_Advantage9	**O**	17	13	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	20.17	8.17	6.00	6.00	6.00
		Chi Square	46.33			
		P-value	0.000			
ITC_Advantage10	**O**	25	5	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	60.17	0.17	6.00	6.00	6.00
		Chi Square	78.33			
		P-value	0.000			
ITC_Advantage11	**O**	4	17	0	6	3
	E	6	6	6	6	6
	(O-E)^2/E	0.67	20.17	6.00	0.00	1.50
		Chi Square	28.33			
		P-value	0.000			
ITC_Advantage12	**O**	19	11	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	28.17	4.17	6.00	6.00	6.00
		Chi Square	50.33			
		P-value	0.000			
ITC_Advantage13	**O**	15	6	0	7	2
	E	6	6	6	6	6
	(O-E)^2/E	13.50	0.00	6.00	0.17	2.67
		Chi Square	22.33			
		P-value	0.000			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Advantage14	**O**	9	21	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	1.50	37.50	6.00	6.00	6.00
		Chi Square	57.00			
		P-value	0.000			
ITC_Advantage15	**O**	13	17	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	8.17	20.17	6.00	6.00	6.00
		Chi Square	46.33			
		P-value	0.000			
ITC_Advantage16	**O**	16	14	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	16.67	10.67	6.00	6.00	6.00
		Chi Square	45.33			
		P-value	0.000			
ITC_Advantage17	**O**	17	13	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	20.17	8.17	6.00	6.00	6.00
		Chi Square	46.33			
		P-value	0.000			
ITC_Advantage18	**O**	12	18	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	6.00	24.00	6.00	6.00	6.00
		Chi Square	48.00			
		P-value	0.000			
ITC_Advantage19	**O**	18	12	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	24.00	6.00	6.00	6.00	6.00
		Chi Square	48.00			
		P-value	0.000			
ITC_Advantage20	**O**	19	11	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	28.17	4.17	6.00	6.00	6.00
		Chi Square	50.33			
		P-value	0.000			
ITC_Advantage21	**O**	9	20	1	0	0
	E	6	6	6	6	6
	(O-E)^2/E	1.50	32.67	4.17	6.00	6.00
		Chi Square	50.33			
		P-value	0.000			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Advantage22	**O**	29	1	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	88.17	4.17	6.00	6.00	6.00
		Chi Square	110.33			
		P-value	0.000			

Interpretation: From the above analysis, it can be concluded that majority of management personnel accept the major advantages of diversification. ITC managers believe that diversification provides opportunities for strategic integration, provides freedom of choice for customers, increase management expertise in formulation and implementation of corporate strategies. Diversification spreads the risk of stakeholders and offers variety of products to market. Some of the primary advantages associated with ITC's diversification are presented below.

Diversification attracts huge population and large potential for growth in business segments and creates new emerging markets. Diversification helps in creating new customers and increases the firm's overall profit. It facilitates and economizes promotional efforts and is considered a boon to the society.

After diversification, products are available under one roof and well-known brands enable better channel relationship. It enables products and services expansion and helps in sustaining business growth. With strong brand identity of company's products, repeat purchases and this can be used as a strategic marketing tool for core brands. Executives also perceived that diversification impacts level of customer satisfaction, influences consumer buying behaviour, helps in utilizing existing resources and capabilities and helps in increasing brand loyalty to stabilize market share.

To the distribution, chi-square goodness-of-fit test is used for individual advantages. From the result of chi-square, it can be concluded that the distribution of responses are not equal among given categories as the p-value is below 0.05 for all the advantages. Data distribution revealed that majority of respondents agreed on given advantages. Hence, from the above analysis, it can be concluded that majority of top management executives believed that diversification has various advantages for the company. Therefore, we can reject null hypothesis and accept alternate hypothesis.

5.6 PROBLEMS IN DIVERSIFICATION

Following scale items are used to measure management opinion towards various problems of diversification.

Following section also tests the given hypothesis:

H4 (null): ITC management does not face problems in products and services diversification strategy.

H4 (alternate): ITC management faces problems in products and services diversification strategy.

Given tables present the scale items used to measure the problems in diversification. Results are presented below.

Table: 5.16 Scale items - diversification problems

Scale Items	Variable Name
It leads to over stock	ITC_Problem1
It doesn't help in increasing overall sales volume and profit	ITC_Problem2
High cost of doing business, more funds requirement	ITC_Problem3
Difficulties in serving loyal customers on a sustained basis	ITC_Problem4
It requires expertise in doing different businesses	ITC_Problem5
Resulted in lower customer loyalty	ITC_Problem6
Inadequate retail space in prime locations	ITC_Problem7
Resulted in lower returns	ITC_Problem8
Innovativeness of the company faced setback	ITC_Problem9
Increasing imitation products/ mimic brands	ITC_Problem10
Increasing input cost due to increase in prices of raw materials	ITC_Problem11
Competition from local and national players	ITC_Problem12
Removal of import restrictions resulting in replacing of domestic brands	ITC_Problem13
Threat from substitute products	ITC_Problem14
Minimum company profit comes from unrelated business	ITC_Problem15
Frequent change in government regulations	ITC_Problem16
Global economic slowdown	ITC_Problem17
Utilizing revenue from related business for providing capital for guzzling (to drink or eat something eagerly) FMCG start-up	ITC_Problem18
Lack of coordination and support from other levels of management	ITC_Problem19
Lack of cooperation among the team members	ITC_Problem20
Resistance from lower levels including lack of or poor planning activities	ITC_Problem21
Lack of adequate resources	ITC_Problem22

Scale Items	Variable Name
Unhealthy competition among departments	ITC_Problem23
Lack of clear communication to staff members	ITC_Problem24
Change in Socio-Cultural fabric	ITC_Problem25
Liabilities towards ecological environment	ITC_Problem26
Others- Brand name's association with tobacco, increasingly hostile attitude towards smoking in general	ITC_Problem27

Variable	Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Problem1	0%	27%	0%	27%	47%
ITC_Problem2	0%	20%	0%	63%	17%
ITC_Problem3	67%	33%	0%	0%	0%
ITC_Problem4	0%	23%	0%	43%	33%
ITC_Problem5	20%	60%	0%	20%	0%
ITC_Problem6	0%	13%	0%	60%	27%
ITC_Problem7	30%	50%	0%	13%	7%
ITC_Problem8	27%	47%	0%	27%	0%
ITC_Problem9	0%	0%	0%	40%	60%
ITC_Problem10	0%	20%	0%	47%	33%
ITC_Problem11	60%	40%	0%	0%	0%
ITC_Problem12	27%	50%	0%	17%	7%
ITC_Problem13	37%	57%	0%	7%	0%
ITC_Problem14	43%	33%	0%	17%	7%
ITC_Problem15	60%	40%	0%	0%	0%
ITC_Problem16	40%	60%	0%	0%	0%
ITC_Problem17	37%	63%	0%	0%	0%
ITC_Problem18	40%	50%	0%	10%	0%
ITC_Problem19	0%	30%	0%	17%	53%
ITC_Problem20	7%	13%	0%	40%	40%
ITC_Problem21	13%	27%	0%	47%	13%
ITC_Problem22	0%	0%	0%	47%	53%
ITC_Problem23	0%	20%	0%	67%	13%
ITC_Problem24	0%	0%	0%	27%	73%
ITC_Problem25	60%	40%	0%	0%	0%
ITC_Problem26	57%	43%	0%	0%	0%
ITC_Problem27	67%	33%	0%	0%	0%

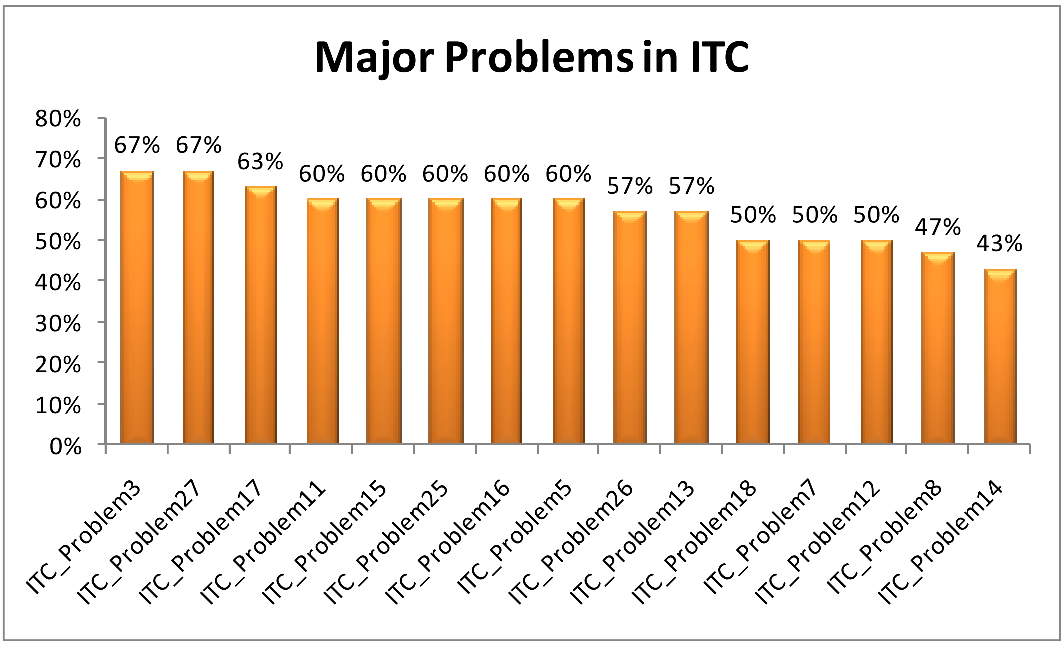

Figure: 5.11 Major Problems in ITC

Table: 5.17 Chi square Test- diversification problems

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Problem1	**O**	**0**	8	0	8	14
	E	6	6	6	6	6
	(O-E)^2/E	6.00	0.67	6.00	0.67	10.67
		Chi Square	24.00			
		P-value	0.000			
ITC_Problem2	**O**	**0**	6	0	19	5
	E	6	6	6	6	6
	(O-E)^2/E	6.00	0.00	6.00	28.17	0.17
		Chi Square	40.33			
		P-value	0.000			
ITC_Problem3	**O**	20	10	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	32.67	2.67	6.00	6.00	6.00
		Chi Square	53.33			
		P-value	0.000			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Problem4	**O**	0	7	0	13	10
	E	6	6	6	6	6
	(O-E)^2/E	6.00	0.17	6.00	8.17	2.67
		Chi Square	23.00			
		P-value	0.000			
ITC_Problem5	**O**	6	18	0	6	0
	E	6	6	6	6	6
	(O-E)^2/E	0.00	24.00	6.00	0.00	6.00
		Chi Square	36.00			
		P-value	0.000			
ITC_Problem6	**O**	**0**	4	0	18	8
	E	6	6	6	6	6
	(O-E)^2/E	6.00	0.67	6.00	24.00	0.67
		Chi Square	37.33			
		P-value	0.000			
ITC_Problem7	**O**	9	15	0	4	2
	E	6	6	6	6	6
	(O-E)^2/E	1.50	13.50	6.00	0.67	2.67
		Chi Square	24.33			
		P-value	0.000			
ITC_Problem8	**O**	8	14	0	8	0
	E	6	6	6	6	6
	(O-E)^2/E	0.67	10.67	6.00	0.67	6.00
		Chi Square	24.00			
		P-value	0.000			
ITC_Problem9	**O**	0	0	0	12	18
	E	6	6	6	6	6
	(O-E)^2/E	6.00	6.00	6.00	6.00	24.00
		Chi Square	48.00			
		P-value	0.000			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Problem10	**O**	0	6	0	14	10
	E	6	6	6	6	6
	(O-E)^2/E	6.00	0.00	6.00	10.67	2.67
		Chi Square	25.33			
		P-value	0.000			
ITC_Problem11	**O**	18	12	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	24.00	6.00	6.00	6.00	6.00
		Chi Square	48.00			
		P-value	0.000			
ITC_Problem12	**O**	8	15	0	5	2
	E	6	6	6	6	6
	(O-E)^2/E	0.67	13.50	6.00	0.17	2.67
		Chi Square	23.00			
		P-value	0.000			
ITC_Problem13	**O**	11	17	0	2	0
	E	6	6	6	6	6
	(O-E)^2/E	4.17	20.17	6.00	2.67	6.00
		Chi Square	39.00			
		P-value	0.000			
ITC_Problem14	**O**	13	10	0	5	2
	E	6	6	6	6	6
	(O-E)^2/E	8.17	2.67	6.00	0.17	2.67
		Chi Square	19.67			
		P-value	0.000			
ITC_Problem15	**O**	18	12	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	24.00	6.00	6.00	6.00	6.00
		Chi Square	48.00			
		P-value	0.000			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Problem16	**O**	12	18	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	6.00	24.00	6.00	6.00	6.00
		Chi Square	48.00			
		P-value	0.000			
ITC_Problem17	**O**	11	19	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	4.17	28.17	6.00	6.00	6.00
		Chi Square	50.33			
		P-value	0.000			
ITC_Problem18	**O**	12	15	0	3	0
	E	6	6	6	6	6
	(O-E)^2/E	6.00	13.50	6.00	1.50	6.00
		Chi Square	33.00			
		P-value	0.000			
ITC_Problem19	**O**	0	9	0	5	16
	E	6	6	6	6	6
	(O-E)^2/E	6.00	1.50	6.00	0.17	16.67
		Chi Square	30.33			
		P-value	4.19E-06			
ITC_Problem20	**O**	2	4	0	12	12
	E	6	6	6	6	6
	(O-E)^2/E	2.67	0.67	6.00	6.00	6.00
		Chi Square	21.33			
		P-value	0.000			
ITC_Problem21	**O**	4	8	0	14	4
	E	6	6	6	6	6
	(O-E)^2/E	0.67	0.67	6.00	10.67	0.67
		Chi Square	18.67			
		P-value	0.000			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
ITC_Problem22	**O**	0	0	0	14	16
	E	6	6	6	6	6
	(O-E)^2/E	6.00	6.00	6.00	10.67	16.67
		Chi Square	45.33			
		P-value	0.000			
ITC_Problem23	**O**	**0**	6	0	20	4
	E	6	6	6	6	6
	(O-E)^2/E	6.00	0.00	6.00	32.67	0.67
		Chi Square	45.33			
		P-value	0.000			
ITC_Problem24	**O**	0	0	0	8	22
	E	6	6	6	6	6
	(O-E)^2/E	6.00	6.00	6.00	0.67	42.67
		Chi Square	61.33			
		P-value	0.000			
ITC_Problem25	**O**	18	12	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	24.00	6.00	6.00	6.00	6.00
		Chi Square	48.00			
		P-value	0.000			
ITC_Problem26	**O**	17	13	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	20.17	8.17	6.00	6.00	6.00
		Chi Square	46.33			
		P-value	0.000			
ITC_Problem27	**O**	20	10	0	0	0
	E	6	6	6	6	6
	(O-E)^2/E	32.67	2.67	6.00	6.00	6.00
		Chi Square	53.33			
		P-value	0.000			

Interpretation: From above table and analysis, it can be concluded that majority of management personnel accept diversification is not an easy decision for any company including ITC. Diversification decision always has some inherent problems associated with it. According to the result of analysis, it can be concluded that the company faces problems from related diversification strategy as compared to unrelated businesses. Therefore, the company did not continue with unrelated diversification strategies. Some of the primary problems associated with ITC are presented below.

Diversification increases cost of doing business leading to higher funds requirement. It also increases input cost due to increase in prices of raw materials. Minimum company profit comes from unrelated business and there are frequent changes in government regulations. The company is also affected by global economic slowdown and change in socio-cultural fabric. Liabilities towards environment also increase. ITC's brand name associated with tobacco, increasingly hostile attitude towards smoking in general. Removal of import restrictions results in replacement of domestic brands. Revenue from related business for providing capital for FMCG start-up is a problem area for the company. It also requires expertise in doing different businesses and there is also inadequate retail space in prime locations.

Competition from local and national players increases with threat from substitute products, which results in lower returns. Lack of coordination and support from other levels of management also creates difficulties in serving loyal customers on sustained basis. Diversification also does not help in increasing overall sales volume and profit and increases imitation products/ mimic brands. There is also lack of cooperation among the team members, which leads to unhealthy competition among departments.

To the distribution, chi-square goodness-of-fit test is used for individual problems. From the result of chi-square, it can be concluded that the distribution of responses is not equal among given categories as the p-value is below 0.05 for all the problems. Data distribution revealed that majority of respondents agreed on given problems. Hence, from the above analysis, it can be concluded that majority of top management executives believed that diversification comes with some managerial challenges. Therefore, we can accept alternate hypothesis that ITC management faces problems in products and services diversification strategy.

5.7 RELATING SEGMENT WISE DIVERSIFICATION WITH COMPANY OUTCOMES

Following scale items are used to measure management opinion towards outcomes of products and services diversification in ITC.

5.7.1 Effects of products and services diversification on brand loyalty

Given section presents the analysis showing the effect of products and services diversification on brand loyalty. Results from the survey are depicted below:

Table: 5.18 Effects of products and services diversification on brand loyalty

Effects of Diversification	Response	Percentage
Brand Loyalty Increases	23	77%
Brand Loyalty Decreases	7	23%

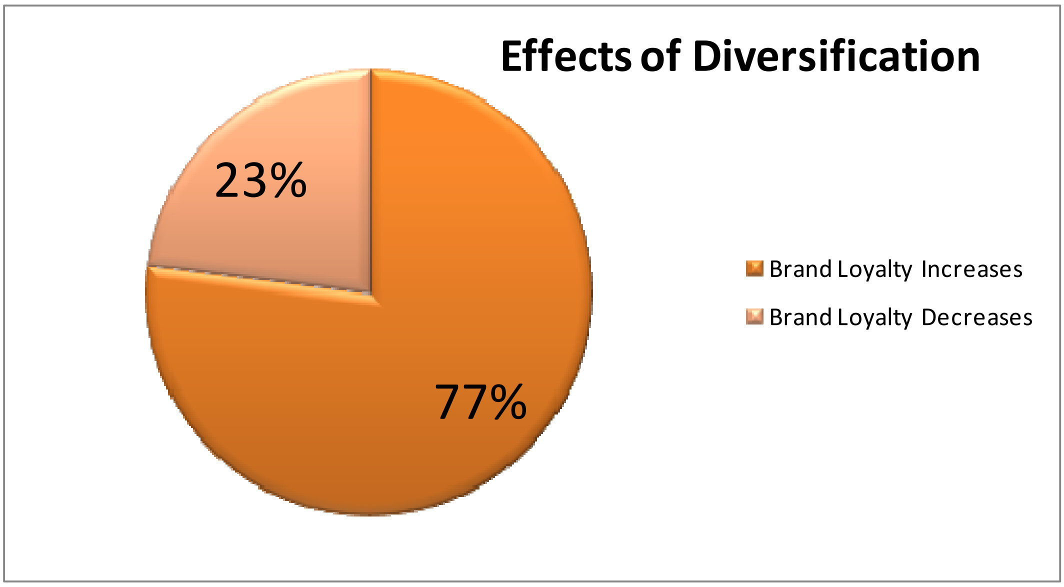

Figure: 5.12 Effects of products and services diversification on brand loyalty

From above table and graph, it can be concluded that majority of management personnel believe that diversification certainly increases the brand loyalty of ITC customers. Hence, there is less treat to the company while adopting and implementing diversification strategies.

Management believes that their brand loyalty increases as company diversifies its products in the market. A successful product differentiation strategy creates brand loyalty among customers. The same strategy that gains market share through perceived quality or cost savings may create loyalty from consumers. The company must continue to deliver value to consumers to maintain customer loyalty.

5.7.2 LINKAGE OF DIVERSIFICATION WITH ENVIRONMENT

Given section presents the analysis showing the connection between products and services diversification strategy and the environment in which ITC is operating to enhance its performance. Results from the survey are depicted below:

Table: 5.19 Linkage of diversification

Parameter	Response count	Per centage
Yes	18	60 %
No	0	0%
Partially	12	40 %

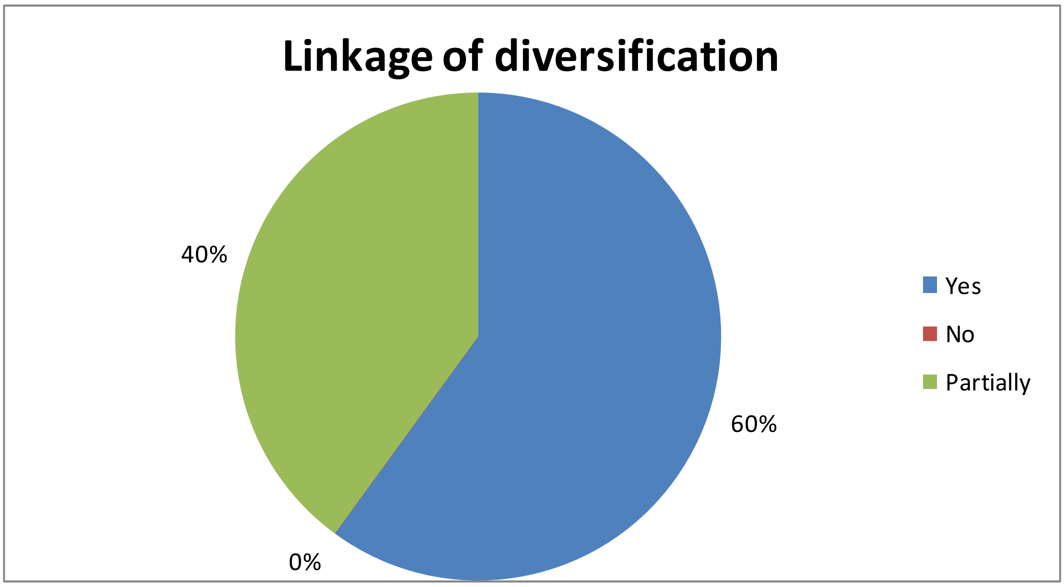

Figure: 5.13 Linkage of diversification

Interpretation: From above table and graph, it can be concluded that majority of top management executives believed that ITC must link their diversification strategy with the environment in which it is operating to enhance its performance.

5.7.3 RELATING DIVERSIFICATION STRATEGY WITH COMPANY OUTCOMES

Given section presents the analysis showing the linkage of products and services diversification strategy with company outcomes like sales, profit, market share etc.

Following section also tests the given hypothesis:

H5 (null): ITC's outcomes are negatively influenced by products and services diversification strategy.

H5 (alternate): ITC's outcomes are positively influenced by products and services diversification strategy

5.7.3.1 Management Perception

Given tables present the scale items used to measure management perception about impact of diversification on company's outcomes. Results are presented below.

Table: 5.20 Scale items for outcomes

Areas	Increase		Decrease	
	Count	Percentage	Count	Percentage
Overall growth of the company	30	100%	0	0%
Sales	30	100%	0	0%
Profit from related business	30	100%	0	0%
Profit from unrelated business	7	23%	23	77%
Share price	30	100%	0	0%
Investments	30	100%	0	0%
Organisational effectiveness	30	100%	0	0%
Economies of scale	19	63%	11	37%
Risk	6	20%	24	80%
Market share in total industry (FMCG)	30	100%	0	0%
Customer grievances	21	70%	9	30%
Market size	28	93%	2	7%
Production costs	30	100%	0	0%
Brand portfolio	30	100%	0	0%
Brand name	30	100%	0	0%
Distribution and service network	30	100%	0	0%
International recognition	30	100%	0	0%
Command in domestic market	18	60%	12	40%
Operations in various countries	30	100%	0	0%
Opportunities in new emerging markets	30	100%	0	0%
Competition from other FMCG players	30	100%	0	0%
Taxes and Duties structure	30	100%	0	0%
Research and Developments	30	100%	0	0%
Employees grievances	25	83%	5	17%
Government controls	30	100%	0	0%
Other- operational stress	28	93%	2	7%

Interpretation: From above table and graph, it can be concluded that majority of Top management of ITC believed that diversification certainly increases growth of the company, sales and profit from related business. They also agreed that diversification has positive impact on share price followed by investments, organizational effectiveness, market share in the industry (FMCG), production costs, brand portfolio, brand name, distribution and service network, international recognition, operations in various countries, opportunities in new emerging markets, increase in research and development, and market size. But diversification also increases competition, operational stress, employees and customer grievances.

When a company uses a differentiation strategy that focuses on the cost value of the product versus other similar products on the market, it creates a perceived value among consumers and potential customers. Moreover, executives believed that diversification not only results in increase in market share and command in domestic market but also has a positive impact on brand portfolio, brand name and distribution and service network. Diversification also results in deceased risk and profit from unrelated business.

By introducing new products, exploring new regions and targeting new consumers, company can expand consumer base. On the other hand, each of these moves raises competition, seeing products or services become obsolete due to new technology. These threats can appear while increasing expenditure on marketing and delivering of products. In short, diversification strategy costs money.

5.7.3.2 Financial Analysis of ITC

Given tables present the data extracted from the company's annual reports and balance sheets to present the relation between the company's diversification strategies and its financial performance. Results are presented below.

Given section presents the analysis showing the link between products and services diversification strategy and company outcomes like profit, market capitalization and asset turnover ratios. The table below demonstrates the figures that can be used to measure the financial performance of ITC in last 17 years.

Table: 5.21Financial performance highlights of ITC (Rs Crores)

Financial year	2017	2015	2010	2005	2000
Profit for the year	10200.90	9607.73	4061.60	2191.40	792.44
Market Capitalization	340673	260864	100476	33433	18038
Asset Turnover Ratio (%)	73.94	82.60	79.54	64.73	64.52

Interpretation: Segment wise revenues of ITC table presents distribution for its various diversifications and years of diversification table gives details of the segments (Branded Packaged Foods, Education & Stationery Products, Safety Matches and Personal Care) that are selected for the present study to test the impact of diversification on the organization's overall performance as well as segment-wise performance.

Table: 5.22 Segment wise Revenues of ITC

Segment Revenue (Gross)	2017	2015	2010	2005	2000
FMCG Others[1]	10511.83	9038.00	3641.68	563.39	234.58
Hotels[2]	1341.73	1187.01	910.81	577.25	120.90
Agri Business[3]	8264.55	8380.48	3862.14	1780.07	96.07
Paper & Packaging[4]	5362.86	5281.57	3233.61	1565.31	161.64

Table: 5.23 Diversification Year considered for present study – ITC

Diversification Year	Segment
2001	Branded Packaged Foods
2002	Education & Stationery Products
2003	Safety Matches and Agarbattis
2005	Personal Care

Interpretation: The present analysis only concentrates on the segment-wise diversification presented in above table because after year 2005 ITC did not diversify into other segments, only the segment expansion strategy (with new launches) is adopted for all other segments. Details of other segments and ITC's diversification strategies are presented in chapter 2.

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[1] FMCG Others includes Branded Packaged Foods (Staples, Biscuits, Confectionery, Snack Foods and Ready to Eat Foods), Garments, Educational and other Stationery products, Matches, Agarbattis and Personal Care products.

[2] Hotels includes Hoteliering

[3] Agri Business includes Agri commodities such as rice, soya, coffee and leaf tobacco.

[4] Paperboards, Paper & Packaging - Paperboards, Paper including Specialty Paper and Packaging including flexibles.

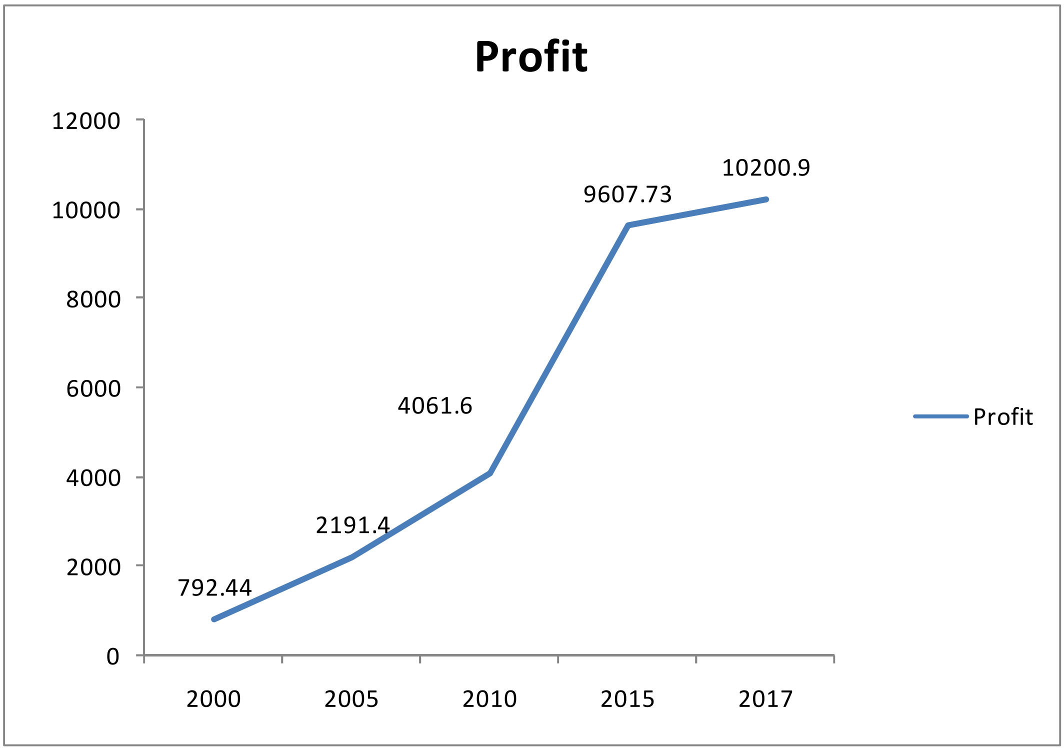

Figure: 5.14 Profit (2000-2017) ITC

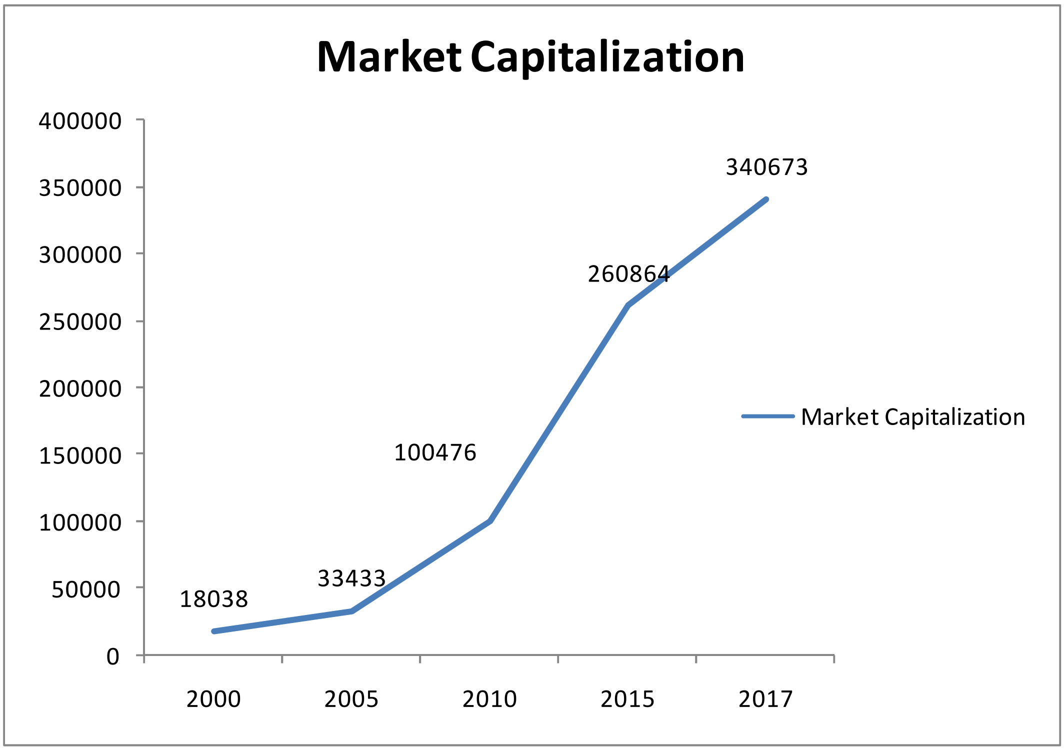

Figure: 5.15 Market Capitalisation (2000-2017) ITC

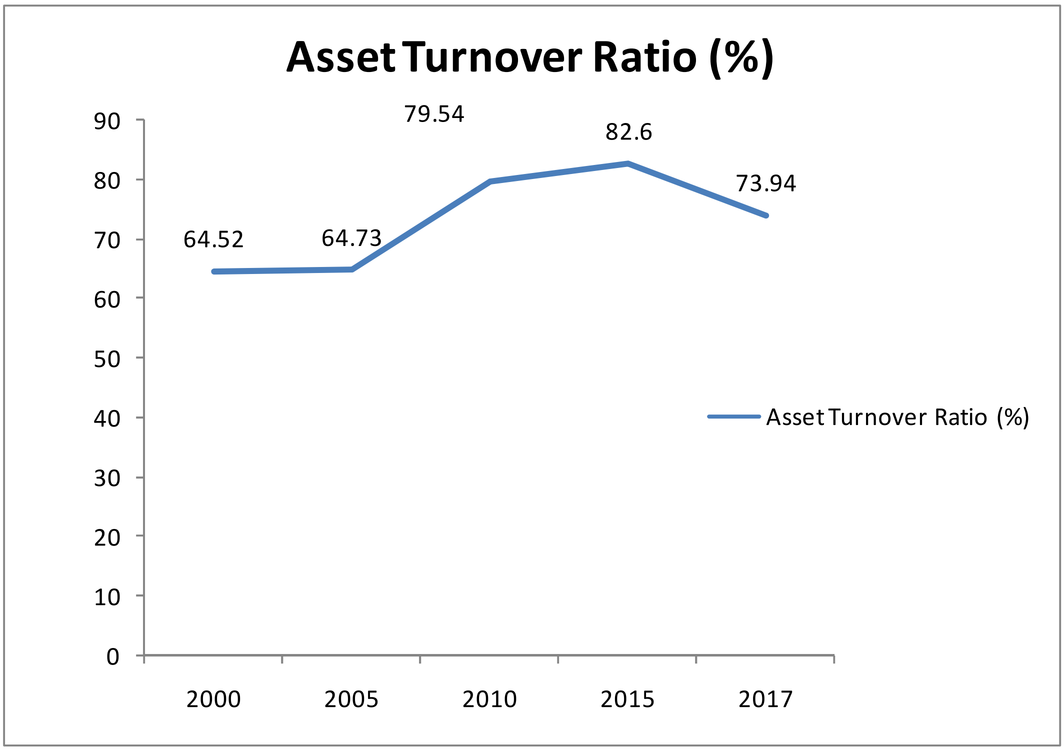

Figure: 5.16 Asset Turnover Ratio (2000-2017) ITC

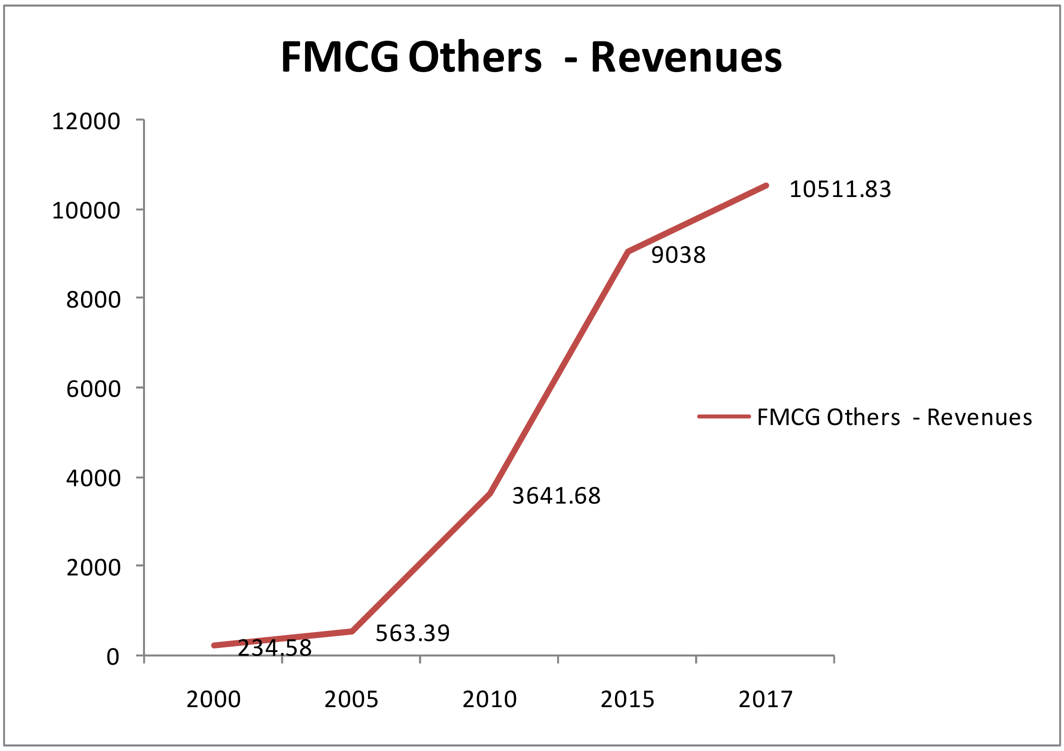

Figure: 5.17 FMCG others Revenues (including Branded Packaged Foods, Garments, Education & Stationery Products, Safety Matches and Agarbattis, and Personal Care) (2000-2017) ITC

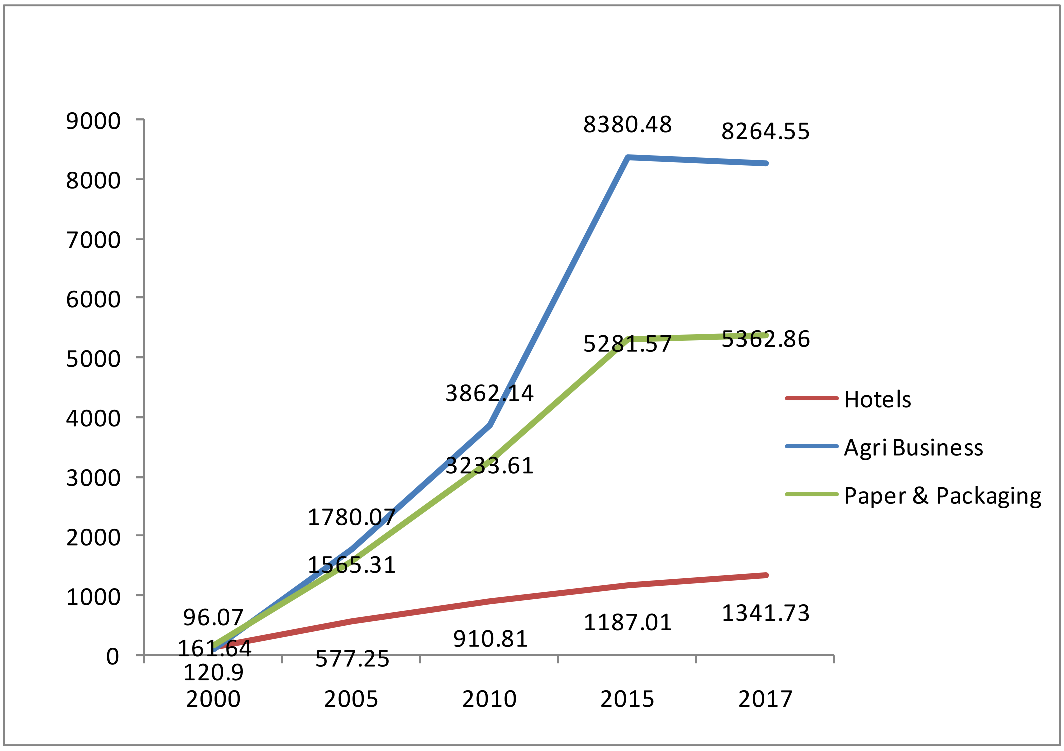

Figure: 5.18 Other Segment wise Revenues (Hotels, Agribusiness, Paper & Packaging) (2000-2017) ITC

Interpretation: The above table and figure showed that company reported a constant progress in overall financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Branded Packaged Foods in 2001, Education & Stationery Products in 2002, Safety Matches in 2003 and Personal Care segment in 2005. Moreover, analysis also revealed that segment wise performance in terms of revenue also increased significantly for Branded Packaged Foods after 2001, Education & Stationery Products after 2002, Safety Matches after 2003 and Personal Care segment after 2005.

Hence, from the above tables and graphs, it can be concluded that diversification strategy has had a positive impact on ITC's growth and financial performance. So, we can accept the alternate hypothesis that ITC's outcomes are positively influenced by products and services diversification strategy.

PART B: FOR HINDUSTAN UNILEVER LIMITED (HUL)

5.8 SAMPLE DEMOGRAPHICS

Sample Size = 17 responses from managers from HUL have been selected for analysis. Summary of their demographics is given below

Table: 5.24 Respondent Demographics- Overall

	Categories	Count	Percentage
Age	20-30	0	0%
	31-40	0	0%
	41-50	7	41%
	51-60	4	24%
	61 & above	6	35%
Gender	Female	3	18%
	Male	14	82%
Management Level	Top	17	100%
	Middle	0	0%
	Lower	0	0%
Qualification	Diploma	0	0%
	Graduate Only	0	0%
	Post Graduate	12	71%
	Ph.D.	0	0%
	Other	5	29%
Length of service in the Company	Less Than a Year	0	0%
	1-5	0	0%
	6-10	1	6%
	11-15	3	18%
	16-20	7	41%
	21 & above	6	35%
Functional area	Administrative Department	4	22%
	Finance Department	2	12%
	Operation Department	2	12%
	Marketing Department	1	6%
	HR Department	2	12%
	Research & Development	1	
	Department		6%
	Legal Department	1	6%
	Production Department	1	6%
	Sale & Distribution	2	
	Department		12%
	Inventory Department	0	0%
	Purchase Department	0	0%
	Logistics Department	1	6%
	Maintenance Department	0	0%

(a) Age

To identify the age wise classification of the respondents, data is presented in table and diagram as under.

Table: 5.25 Age wise Distribution

Age	Count	Percentage
20-30	0	0%
31-40	0	0%
41-50	7	41%
51-60	4	24%
61 & above	6	35%

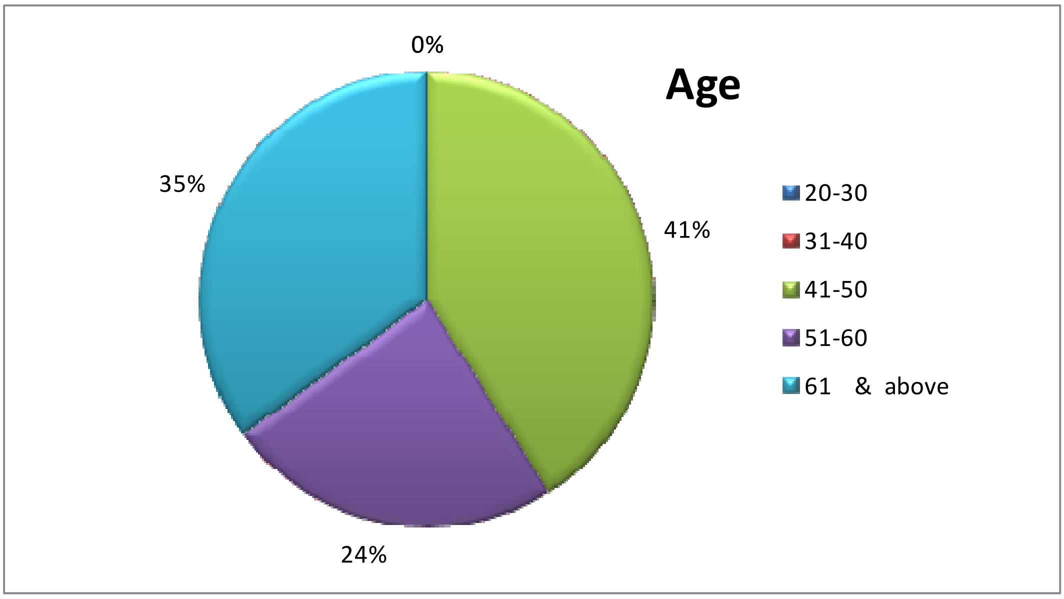

Figure: 5.19 Age wise Distribution

Interpretation: From the above table and graph it can be concluded that majority of respondent from HUL are above 41 years of age. 24 percent of managers in the survey belong to age group of 51-60 years and 35 percent of management team surveyed belongs to the age bracket of 61 and above. There are no respondents that belong to lower age group of 20-30 and 30-40 years. Hence, from the above depiction, it is clear that our sample constitutes of top management of HUL.

(b) Gender

To identify the gender wise classification of the respondents, data was presented in table and diagram as under.

Table: 5.26 Gender wise Distribution

Gender	Count	Percentage
Female	3	18%
Male	14	82%

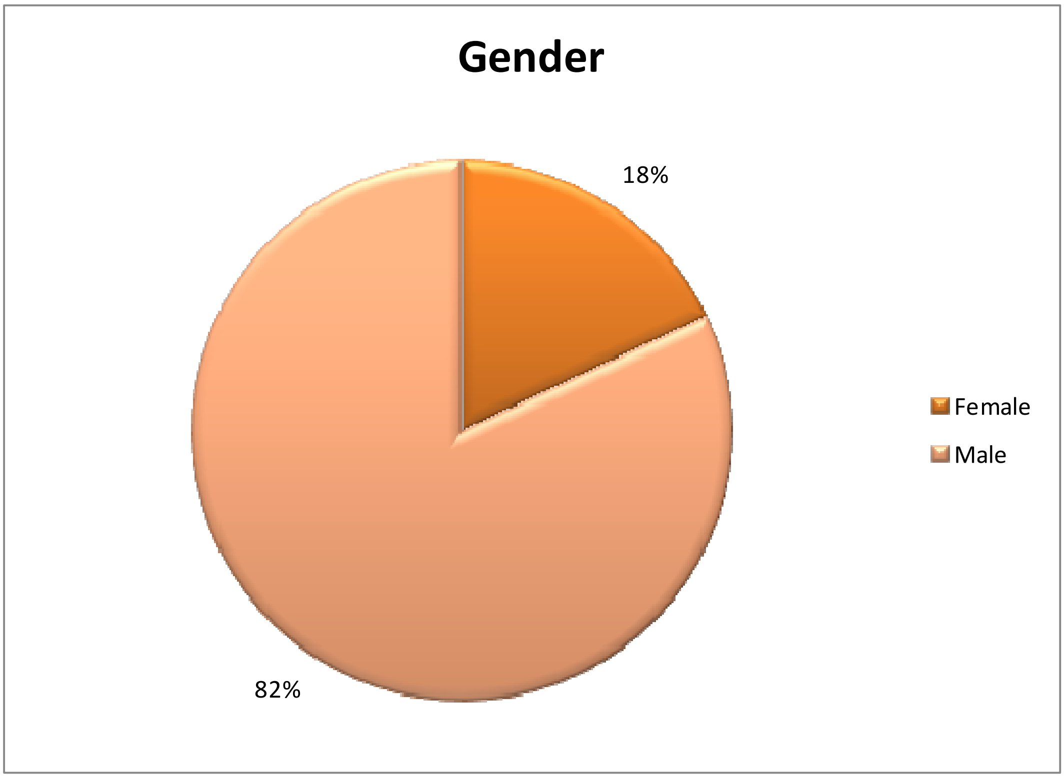

Figure: 5.20 Gender wise Distribution

Interpretation: The gender wise analysis revealed that the survey included 17 top executives of HUL. Out of the total respondents, about 81 percent of respondents are male and 18 percent female. The female percentage is quite better in comparison to that in the case of ITC. Since the survey was conducted for top management, this distribution shows an imbalance in distribution of males and females. It also depicts that there is lower participation of females in the top management of HUL.

(c) Management Level

To identify the management level wise classification of the respondents, data is presented in table and diagram as under.

Table: 5.27 Management level wise Distribution

Management level	Count	Percentage
Top	17	100%
Middle	0	0%
Lower	0	0%

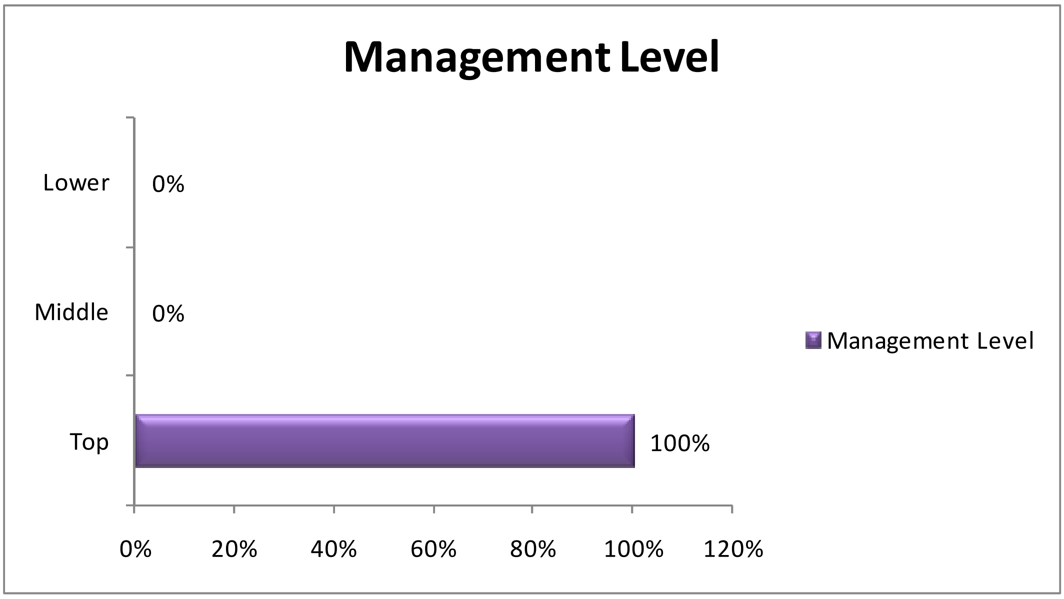

Figure: 5.21 Management level wise Distribution

Interpretation: From the above table and graph, it can be concluded that all of respondents belong to top management of company. This management team is responsible for formulating and implementing diversification strategies at HUL.

(d) Length of service in the company

To identify the experience wise classification of the respondents, data was presented in table and diagram as under.

Table: 5.28 Experience wise Distribution

Experience level	Count	Percentage
Less Than a Year	0	0%
01-05	0	0%
06-10	1	6%
11-15	3	18%
16-20	7	41%
21 & above	6	35%

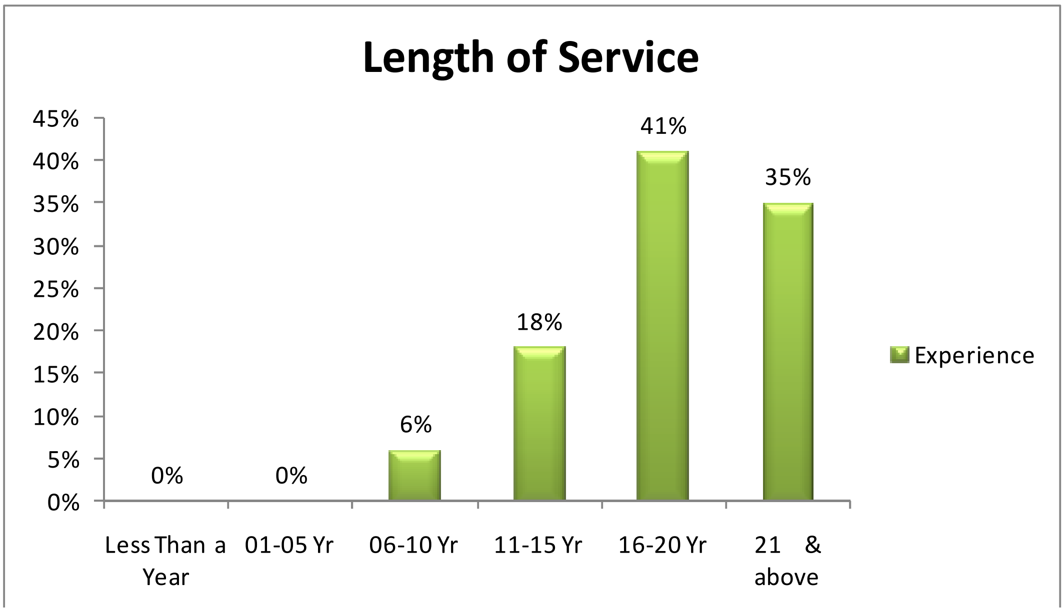

Figure: 5.22 Experience wise Distribution

Interpretation: The experience wise analysis revealed that the survey included 17 experienced executives of HUL. Out of the total respondents, about 41 percent of respondents have rich experience of 16-20 years in the business. 35 percent of managers in the survey have more than 21years of experience and about 18 percent of managers gained 11-15 years of experience. Hence, we can conclude that the survey includes executives with rich experience in the company. From the table, we can rely on their perception and survey results of the study regarding diversification strategies and their impact.

(e) Functional Areas

To identify the function wise classification of the respondents, data was presented in table and diagram as under.

Table: 5.29 Functional area wise Distribution

Functional area	Count	Percentage
Administrative Department	4	22%
Operation Department	2	12%
Finance Department	2	12%
Marketing Department	1	6%
Production Department	2	12%
Research & Development Department	1	6%
Legal Department	1	6%
HR Department	1	6%

Functional area	Count	Percentage
Sales & Distribution Department	2	12%
Inventory Department	0	0%
Purchase Department	0	0%
Logistics Department	1	6%
Maintenance Department	0	0%

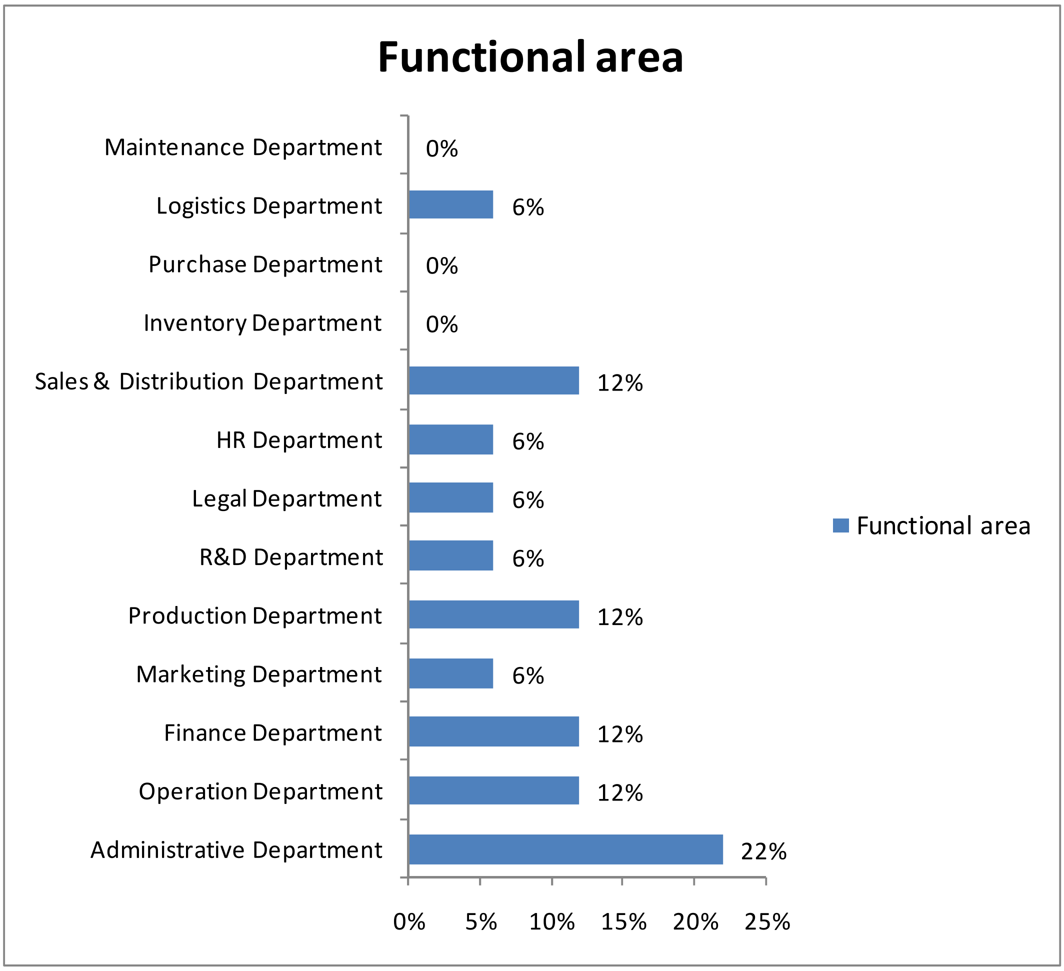

Figure: 5.23 Functional area wise Distribution

Interpretation: The department wise analysis revealed that the survey includes top management executives from almost all the departments. Out of the total respondents, about 22 percent of respondents are from administration. About 12 percent of managers belong to operations, finance, production and sales department. Survey includes 6 percent of respondents from marketing, R&D, legal, HR and logistics department each.

(f) Qualification

To identify the qualification wise classification of the respondents, data is presented in table and diagram as under.

Table: 5.30 Qualification wise Distribution

Qualification	Count	Percentage
Diploma	0	0%
Graduate Only	0	0%
Post Graduate	12	71%
Ph.D.	0	0%
Other	5	29%

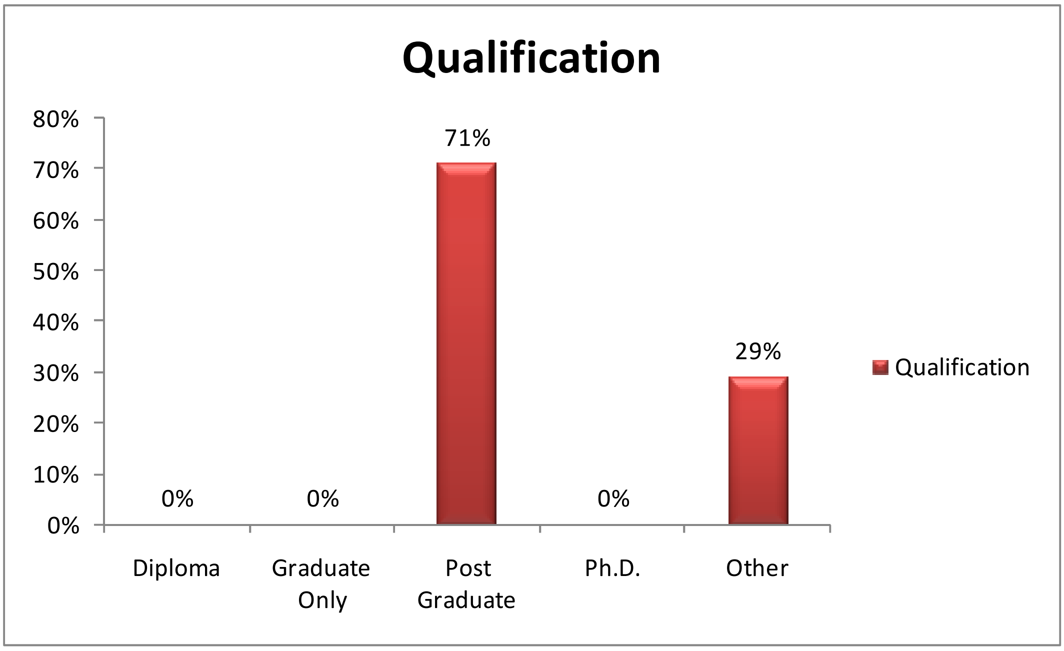

Figure: 5.24 Qualification wise Distribution

Interpretation: From the above table and graph, it can be concluded that majority of respondents is postgraduate (71 percent) and 29 percent possess other professional qualifications and certifications.

5.9 PURPOSE OF PRODUCTS AND SERVICES DIVERSIFICATION

Following hypothesis is tested in given section:

H6 (null): HUL management does not gain its purpose of products and services diversification strategies.

H6 (alternate): HUL management gained its purpose of products and services diversification strategies.

Responses are tabulated below:

Table: 5.31 Purpose of Diversification-HUL

Purpose of diversification	Count	Percent
For growth of the company	2	12%
Profit	2	12%
Risk Sharing	3	17%
To get Position of Competitiveness	1	6%
To capture market share	0	0%
To get advantage of loyalty of customers	0	0%
All of them	9	53%

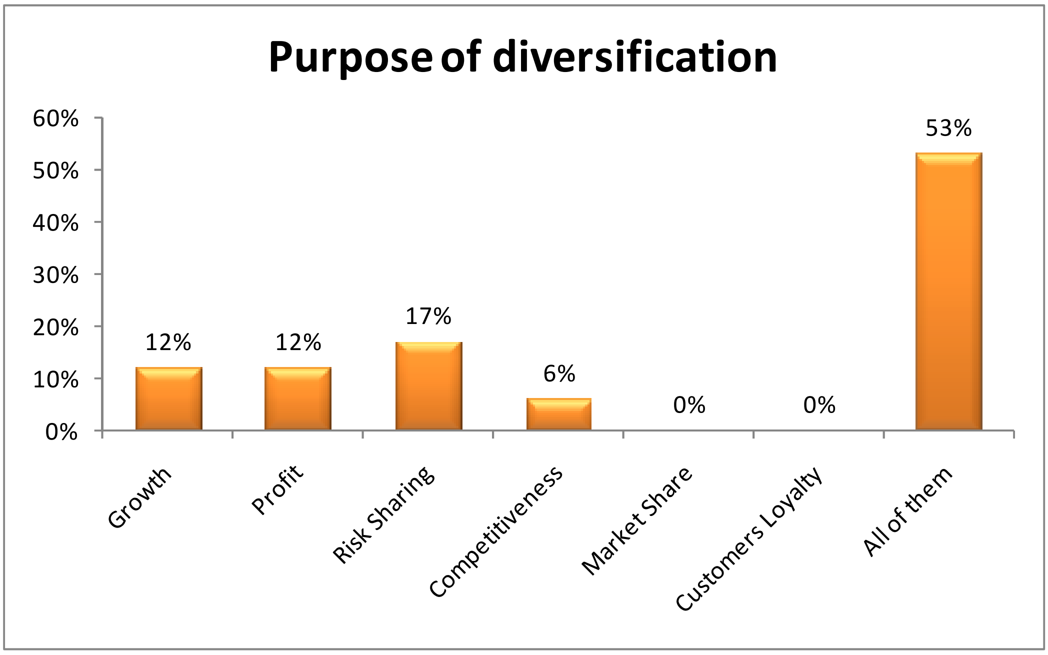

Figure: 5.25 Purpose of Diversification-HUL

Table: 5.32 Chi square Test- Purpose of Diversification

Purpose of Diversification	Observed Frq (o)	Expected Frq(E)	(0-E)^2/E
For growth of the company	2	2.5	0.100
Profit	2	2.5	0.100
Risk Sharing	3	2.5	0.100
To get position of competitiveness	1	2.5	0.900
To capture market share	0	2.5	2.500
To get advantage of loyalty of customers	0	2.5	2.500
All of them	9	2.5	16.900
		Chi Square	**23.100**
		P-Value	**0.000**

Interpretation: From the table and chart, it is clear that the important reasons for the diversification decision for the product line in HUL are risk sharing and growth and profit advantage. Moreover, majority of management team agreed with all the reasons mentioned for having significant impact of diversification strategies.

To the distribution, chi-square goodness-of-fit test (single-sample nonparametric test) is used. From the tabled result above, it can be concluded that the distribution of responses is not equal among given categories as the p-value is below 0.05 (Chi-square= 23.100, p-Value=0.000). Hence, data distribution revealed that majority of respondents agreed on all the reasons behind the company's diversification strategies at HUL. Therefore, we can reject null hypothesis and accept alternate hypothesis that HUL management gained its purpose of products and services diversification strategies.

5.10 TYPES OF DIVERSIFICATION

Perception regarding which type of diversification is good for HUL has been obtained from the questionnaire. Responses are tabulated below.

Table: 5.33 Type of Diversification-HUL

Type of Diversification	Count	Percent
Related	3	18%
Unrelated	9	53%
Both	5	29%

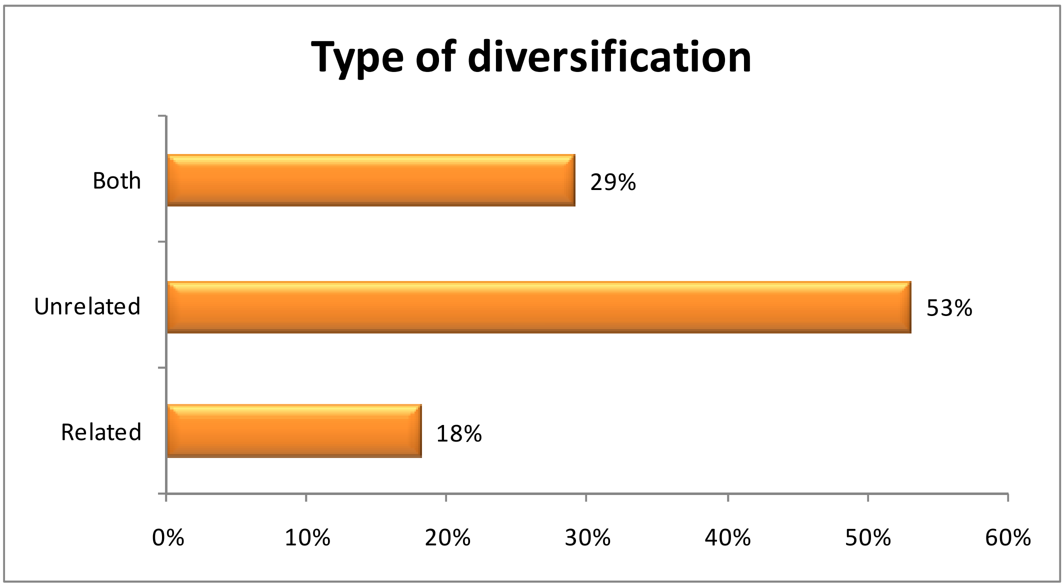

Figure: 5.26 Type of Diversification

Interpretation: From the above table and chart, it is clear that majority of HUL top management team perceives that unrelated diversification (53 percent) is more beneficial than related diversification (18 percent). However, 29 percent of respondents also agreed that benefits are attained from both (related and unrelated) diversification strategies at HUL.

5.11 IMPORTANCE OF STAKEHOLDERS SUPPORT

Following section deals with the result of management perception on the support received on the diversification strategies.

5.11.1 Staff member's involvement in products and services diversification strategy

Table: 5.34 Staff Member's participation

Parameter	Response count	Percentage
Yes	6	35%
No	5	30%
Partially	6	35%

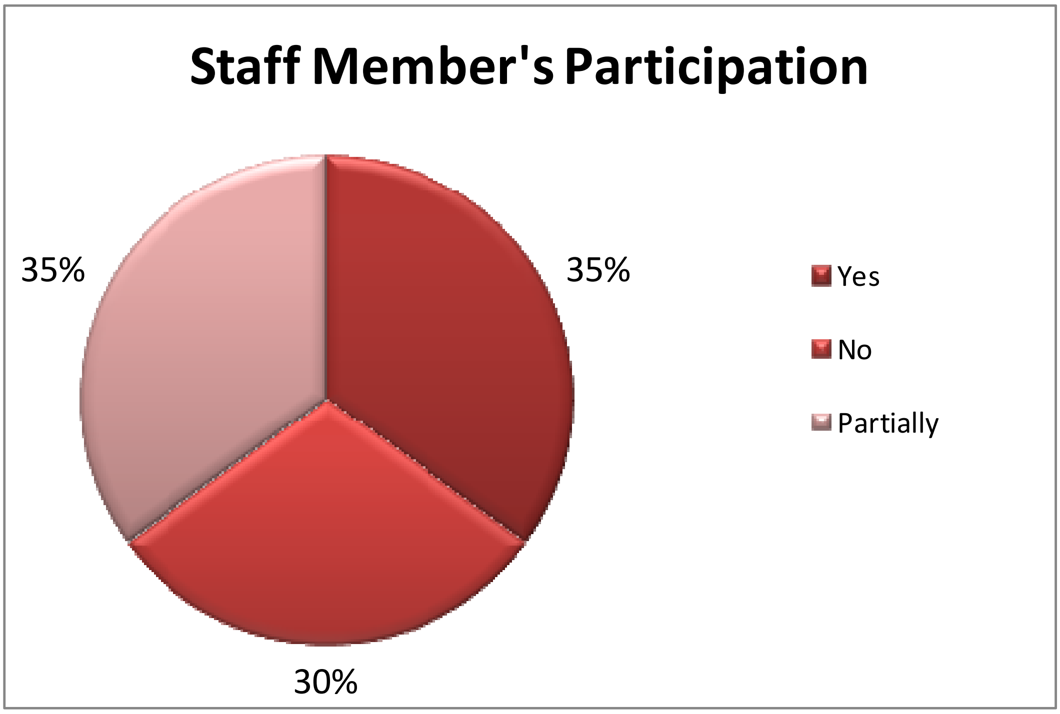

Figure: 5.27 Staff Member's participation

Interpretation: From the above table and graph, it can be concluded that majority of top management executives in HUL (70 percent) believed that the company involves them and values their contribution in decision making for diversification strategies in the company. However, 30 percent of managers did not agree on participation in products and services diversification decisions in the company.

5.11.2 Support for products and services diversification

Following section also tests the given hypothesis:

H7 (null): Stakeholders do not provide adequate support for products and services diversification of HUL

H7 (alternate): Stakeholders provide adequate support for products and services diversification of HUL

Given tables present the scale items used to measure the stakeholders' support. Results are presented below:

Table: 5.35 Stakeholders Support

Scale Items	Variable Name
Retailers provide adequate sales support for all products in the Range	HUL_Support1
Suppliers provide raw materials and other supplies well in time and on better terms	HUL_Support2
Investors' willingness to invest more in the company and having increased faith in company's ability to return on investment	HUL_Support3
Customers' support and acceptance for diversification decision	HUL_Support4
Employees' willingness to contribute their best and assist in implementation of diversification strategy	HUL_Support5
Social approval and satisfaction from diversified products and services	HUL_Support6
Government's regulatory structure provides positive support for diversification	HUL_Support7
Trade unions give positive support for diversification decisions	HUL_Support8

Variable Name	Yes		No	
	Count	Percentage	Count	Percentage
HUL_Support1	16	94%	1	6%
HUL_Support2	15	88%	2	12%
HUL_Support3	17	100%	0	0%
HUL_Support4	17	100%	0	0%
HUL_Support5	17	100%	0	0%
HUL_Support6	17	100%	0	0%
HUL_Support7	17	100%	0	0%
HUL_Support8	16	94%	1	6%

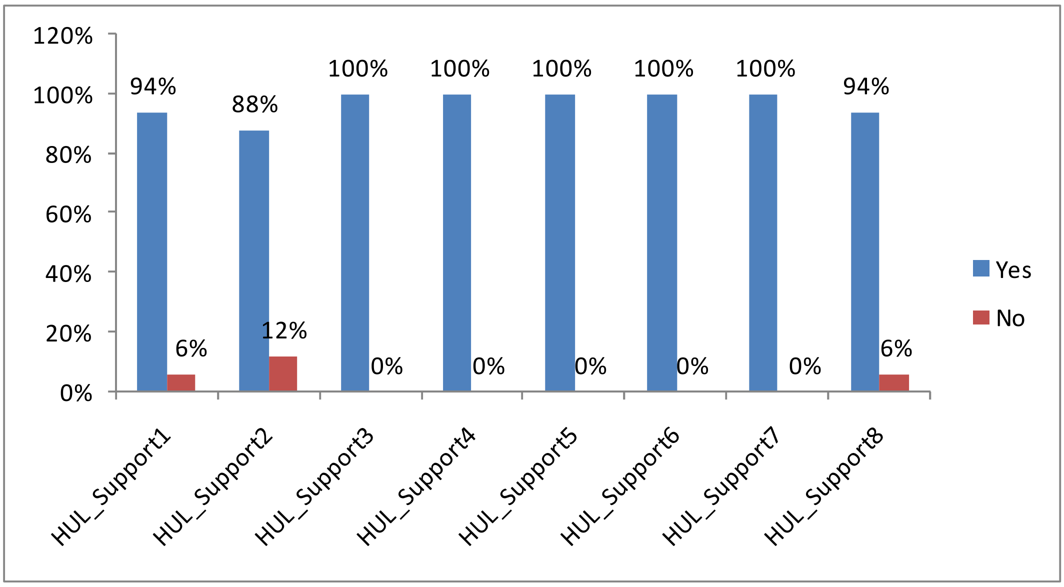

Figure: 5.28 Stakeholders Support

Table: 5.36 Chi square Test- Stakeholders Support

	Observed Frq (o)	Expected Frq(E)	(0-E)^2/E
HUL_Support1	16	16.5	0.015
HUL_Support2	15	16.5	0.136
HUL_Support3	17	16.5	0.015
HUL_Support4	17	16.5	0.015
HUL_Support5	17	16.5	0.015
HUL_Support6	17	16.5	0.015
HUL_Support7	17	16.5	0.015
HUL_Support8	16	16.5	0.015
		Chi Square	**0.242**
		P-Value	**1.000**

Interpretation: To the distribution, chi-square goodness-of-fit test (single-sample nonparametric test) is used. From the tabled result below, it can be concluded that the distribution of responses is equal among given categories as the p-value is above 0.05 (Chi-square= 0.242, p-Value=1.000). Hence, data distribution revealed that majority of respondents agreed on given support by retailers and stakeholders.

It can be concluded that top management of HUL perceives that investors, customers, employees, society, government, retailers, trade unions and suppliers provide adequate support in diversification strategies of the company. Company policies enhance investor's willingness to invest more in HUL and this has increased faith in company's ability to generate return on investment. Top management perceives that customers provide support for diversification. Top management gives positive perception that government's regulatory structures and trade unions provide positive support for diversification.

Top management executives also believed that reason for lack of suppliers support includes late delivery and damaged delivery of products, while company also faces resistance from trade unions in the form of demand for higher wages.

Hence, from the above analysis, it can be concluded that majority of top management executives believed that various stakeholders provide adequate support for products and services diversification of HUL. Therefore, from frequency distribution and result of chi-square, we can reject null hypothesis and accept alternate hypothesis that stakeholders provide adequate support for products and services diversification of HUL.

5.12 ADVANTAGES OF DIVERSIFICATION

Following scale items are used to measure management opinion towards advantages of diversification.

Following sections also test the given hypothesis:

H8 (null): HUL management does not receive advantages from products and services diversification

H8 (alternate): HUL management receives advantages from products and services diversification.

Given tables present the scale items used to measure management opinion on advantages of diversification. Results are presented below:

Table: 5.37 Scale Items- Advantages of Diversification

Advantages of Diversification	Variable
International presence increases image and preference for the brand	HUL_Advantage1
Image of brand in the society affects the level of customer Satisfaction	HUL_Advantage2
For utilising existing resources and capabilities	HUL_Advantage3
Diversification spreads the risk of stakeholders	HUL_Advantage4
Increases management expertise in formulation and implemention of corporate strategies	HUL_Advantage5

Advantages of Diversification	Variable
Diversification is a boon to the society	HUL_Advantage6
Product diversification influences consumer buying behaviour	HUL_Advantage7
Product diversification helps in sustaining business growth	HUL_Advantage8
Diversification helps in creating new customers	HUL_Advantage9
Diversification provides freedom of choice	HUL_Advantage10
Diversification helps in increasing brand loyalty to stabilize market Share	HUL_Advantage11
Diversification offers variety of products to market	HUL_Advantage12
After diversification, products are available under one roof	HUL_Advantage13
Brand identity of company's products enable repeat purchases	HUL_Advantage14
Well-known brands enable better channel relationship	HUL_Advantage15
Facilitate and economise promotional efforts	HUL_Advantage16
Increase in a firm's overall profit	HUL_Advantage17
Products and services expansion	HUL_Advantage18
New emerging markets	HUL_Advantage19
Huge population and large potential for growth in business Segments	HUL_Advantage20
Using strategic marketing tools for core brands	HUL_Advantage21
Other – share of wallet	HUL_Advantage22

Variable	Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Advantage1	35%	41%	0%	18%	6%
HUL_Advantage2	24%	76%	0%	0%	0%
HUL_Advantage3	71%	29%	0%	0%	0%
HUL_Advantage4	53%	47%	0%	0%	0%
HUL_Advantage5	59%	41%	0%	0%	0%
HUL_Advantage6	35%	65%	0%	0%	0%
HUL_Advantage7	0%	71%	0%	29%	0%
HUL_Advantage8	65%	35%	0%	0%	0%
HUL_Advantage9	88%	12%	0%	0%	0%
HUL_Advantage10	76%	24%	0%	0%	0%
HUL_Advantage11	23%	65%	0%	12%	0%
HUL_Advantage12	59%	41%	0%	0%	0%
HUL_Advantage13	0%	71%	0%	29%	0%
HUL_Advantage14	53%	47%	0%	0%	0%
HUL_Advantage15	76%	24%	0%	0%	0%
HUL_Advantage16	41%	59%	0%	0%	0%
HUL_Advantage17	47%	53%	0%	0%	0%
HUL_Advantage18	65%	35%	0%	0%	0%
HUL_Advantage19	76%	24%	0%	0%	0%
HUL_Advantage20	76%	24%	0%	0%	0%
HUL_Advantage21	53%	47%	0%	0%	0%
HUL_Advantage22	59%	41%	0%	0%	0%

Table: 5.38 Chi square Test- Advantages of Diversification

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Advantage1	**O**	6	7	0	3	1
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	1.99	3.81	3.4	0.05	1.69
		Chi Square	10.94			
		P-value	0			
HUL_Advantage2	**O**	4	13	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.11	27.11	3.4	3.4	3.4
		Chi Square	37.41			
		P-value	0			
HUL_Advantage3	**O**	12	5	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	21.75	0.75	3.4	3.4	3.4
		Chi Square	32.71			
		P-value	0			
HUL_Advantage4	**O**	9	8	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	9.22	6.22	3.4	3.4	3.4
		Chi Square	25.65			
		P-value	0			
HUL_Advantage5	**O**	10	7	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	12.81	3.81	3.4	3.4	3.4
		Chi Square	26.82			
		P-value	0			
HUL_Advantage6	**O**	6	11	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	1.99	16.99	3.4	3.4	3.4
		Chi Square	29.18			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Advantage7	**O**	0	12	0	5	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	21.75	3.4	0.75	3.4
		Chi Square	32.71			
		P-value	0			
HUL_Advantage8	**O**	11	6	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	16.99	1.99	3.4	3.4	3.4
		Chi Square	29.18			
		P-value	0			
HUL_Advantage9	**O**	15	2	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	39.58	0.58	3.4	3.4	3.4
		Chi Square	50.35			
		P-value	0			
HUL_Advantage10	**O**	13	4	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	27.11	0.11	3.4	3.4	3.4
		Chi Square	37.41			
		P-value	0			
HUL_Advantage11	**O**	4	11	0	2	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.11	16.99	3.4	0.58	3.4
		Chi Square	24.47			
		P-value	0			
HUL_Advantage12	**O**	10	7	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	12.81	3.81	3.4	3.4	3.4
		Chi Square	26.82			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Advantage13	O	0	12	0	5	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	21.75	3.4	0.75	3.4
		Chi Square	32.71			
		P-value	0			
HUL_Advantage14	O	9	8	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	9.22	6.22	3.4	3.4	3.4
		Chi Square	25.65			
		P-value	0			
HUL_Advantage15	O	13	4	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	27.11	0.11	3.4	3.4	3.4
		Chi Square	37.41			
		P-value	0			
HUL_Advantage16	O	7	10	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.81	12.81	3.4	3.4	3.4
		Chi Square	26.82			
		P-value	0			
HUL_Advantage17	O	8	9	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	6.22	9.22	3.4	3.4	3.4
		Chi Square	25.65			
		P-value	0			
HUL_Advantage18	O	11	6	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	16.99	1.99	3.4	3.4	3.4
		Chi Square	29.18			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Advantage19	**O**	13	4	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	27.11	0.11	3.4	3.4	3.4
		Chi Square	37.41			
		P-value	0			
HUL_Advantage20	**O**	13	4	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	27.11	0.11	3.4	3.4	3.4
		Chi Square	37.41			
		P-value	0			
HUL_Advantage21	**O**	9	8	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	9.22	6.22	3.4	3.4	3.4
		Chi Square	25.65			
		P-value	0			
HUL_Advantage22	**O**	10	7	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	12.81	3.81	3.4	3.4	3.4
		Chi Square	26.82			
		P-value	0			

Interpretation: From above table and analysis, it can be concluded that majority of management personnel in HUL agreed that the company gains major advantages from diversification. Some of the major advantages are listed below in ascending order.

Top management of HUL perceive that diversification helps in creating new customers, provides freedom of choice, enables better channel relationship and exploration of new emerging markets. It attracts huge population and large potential for growth in business segments and help in utilizing existing resources and capabilities.

Product diversification helps in sustaining business growth and services expansion. It increases management expertise in formulation and implementation of corporate strategies to offer variety of products to the market. Diversification spreads the risk of stakeholders and enables repeat purchases. Diversification can be used as a strategic marketing tool for core brands. It increases overall profit of the firm and economise promotional efforts. HUL's management considers diversification as a boon to society. They believe that it affects the level of customer satisfaction and even increases brand loyalty to stabilize market share.

From the tabled result of chi-square goodness-of-fit, it can be concluded that the distribution of responses is not equal among given categories as the p-value is below 0.05 for all the advantages. Hence, from the above analysis, it can be concluded that majority of top management of HUL agreed that diversification has various advantages for the company. Therefore, we can reject null hypothesis and accept alternate hypothesis that HUL management attained advantages from products and services diversification.

5.13 PROBLEMS IN DIVERSIFICATION

Following scale items are used to measure management opinion towards various problems of diversification.

Following section also tests the given hypothesis:

H9 (null): HUL management does not face problems in products and services diversification strategy

H9 (alternate): HUL management faces problems in products and services diversification strategy

Given tables present the scale items used to measure the perception on problems. Results are presented below.

Table: 5.39 Scale items for Diversification problems

Scale Items	Variable Name
It leads to over stock	HUL_Problem1
It doesn't help in increasing overall sales volume and profit	HUL_Problem2
High cost of doing business, more funds requirement	HUL_Problem3
Difficulties in serving loyal customers on sustained basis	HUL_Problem4
It requires expertise in doing different businesses	HUL_Problem5
Resulted in less customer loyalty	HUL_Problem6
Inadequate retail space in prime locations	HUL_Problem7

Scale Items	Variable Name
Result in less returns	HUL_Problem8
Innovativeness of the company faced setback	HUL_Problem9
Increasing imitation products/mimic brands	HUL_Problem10
Increasing input cost due to increase in prices of raw materials	HUL_Problem11
Competition from local and national players	HUL_Problem12
Removal of import restrictions results in replacement of domestic Brands	HUL_Problem13
Threat from substitute products	HUL_Problem14
Minimum company profit comes from unrelated business	HUL_Problem15
Frequent changes in government regulations	HUL_Problem16
Global economic slowdown	HUL_Problem17
Utilizing revenue from related business for providing capital for Guzzling (to drink or eat something eagerly) FMCG start-up	HUL_Problem18
Lack of coordination and support from other levels of management	HUL_Problem19
Lack of cooperation among the team members	HUL_Problem20
Resistance from lower levels including lack of or poor planning Activities	HUL_Problem21
Lack of adequate resources	HUL_Problem22
Unhealthy competition among departments	HUL_Problem23
Lack of a clear communication to staff members	HUL_Problem24
Change in Socio-Cultural fabric	HUL_Problem25
Liabilities towards ecological environment	HUL_Problem26
Others- Large number of brands on different product categories	HUL_Problem27
Brand Switching	HUL_Problem28
Price Commodities	HUL_Problem29

Variable	Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem1	18%	70%	0%	12%	0%
HUL_Problem2	0%	0%	0%	47%	53%
HUL_Problem3	53%	47%	0%	0%	0%
HUL_Problem4	41%	59%	0%	0%	0%
HUL_Problem5	53%	35%	0%	12%	0%
HUL_Problem6	0%	29%	0%	42%	29%
HUL_Problem7	18%	53%	0%	29%	0%
HUL_Problem8	0%	24%	0%	47%	29%
HUL_Problem9	35%	65%	0%	0%	0%
HUL_Problem10	47%	35%	0%	6%	12%
HUL_Problem11	41%	41%	0%	12%	6%
HUL_Problem12	58%	24%	0%	18%	0%
HUL_Problem13	18%	46%	0%	24%	12%
HUL_Problem14	29%	47%	0%	24%	0%
HUL_Problem15	41%	59%	0%	0%	0%
HUL_Problem16	29%	53%	0%	18%	0%
HUL_Problem17	59%	41%	0%	0%	0%
HUL_Problem18	64%	18%	0%	18%	0%

Variable	Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem19	59%	35%	0%	6%	
HUL_Problem20	0%	6%	0%	53%	41%
HUL_Problem21	24%	52%	0%	12%	12%
HUL_Problem22	0%	12%	0%	35%	53%
HUL_Problem23	53%	47%	0%	0%	0%
HUL_Problem24	0%	0%	0%	35%	65%
HUL_Problem25	53%	47%	0%	0%	0%
HUL_Problem26	53%	47%	0%	0%	0%
HUL_Problem27	35%	65%	0%	0%	0%
HUL_Problem28	35%	65%	0%	0%	0%
HUL_Problem29	35%	65%	0%	0%	0%

Table: 5.40 Chi square Test- Diversification problems

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem1	**O**	3	12	0	2	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.05	21.75	3.4	0.58	3.4
		Chi Square	29.18			
		P-value	0			
HUL_Problem2	**O**	0	0	0	8	9
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	3.4	3.4	6.22	9.22
		Chi Square	25.65			
		P-value	0			
HUL_Problem3	**O**	9	8	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	9.22	6.22	3.4	3.4	3.4
		Chi Square	25.65			
		P-value	0			
HUL_Problem4	**O**	7	10	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.81	12.81	3.4	3.4	3.4
		Chi Square	26.82			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem5	**O**	9	6	0	2	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	9.22	1.99	3.4	0.58	3.4
		Chi Square	18.59			
		P-value	0			
HUL_Problem6	**O**	7	5	0	0	5
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.81	0.75	3.4	3.4	0.75
		Chi Square	12.12			
		P-value	0			
HUL_Problem7	**O**	3	9	0	5	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.05	9.22	3.4	0.75	3.4
		Chi Square	16.82			
		P-value	0			
HUL_Problem8	**O**	0	4	0	8	5
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	0.11	3.4	6.22	0.75
		Chi Square	13.88			
		P-value	0			
HUL_Problem9	**O**	6	11	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	1.99	16.99	3.4	3.4	3.4
		Chi Square	29.18			
		P-value	0			
HUL_Problem10	**O**	8	6	0	1	2
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	6.22	1.99	3.4	1.69	0.58
		Chi Square	13.88			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem11	**O**	7	7	0	2	1
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.81	3.81	3.4	0.58	1.69
		Chi Square	13.29			
		P-value	9.92E-03			
HUL_Problem12	**O**	10	4	0	3	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	12.81	0.11	3.4	0.05	3.4
		Chi Square	19.76			
		P-value	0			
HUL_Problem13	**O**	3	8	0	4	2
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.05	6.22	3.4	0.11	0.58
		Chi Square	10.35			
		P-value	0			
HUL_Problem14	**O**	5	8	0	4	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.75	6.22	3.4	0.11	3.4
		Chi Square	13.88			
		P-value	0			
HUL_Problem15	**O**	7	10	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.81	12.81	3.4	3.4	3.4
		Chi Square	26.82			
		P-value	0			
HUL_Problem16	**O**	5	9	0	3	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.75	9.22	3.4	0.05	3.4
		Chi Square	16.82			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem17	**O**	10	7	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	12.81	3.81	3.4	3.4	3.4
		Chi Square	26.82			
		P-value	0			
HUL_Problem18	**O**	11	3	0	3	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	16.99	0.05	3.4	0.05	3.4
		Chi Square	23.88			
		P-value	0			
HUL_Problem19	**O**	10	6	0	1	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	12.81	1.99	3.4	1.69	3.4
		Chi Square	23.29			
		P-value	0			
HUL_Problem20	**O**	0	1	0	9	7
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	1.69	3.4	9.22	3.81
		Chi Square	21.53			
		P-value	0			
HUL_Problem21	**O**	4	9	0	2	2
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	0.11	9.22	3.4	0.58	0.58
		Chi Square	13.88			
		P-value	0			
HUL_Problem22	**O**	0	2	0	6	9
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	0.58	3.4	1.99	9.22
		Chi Square	18.59			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem23	**O**	0	0	0	9	8
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	3.4	3.4	9.22	6.22
		Chi Square	25.65			
		P-value	0			
HUL_Problem24	**O**	0	0	0	6	11
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	3.4	3.4	3.4	1.99	16.99
		Chi Square	29.18			
		P-value	0			
HUL_Problem25	**O**	9	8	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	9.22	6.22	3.4	3.4	3.4
		Chi Square	25.65			
		P-value	0			
HUL_Problem26	**O**	9	8	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	9.22	6.22	3.4	3.4	3.4
		Chi Square	25.65			
		P-value	0			
HUL_Problem27	**O**	6	11	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	1.99	16.99	3.4	3.4	3.4
		Chi Square	29.18			
		P-value	0			
HUL_Problem28	**O**	6	11	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	1.99	16.99	3.4	3.4	3.4
		Chi Square	29.18			
		P-value	0			

		Strongly Agree	Agree	No Idea	Disagree	Strongly Disagree
HUL_Problem29	**O**	6	11	0	0	0
	E	3.4	3.4	3.4	3.4	3.4
	(O-E)^2/E	1.99	16.99	3.4	3.4	3.4
		Chi Square	29.18			
		P-value	0			

Interpretation: From above table and analysis, it can be concluded that majority of top management at HUL accepts diversification is a complex decision for any company. Diversification decisions always have some inherent problems associated with it. Some of the major problems are presented as under.

Top management executives of HUL believed that diversification leads to competition from local and national players. Diversification is also affected by global economic slowdown. It requires high cost of doing business that in turn needs more funds. Diversification requires expertise in doing different businesses and is negatively affected by change in socio-cultural fabric. Diversification also increases liabilities towards ecological environment and increases imitation products/mimic brands. It also raises input cost due to increase in prices of raw materials. Other challenges include presence of a large number of brands in different product categories, brand switching and price of commodities. Frequent changes in government regulations also have a negative impact on diversification. Resistance from lower levels including lack of or poor planning activities is presenting challenges along with inadequate retail space in prime locations and removal of import restrictions resulting in replacement of domestic brands.

However, top management also rejects the assumption that diversification causes difficulty in serving loyal customers. Company faces no difficulties in serving loyal customers on a sustained basis, which result in customer loyalty. Executives believed that due to diversification the company’s innovativeness increases. Management disagreed that minimum company profit comes from unrelated business.

To the distribution, chi-square goodness-of-fit test is used for individual problems. From the table result of chi-square, it can be concluded that the distribution of responses is not equal among given categories as the p-value is below 0.05 for all the problems. Data distribution revealed that majority of respondents agreed on given problems. Hence, from the above analysis, it can be concluded that majority of top management executives believed that diversification comes with managerial challenges. Therefore, we can reject null hypothesis and accept alternate hypothesis that HUL management faces problems in products and services diversification strategy.

5.14 RELATING SEGMENTWISE DIVERSIFICATION WITH COMPANY OUTCOMES

Following scale items are used to measure management opinion towards outcomes of products and services diversification in HUL.

5.14.1 Effects of products and services diversification on brand loyalty

Given section presents the analysis showing the effect of product diversification and brand loyalty. Results from the survey are depicted below.

Table: 5.41 Effects of products and services diversification on brand loyalty

Effects of Diversification	Response	Percentage
Brand Loyalty Increases	14	82%
Brand Loyalty Decreases	3	18%

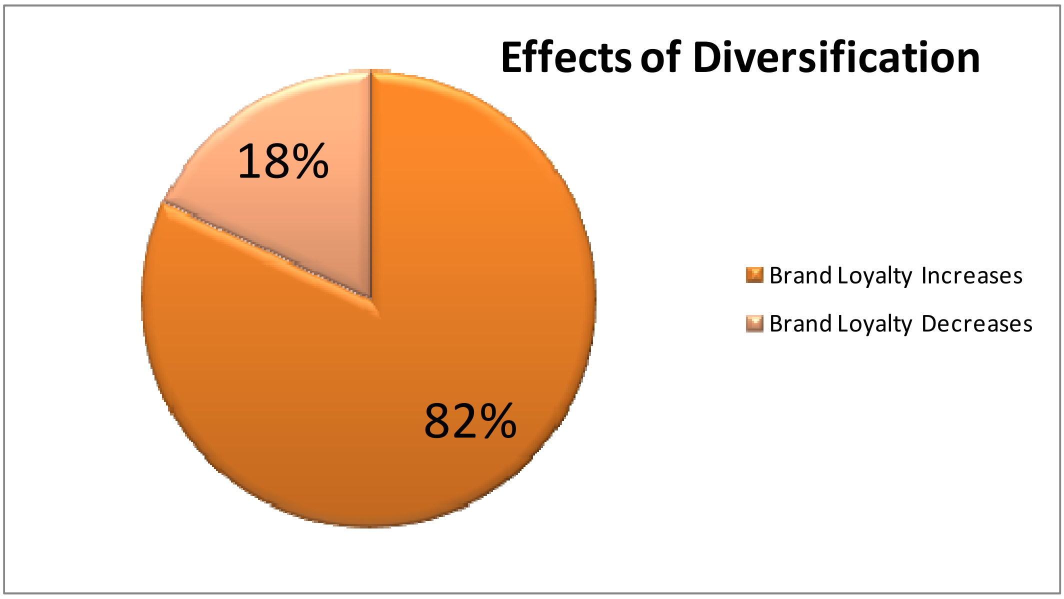

Figure: 5.29 Effects of products and services diversification on brand loyalty

Interpretation: From above table and graph, it can be concluded that majority of management personnel believed that diversification certainly increases the brand loyalty of HUL customers. Management believes that brand loyalty increases as company diversifies its products in the market. A successful product differentiation strategy creates brand loyalty among customers.

5.14.2 Linkage of diversification with Environment

Given section presents the analysis showing the linkage of products and services diversification strategy with the environment in which HUL is operating to enhance its performance. Results from the survey are depicted below.

Table: 5.42 Linkage of diversification

Parameter	Response count	Percentage
Yes	13	76%
No	0	0%
Partially	4	24%

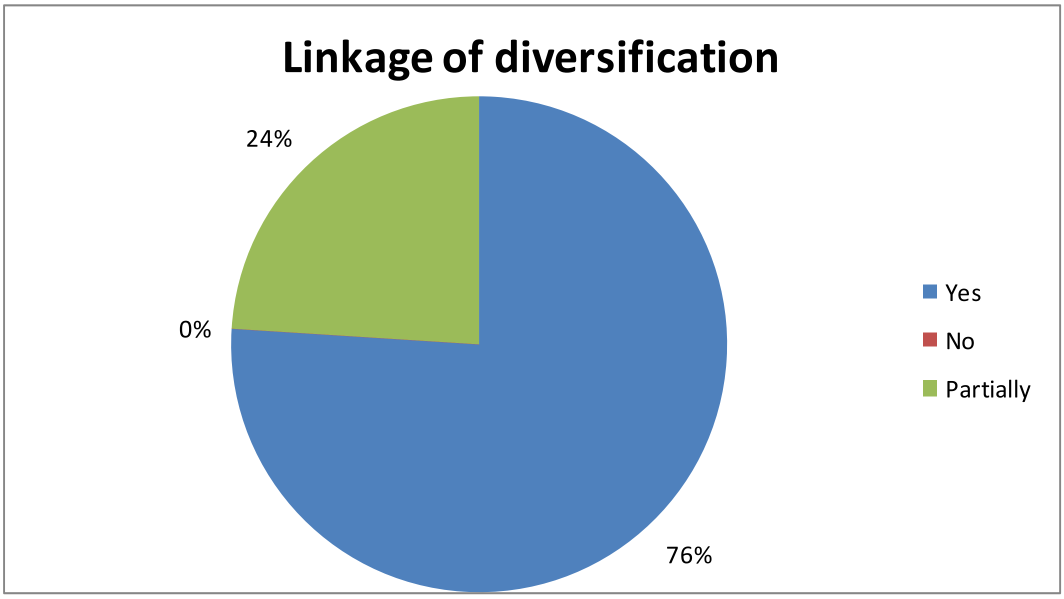

Figure: 5.30 Linkage of diversification

Interpretation: From above table and graph, it can be concluded that majority of top management executives believed that HUL fully or partially links its diversification strategy with the environment.

5.14.3 Relating diversification strategy with company outcomes

Given section presents the analysis showing the linkage of products and services diversification strategy with company outcomes like sales, profit, market share etc.

Following section also tests the given hypothesis:

H10 (null): HUL's outcomes are negatively influenced by products and services diversification strategy.

H10 (alternate): HUL's outcomes are positively influenced by products and services diversification strategy.

5.14.3.1 Management Opinion

Given tables present the scale items used to measure management perception on impact of diversification on company outcomes. Results are presented below.

Table: 5.43 Scale items for outcomes

Areas	Increase		Decrease	
	Count	Percentage	Count	Percentage
Overall growth of the company	15	88%	2	12%
Sales	17	100%	0	0%
Profit from related business	5	29%	12	71%
Profit from unrelated business	12	71%	5	29%
Share price	17	100%	0	0%
Investments	17	100%	0	0%
Organisational effectiveness	14	82%	3	18%
Economies of scale	15	88%	2	12%
Risk	0	0%	17	100%
Market share in total industry (FMCG)	17	100%	0	0%
Customer grievances	9	53%	8	47%
Market size	17	100%	0	0%
Production costs	15	88%	2	12%
Brand portfolio	17	100%	0	0%
Brand name	17	100%	0	0%
Distribution and service network	17	100%	0	0%
International recognition	17	100%	0	0%
Command in domestic market	17	100%	0	0%
Operations in various countries	17	100%	0	0%
Opportunities in new emerging markets	17	100%	0	0%
Competition from other FMCG players	17	100%	0	0%
Taxes and Duties structure	17	100%	0	0%

Areas	Increase		Decrease	
	Count	Percentage	Count	Percentage
Research and Development	17	100%	0	0%
Employee grievances	6	35%	11	65%
Government controls	17	100%	0	0%
Other- operational stress	17	100%	0	0%

Interpretation: From above table and graph, it can be concluded that majority of Top management at HUL believed that diversification certainly increase growth of the company and its sales

HUL's management also agreed that diversification has positive impact on company's sales, share price, investments and market share in industry (FMCG). Diversification increases market size, brand portfolio, brand name, distribution and service network, international recognition of the company increases, command in domestic market, operations in various countries and opportunities in new emerging markets. Diversification enhances overall growth of the company, economies of scale and organisational effectiveness. However, management also believed that HUL's diversification strategies also increase competition from other FMCG players, taxes and duties structure and other-operational stress including customer and employee grievances.

5.14.3.2 Financial Analysis

Given section presents the analysis showing the linkage of products and services diversification strategy with HUL's outcomes like profit, market capitalisation and asset turnover ratios.

Table below demonstrates the figures that can be used to measure the financial performance of HUL in last 17 years.

Table: 5.44 Financial performance highlights of HUL (Rs Crores)

Financial year	2017	2015	2010	2005	2000
Profit for the year	4490	4315.26	2102.97	1354.51	1310.18
Market Capitalisation	196902	188849	52077	43419	45409
Asset Turnover Ratio (%)	216.18	225.94	186.66	166.23	134.49

Interpretation: Segment wise revenues of HUL table presents distribution for its various diversifications and years of diversification table gives details of the segment (water purifier) that are selected for the present study to test the impact of diversification on organization's overall performance as well as segment wise performance.

Table: 5.45 Segment wise Revenues of HUL

Segment Revenue (Gross)	2017	2015	2010	2005	2000
Home Care[5]	11346	14876.61	8265.6	2164.51	4295.43
Personal Care[6]	16432	9006.53	5047.90	5537.66	2217.94
Foods[7]	1124	1891.80	730.78	541.66	794.20
Beverages Refreshments[8]	4848	3631.49	2373.43	1915.97	1580.68

Table: 5.46 Diversification Year considered for present study - HUL

Diversification Year	Segment
2005	Water Purifier

Interpretation: The present analysis only concentrates on the segment wise analysis because after year 2005 HUL did not diversify into other segment, only the segment expansion strategy (with new launches) is adopted for all other segments. Details of other segments and HUL's diversification strategies are presented in chapter 2.

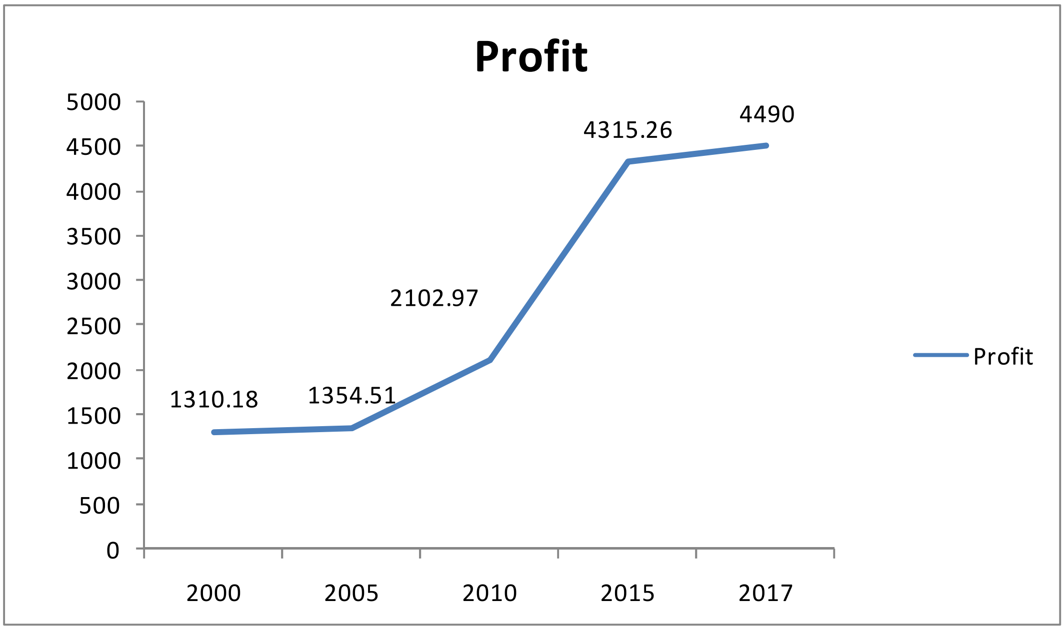

Figure: 5.31 Profit (2000-2017) HUL

[5] Home Care includes detergent bars, detergent powders, detergent liquids, scourers, water business etc.
[6] Personal Care includes products in the categories of oral care, skin care (including soaps), hair care, deodorants, talcum powder, colour cosmetics, salon services etc.
[7] Food includes branded staples (atta, salt, bread, etc.) and culinary products (tomato based product, fruit based products, soups etc.)
[8] Beverages / refreshment includes tea, coffee, frozen desserts and ice creams

Figure: 5.32 Market Capitalisation(2000-2017) HUL

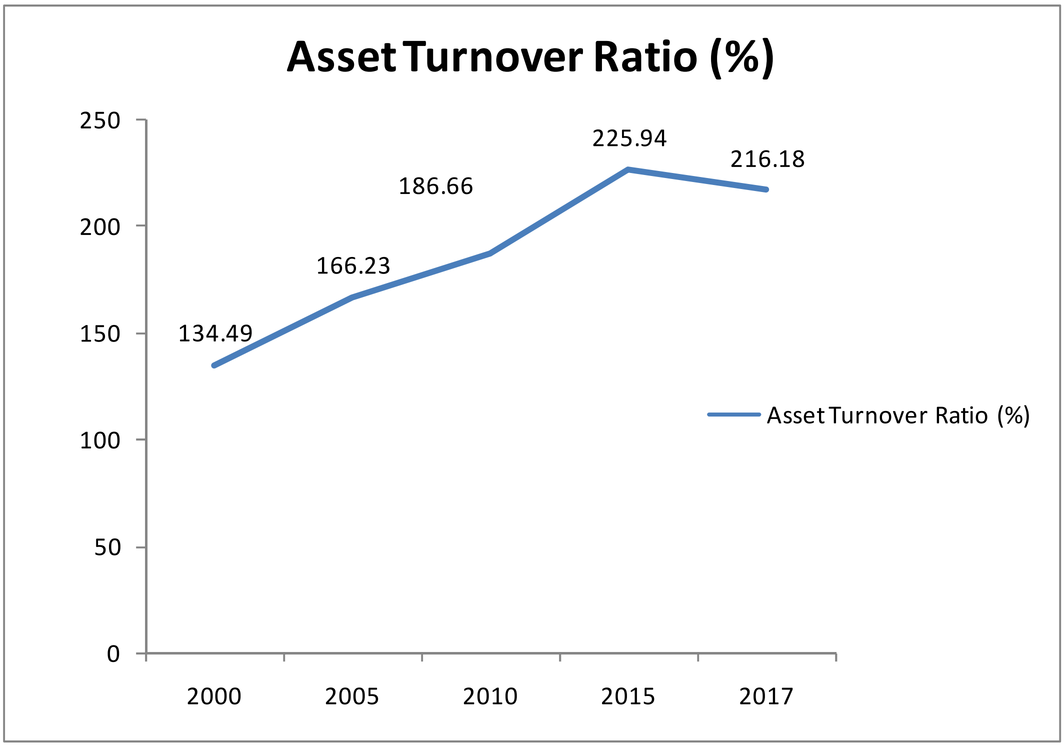

Figure: 5.33 Asset Turnover Ratio (2000-2017) HUL

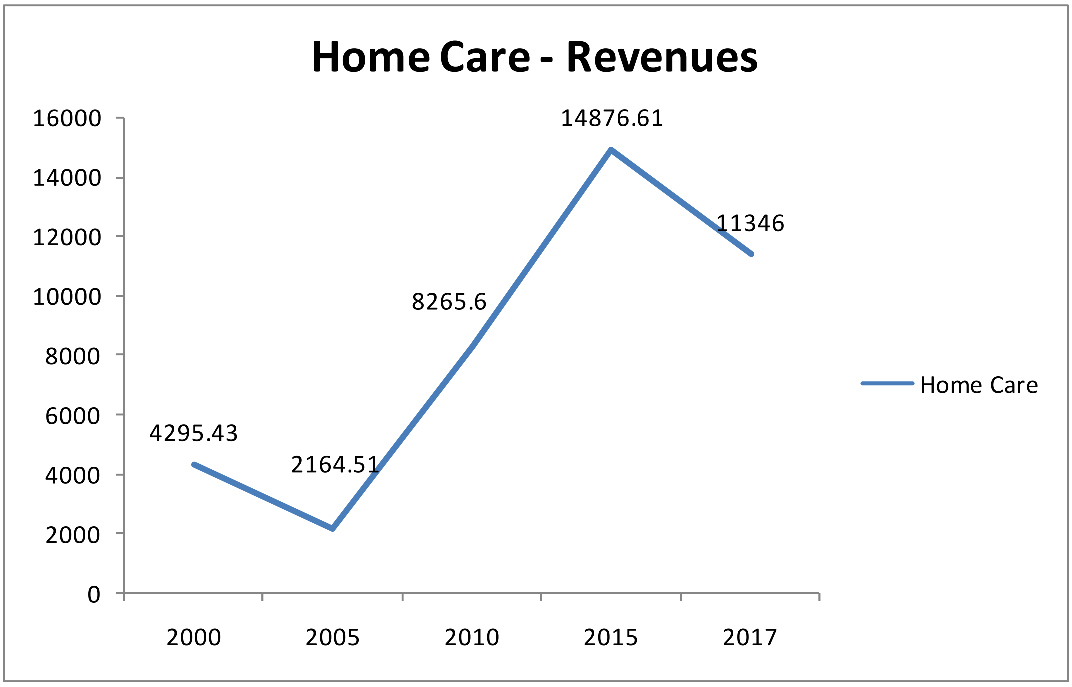

Figure: 5.34 Home Care Revenues of HUL (includes detergent bars, detergent powders, detergent liquids, scourers, water business, etc.)

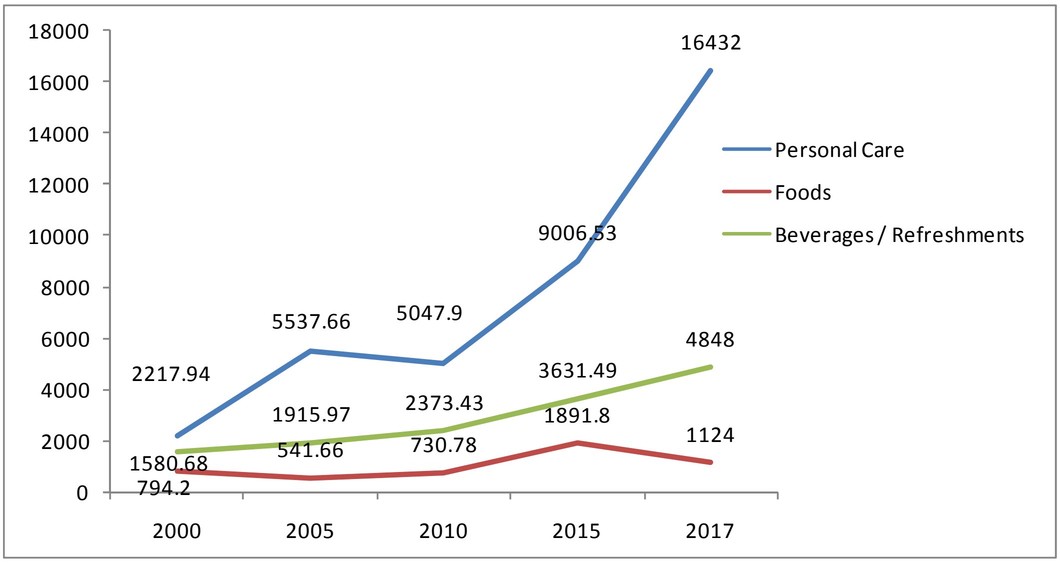

Figure: 5.35 Other Segment wise Revenues of HUL

Interpretation: The above table and figure shows that the company reported a constant progress in financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Home Care segment in 2005.

Moreover, analysis also revealed that segment wise performance in term of revenue also increased significantly for Home care after 2005. Hence, from the above table and graph, it can be concluded that diversification strategy has a positive impact of HUL's growth and financial performance. Therefore, we can accept the alternate hypothesis that HUL's outcomes are positively influenced by product and services diversification strategy.

CHAPTER – 6

Conclusion

CHAPTER- 6

CONCLUSION

6.1 MAJOR FINDINGS OF INDIAN TOBACCO COMPANY LIMITED

Since the survey primarily considered the perception of top management of the company, the respondents deemed to belong to mature age brackets. Majority of respondents are above 60 years of age, and about 40 percent of managers in the survey belong to age group of 51-60 years of age. 93 percent of respondents are male and only 7 percent were female. Since the survey was conducted for top management, this distribution shows an imbalance in distribution of males and females. It also depicts that there is less participation of female in the top management of the company.

The experience wise analysis revealed that out of the total respondents, 40 percent of respondents are very new in the company having experience of 1- 5 years. About 13 percent of respondents gained 11-15 years and 16-20 of experience each. The survey includes 24 percent of respondents/executives having a rich experience of more than 20 years in the company. Regarding functional area distribution, about 17 percent of respondents are from Administration and operations respectively. About 14 percent of managers belong to finance department. Survey includes 10 percent of respondents from marketing and production department. Other respondents include personnel from R&D, Legal, HR, Sales and Distribution, Purchase, Logistics and Maintenance departments. Majority of respondents are post graduate (93 percent) and 7 percent possess other qualifications and management certifications.

One of the important reasons for the diversification decision for the product line is risk sharing and to derive competitive advantage in the market. Other reasons include achieving customer loyalty, company growth, profit maximization and cost minimization.

Moreover, majority of management team (53 percent) agreed with all the reasons mentioned for having significant impact of diversification strategies.

ITC management team perceives that related diversification was more beneficial than unrelated diversification. Related Diversification happens when the company adds to or expands its existing product line or markets. However, 37 percent of respondent also agreed that benefits can be derived from both (related and unrelated) diversification strategies.

ITC management perceives that retailers provide adequate sales support for all products in the range; suppliers provide raw materials and other supplies well on time. They also believe company policies enhance investors' willingness to invest more in ITC and this has increased faith in company's ability to generate handsome returns on investment. Executives also perceive that customers provide support and acceptance for diversification decisions and Managers in ITC are also willing to contribute their best and assist in implementing diversification strategy. Top management has the perception that government regulatory structures also provide positive support for diversification. Majority of respondents is agreed that investors, customers, society, and trade union provide 100% support to company.

Management also provide reasons for non-support, and this includes poor communication with supplier, unavailability of raw material, lack of coordination and support from other level of management, resistance from lower level, frequent change in taxes and duties.

Diversification attracts huge population and has great potential for growth in business segments and creates new emerging markets. Diversification helps in creating new customers and increases overall profit of the firm. It facilitates and economizes promotional efforts and is considered a boon for the society. After diversification, products are available under one roof and well known brands enable better channel relationship. It enables products and services expansion and helps in sustaining business growth. Strong brand identity of a company's products enables repeat purchases and this can be used as a strategic marketing tool for core brands. Executives also perceived that diversification impacts level of customer satisfaction, influences consumer buying behaviour, helps in utilising of existing resources and capabilities and also helps in increasing brand loyalty to stabilize market share.

Majority of management personnel accept that diversification is not an easy decision for any company, including ITC. A decision to diversify always has some inherent problems associated with it. From then result of analysis, it may be concluded that 2 company face problems from related diversification strategy as compared to unrelated businesses. Therefore, company did not continue with unrelated diversification strategies. Some of the primary problems associated with ITC are presented below.

Diversification increases cost of doing business due to higher capital requirement. It also increases input cost due to increase in price of raw materials. Low profits are generated comes from unrelated business and there are frequent changes in government regulations. A company is also affected by global economic slowdown and change in socio-cultural fabric. Liabilities towards environment also increase.

ITC brand name is associated with tobacco, which increases hostile attitude towards smoking in general. Removal of import restrictions results in replacement of domestic brands with foreign brands. Revenue from related business for providing capital for FMCG start-up is a problem area for the company. It also requires expertise in doing different businesses and there is also problem of inadequate retail space in prime locations.

Due to rise in competition from local and national players, with threat from substitute products, a company gets lower returns. Lack of coordination and support from other levels of management also creates difficulties in serving loyal customers on a sustainable basis. Diversification also doesn't help in increasing overall sales volume and profit and increases imitation products/ mimic brands. There is also a lack of cooperation among the team members, resulting in unhealthy competition among departments. Hence, ITC management faces problems in implementing products and services diversification strategy.

Top management of ITC believed that diversification certainly increases growth of the company’s sales and profits from related business. They also agreed that diversification has positive impact on share price followed by investments, organisational effectiveness, market share in industry (FMCG), production costs, brand portfolio, brand name, distribution and service network, international recognition, operations in various countries, opportunities in new emerging markets, increase in research and development and market size. But diversification also increases competition, operational stress, employee and customer grievances.

When a company uses a differentiation strategy that is focused on the cost of the product as compared to other similar products available in the market, it creates a perception of value among consumers and potential customers. Moreover, executive management believed that diversification not only results in increase in market share and command in the domestic market, but also has a positive impact on brand portfolio, brand name and distribution and service network. Diversification also results in decreased risk and profit from unrelated business.

Financial analysis also revealed that company reported a constant progress in overall financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Branded Packaged Foods in year 2001, Education & Stationery Products in year 2002, Safety Matches in year 2003 and Personal Care and personal care segment in year 2005. Moreover, analysis also revealed that segment wise performance in term of revenue also increased significantly for Branded Packaged Foods after 2001, Education & Stationery Products after 2002, Safety Matches after 2003 and personal care segment after 2005. Hence, it can be concluded that diversification strategy had a positive impact on ITC’s growth and financial performance.

6.2 MAJOR FINDINGS OF HINDUSTAN UNILEVER LIMITED

Majority of respondent from HUL were above 41 years of age. 24 percent of executives in the survey belong to age group of 51-60 years of age and 35 percent of management team surveyed belongs to age bracket of 61 and above. Sample includes top management of HUL. About 81 percent of respondents were male and 18 percent were female. The female percentage is quite better in comparison to ITC. It also depicts that there is less participation of female in the top management of HUL. The experience wise analysis revealed that out of the total respondents, about 41 percent of respondents have rich experience of 16-20 year in the business. 35 percent of executives in the survey have more than 21 years of experience. Hence, we can conclude that the survey include executives with rich experience at the company. Survey includes top management executives from almost all the departments. Out of the total respondents, about 22 percent of respondents are from Administration. About 12 percent of managers belong to operations, finance, production and sales department. Survey includes 6 percent of respondents from marketing, R&D, legal, HR and logistics department each. Majority of respondents are post graduates (71 percent) and 29 percent possess other professional qualifications and certifications.

The important reason for the diversification decision for the product line at HUL is risk sharing, growth and profit advantages. Moreover, majority of managers and management team agreed with all the reasons mentioned above for having significant impact of diversification strategies.

Majority of HUL top management team perceives that unrelated diversification (53 percent) is more beneficial than related diversification (18 percent). However, 29 percent of respondents also agreed that benefited have been derived from both (related and unrelated) diversification strategies of HUL.

It can be concluded that HUL's top management perceives that investors, customers, employees, society, government and retailers provide adequate support in its diversification strategies. Company policies enhance investors' willingness to invest more in HUL and this has increased faith in company's ability to generate return on investment. Top management perceives that customers provide support for diversification. Top management gives positive perception that government regulatory structures and also trade unions provide positive support for diversification.

Top management executives also believed that reasons for lack of supplier support include late delivery, damaged delivery of products, while company also faces resistance from trade union in the form of demand for higher wages.

Top management of HUL perceives that diversification helps in creating new customers, provides freedom of choice, and enables better channel relationship and ability to explore new emerging markets. It attracts huge population and higher potential for growth in business segments and help in utilizing existing resources and capabilities.

Product diversification helps in sustaining business growth and services expansion. It increases management expertise in formulation and implementation of corporate strategies to offers variety of products to market. Diversification spreads the risk of stakeholders and enables repeat purchases. Diversification can be used as a strategic marketing tool for core brands. It increases overall firm profit and economizes promotional efforts. HUL management considers diversification as a boon to the society.

They believe that it affects the level of customer satisfaction and even increases brand loyalty to stabilize market share.

Top management executives of HUL believed that diversification leads to competition from local and national players. Diversification is also affected by global economic slowdown. It increases cost of doing business and that in turn needs more funds.Diversification requires expertise in operating different businesses and is negatively affected by change in socio-cultural fabric. Diversification also increases liabilities towards ecological environment and increases imitation products/mimic brands. It also raises input cost due to increase in prices of raw materials. Other challenges include presence of a large number of brands in different product categories, brand switching and price commodities. Frequent changes in government regulations also negatively impact diversification. Resistance from lower levels including lack of or poor planning of activities is presenting challenges along with inadequate retail space in prime locations and removal of import restrictions resulting in entry of foreign products that replace domestic brands.

Top management also rejects the assumption that diversification causes difficulty in serving loyal customers. Company faces no difficulties in serving loyal customers on a sustained basis, which result in customer loyalty. Executives believed that due to diversification, the company's innovativeness increases. Management disagreed that minimum company profit comes from unrelated business.

Top management of HUL believed that diversification certainly increases growth of the company's sales. HUL's management also agreed to the fact that diversification has a positive impact on the company's share price, amount of investments, market share in the industry (FMCG) and market size. It also favours brand portfolio, brand name, enhances distribution and service network, provides international recognition and command in domestic market. A company can reduce risk, increase operations in various countries, economies of scale, Research and Development and provide opportunities in new emerging markets. But it also increases competition from other FMCG players with complexities in taxes and duties structures. It increases government controls, operational stress, organisational effectiveness and profit from unrelated business. However, management also agreed to the fact that product and services diversification also increases HUL's efforts in handling customer grievances with higher operational expenses.

Financial analysis also revealed that the company reported a constant progress in financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Home Care segment in year 2005. Moreover, analysis also revealed that segment-wise performance in terms of revenue has also increased significantly for Home care segment after 2005. Hence, it can be concluded that diversification strategy has had a positive impact on HUL's growth and financial performance.

6.3 RESULT OF HYPOTHESIS TESTING

The following section provides the result of hypothesis testing.

Table 6.1: Hypothesis testing (Null and Alternate)

Hypothesis			Result
H1	Null	ITC management does not gain its purpose of products and services diversification strategies.	Reject
	Alternate	ITC management gains its purpose of products and services diversification strategies.	Accept
H2	Null	Stakeholders do not provide adequate support for products and services diversification of ITC	Reject
	Alternate	Stakeholders provide adequate support for products and services diversification of ITC	Accept
H3	Null	ITC management does not receive advantages from products and services diversification	Reject
	Alternate	ITC management receives advantages from products and services diversification	Accept
H4	Null	ITC management does not face problems in products and services diversification strategy.	Reject
	Alternate	ITC management faces problems in products and services diversification strategy.	Accept
H5	Null	ITC outcomes are negatively influenced from products and services diversification strategy.	Reject
	Alternate	ITC outcomes are Positively influenced from products and services diversification strategy.	Accept
H6	Null	HUL management does not gain its purpose of products and services diversification strategies.	Reject
	Alternate	HUL management gains its purpose of products and services diversification strategies.	Accept
H7	Null	Stakeholders do not provide adequate support for products and services diversification of HUL	Reject
	Alternate	Stakeholders provide adequate support for products and services diversification of HUL	Accept

Hypothesis			Result
H8	Null	HUL management does not receive advantages from products and services diversification.	Reject
	Alternate	HUL management receives advantages from products and services diversification.	Accept
H9	Null	HUL management does not face problems in products and services diversification strategy.	Reject
	Alternate	HUL management faces problems in products and services diversification strategy.	Accept
H10	Null	HUL outcomes are negatively influenced from products and services diversification strategy.	Reject
	Alternate	HUL outcomes are Positively influenced from products and services diversification strategy.	Accept

6.4 CONCLUSION

Diversification carries the highest level of risk and requires the most diligent investigation. Going into an unknown market with an unfamiliar product offering means a lack of experience in the new skills and techniques required. When a company employs a differentiation strategy that centers on the cost value of the product as compared to other similar products on the market, it creates a recognised value among consumers and potential customers. It forces an organization to determine how it might add value to an acquired company or in a new market, be it with outstanding distribution, creative employees, or superior understanding about information transfer.

A positive result of diversification strategy can be an increase in market share. By introducing new products, exploring new regions and targeting new consumers, a company can expand its consumer base. On the other hand, each of these actions also increases competition, seeing products or services become obsolete due to new technology. These threats can appear while increasing costs related to marketing and delivering products. In short, a diversification strategy costs money. This strategy also increases company’s operations in various countries, opportunities in new emerging markets, competition from other FMCG players with higher expenditure in research and development.

CHAPTER – 7

Suggestions

Chapter -7

SUGGESTIONS

7.1 SUGGESTIONS

- A fruitful product differentiation strategy generates brand loyalty among customers. The same strategy that gains market share through recognised quality or cost savings may create loyalty from consumers. The companies (ITC and HUL) must persistently deliver value to consumers to maintain customer loyalty.
- Product diversification can be a costly, time-consuming task. Companies should analyze whether they have the resources to fashion new products or tweak existing ones. · It is helpful to study pros and cons of 'related' and 'unrelated' diversification.
- In a related diversification, the resulting business should be able to accomplish improved Return on Investment because of higher revenues, lower costs, or reduced investment. Implementation problems happen when the diversification involves integrating two organizations that have fundamental differences, as one of them is unable to undertake necessary activities or steps to make the diversification work.
- Those firms whose management teams have more experience at managing diversification will enjoy higher performance than those firms that do not have that experience. A critical factor in establishing success is the level of management ability in formulating and implementing corporate strategy. · Companies must decide whether they want to diversify by going into related or unrelated businesses.
- They must then decide whether they want to expand by developing the new business or by acquiring an ongoing business. Leaders of these companies must respect the cultural differences among their divisions while ensuring that the cultures of those divisions and the home office gel well.

7.2 SCOPE FOR FUTURE RESEARCH

Continued reliance on isolated studies of diversification may be empirically deceptive. Future research needs to pay attention to environmental level triggers (such as demographic changes, resource dependence and network relations), firm level triggers (such as firm's strategy and synergies), and for influencers (such as supporting industry, organizational processes, timing of entry and information irregularity), as moderators of the diversification.

Future research can also study on more classifications of diversification type, level. Also, cross-sectional studies do not seem to be successful in finding the true causal relationship between diversification and performance. A more meaningful causal relationship between diversification and financial performance can be thought of, if the product wise revenues of a business firm are appropriately disaggregated.

While the types, modes, and levels of diversification remain critical in strategic option, there are significant risks associated with diversification, and, consequently, future research should be considered for careful examination of all the relevant factors. A better understanding of such factors and the complexities surrounding diversification and its relationship with performance is, therefore, crucial if the chances of success are to be maximized.

Annexures I-V

ANNEXURE - I

Summary

SUMMARY

Title- "An Analysis of Diversification Strategies in Selected Indian Companies: Problems and Prospects for Growth" (In Reference to Indian Tobacco Company Limited and Hindustan Unilever Limited, India.)

OBJECTIVE

The purpose of this research was to extend the existing body of knowledge on the advantages of diversification strategies in the context of Indian Tobacco Company Limited and Hindustan Unilever Limited, India, as little research have been conducted on this topic in India. A review of literature suggests that most studies have examined the benefits of diversification strategies from the company's financial statements and secondary information sources, but there is a dearth of studies that are based on primary data to know managerial opinion towards a company's products and services diversification strategies. The present research provides factual data on the managerial opinion towards product and services diversification strategies. The study also focuses upon analyzing managerial opinion on problems faced during formulation of products and services diversification strategies at selected companies.

The problem to be investigated is to, "to study and analyze diversification strategies undertaken by Indian Tobacco Company Limited and Hindustan Unilever Limited, India. Further, this study aims to explore the advantages and outcomes of diversification strategies and problems faced in these strategies in the context of the selected companies".

HYPOTHESES OF THE STUDY

H1	Null	ITC Management does not gain its purpose of products and services diversification strategies.
	Alternate	ITC Management gained its purpose of products and services diversification strategies.
H2	Null	Stakeholders do not provide adequate support for products and services diversification of ITC.
	Alternate	Stakeholders provide adequate support for products and services diversification of ITC.
H3	Null	ITC Management does not receive advantages from products and services diversification.

	Alternate	ITC Management received advantages from products and services diversification.
H4	Null	ITC Management does not face problems in products and services diversification strategies.
	Alternate	ITC Management faced problems in products and services diversification strategies.
H5	Null	ITC outcomes are negatively influenced from products and services diversification strategies.
	Alternate	ITC outcomes are positively influenced from products and services diversification strategies.
H6	Null	HUL Management does not gain its purpose of products and services diversification strategies
	Alternate	HUL Management gained its purpose of products and services diversification strategies
H7	Null	Stakeholders do not provide adequate support for products and services diversification of HUL.
	Alternate	Stakeholders provide adequate support for products and services diversification of HUL.
H8	Null	HUL Management does not receive advantages from products and services diversification.
	Alternate	HUL Management received advantages from products and services diversification
H9	Null	HUL Management does not face problems in products and services diversification strategies.
	Alternate	HUL Management faced problems in products and services diversification strategies.
H10	Null	HUL outcomes are negatively influenced from products and services diversification strategies
	Alternate	HUL outcomes are positively influenced from products and services diversification strategies

STUDY METHOD

The current study follows both exploratory and descriptive research approach. Exploratory research is executed through a review of available literature in formulating Hypotheses.

Further descriptive research design is taken into consideration to test the hypotheses and inferences were drawn from data analysis. The present study contains the quantitative approach of problem solving. This includes a quantitative, descriptive, and comparative research with cross-sectional survey of data from Management of ITC and HUL. Survey data is employed to estimate population characteristics and to explore the significance of predictor variables. The research which has been carried on managerial opinion towards diversification strategies is descriptive in nature. It focuses on purpose of products and services diversification, stakeholder's support, advantages, problems and outcomes etc. It is a fact finding investigation with adequate interpretation.

In the current research work, respondents were chosen by Convenience Sampling technique. The sample is of 47 respondents. 30 respondents are from ITC (1 Chairman, 1 Managing Director, 2 executive director, 9 non executive directors and 17 business head) and 17 respondents from HUL (1 Chairman, 1 Managing Director, 5 independent director and 10 executive directors) For the purpose of this study following instruments and methodology were used.

- For primary data, a well fabricated questionnaire was prepared .This was filled by the Top Management of ITC and HUL.
- The researcher conducted interviews of resourceful respondents to infer meaningful information that facilitated the researcher to collect data for further interpretation.
- The piloting strategy is used for this survey. Two stages of pilot work were carried out before the main fieldwork stage. After making necessary amendments to the questionnaire based on findings from the cognitive testing, a pilot survey was conducted. The questionnaire was tested in a forum of 10 experts and 5 university faculties to ensure the relevance of questions and sections in the survey. After the pilot study, amendments were done to the questionnaire for clarity to enable some new questions to be added and to remove others.
- A variety of statistical analyses has been applied to the data, including Percentage analysis, Averages, and Chi- square test.

As these techniques are appropriate to test the internal consistency, construct validity, average, percentage, determination of cut off scores, and relationship among different variables.

STUDY RESULTS

Hypothesis viewed as per the analysis

Hypothesis			**Result**
H1	Null	ITC management does not gain its purpose of products and services diversification strategies.	Reject

Hypothesis			Result
	Alternate	ITC management gains its purpose of products and services diversification strategies.	Accept
H2	Null	Stakeholders do not provide adequate support for products and services diversification of ITC	Reject
	Alternate	Stakeholders provide adequate support for products and services diversification of ITC	Accept
H3	Null	ITC management does not receive advantages from products and services diversification	Reject
	Alternate	ITC management receives advantages from products and services diversification	Accept
H4	Null	ITC management does not face problems in products and services diversification strategy.	Reject
	Alternate	ITC management faces problems in products and services diversification strategy.	Accept
H5	Null	ITC outcomes are negatively influenced from products and services diversification strategy.	Reject
	Alternate	ITC outcomes are Positively influenced from products and services diversification strategy.	Accept
H6	Null	HUL management does not gain its purpose of products and services diversification strategies.	Reject
	Alternate	HUL management gains its purpose of products and services diversification strategies.	Accept
H7	Null	Stakeholders do not provide adequate support for products and services diversification of HUL	Reject
	Alternate	Stakeholders provide adequate support for products and services diversification of HUL	Accept
H8	Null	HUL management does not receive advantages from products and services diversification.	Reject
	Alternate	HUL management receives advantages from products and services diversification.	Accept
H9	Null	HUL management does not face problems in products and services diversification strategy.	Reject
	Alternate	HUL management faces problems in products and services diversification strategy.	Accept
H10	Null	HUL outcomes are negatively influenced from products and services diversification strategy.	Reject
	Alternate	HUL outcomes are Positively influenced from products and services diversification strategy.	Accept

Major Findings of ITC

- ITC management team perceives that related diversification was more beneficial than unrelated diversification. Related Diversification happens when the company adds to or expands its existing product line or markets.

- Majority of respondents is agreed that investors, customers, society, and trade union provide 100% support to the company in the context of diversification decisions.
- Management also provides reasons for non-support, and this includes poor communication with supplier, unavailability of raw material, lack of coordination and support from other level of management, resistance from lower level, frequent change in taxes and duties.
- Executives also perceived that diversification impacts level of customer satisfaction, influences consumer buying behaviour, helps in utilising of existing resources and capabilities and also helps in increasing brand loyalty to stabilize market share.
- Top management agreed that diversification has positive impact on share price followed by investments, organisational effectiveness, market share in industry (FMCG), production costs, brand portfolio, brand name, distribution and service network, international recognition, operations in various countries, opportunities in new emerging markets, increase in research and development and market size. But diversification also increases competition, operational stress, and employee and customer grievances.

Major Findings of HUL

- Majority of HUL top management team perceives that unrelated diversification is more beneficial than related diversification.
- HUL's top management perceives that investors, customers, employees, society, government and retailers provide adequate support in its diversification strategies.
- Top management of HUL perceives that diversification helps in creating new customers, provides freedom of choice, and enables better channel relationship and ability to explore new emerging markets.
- Top management executives of HUL believed that diversification leads to competition from local and national players. Diversification is also affected by global economic slowdown. It increases cost of doing business and that in turn needs more funds.

- Top management also rejects the assumption that diversification causes difficulty in serving loyal customers. Company faces no difficulties in serving loyal customers on a sustained basis, which result in customer loyalty.
- HUL's management also agreed to the fact that diversification has a positive impact on the company's share price, amount of investments, market share in the industry (FMCG) and market size. It also favours brand portfolio, brand name, enhances distribution and service network, provides international recognition and command in domestic market.

Conclusions: Financial analysis also revealed that ITC reported a constant progress in overall financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Branded Packaged Foods in year 2001, Education & Stationery Products in year 2002, Safety Matches in year 2003 and Personal Care and personal care segment in year 2005. Moreover, analysis also revealed that segment wise performance in term of revenue also increased significantly for Branded Packaged Foods after 2001, Education & Stationery Products after 2002, Safety Matches after 2003 and personal care segment after 2005. Hence, it can be concluded that diversification strategy had a positive impact on ITC's growth and financial performance.

Financial analysis also revealed that HUL reported a constant progress in financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Home Care segment in year 2005. Moreover, analysis also revealed that segment-wise performance in terms of revenue has also increased significantly for Home care segment after 2005. Hence, it can be concluded that diversification strategy has had a positive impact on HUL's growth and financial performance.

While the types, modes, and levels of diversification remain critical in strategic option, there are significant risks associated with diversification, and, consequently, future research should be considered for careful examination of all the relevant factors. A better understanding of such factors and the complexities surrounding diversification and its relationship with performance is, therefore, crucial if the chances of success are to be maximized.

ANNEXURE - II

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54. http://www.marketing 91.com/product-mix-product-line
55. http://www.marketing 91.com/quick-guide-positioning
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ANNEXURE - III

Questionnaire

QUESTIONNAIRE

The Researcher assures that responses will be kept confidential and will be used for academic purpose only.

TOPIC: **"An Analysis of Diversification Strategies in Selected Indian Companies: Problems and Prospects for Growth" (in reference to Indian Tobacco Company Limited and Hindustan Unilever Limited, India).**

OBJECTIVE: To study Managerial opinion towards company's diversification strategies at Indian Tobacco Company Limited and Hindustan Unilever Limited, India.

Dear Respondent,

Greetings!

Kindly provide me your valuable time to fill the following questionnaire. Kindly tick (√) in the appropriate column:

Section A: Demographics

Name of Organization: ____

Name of Respondent: ____

Designation of Respondent: ____

Kindly tick (√) in the most appropriate column:

1. From which Age Group you belong?

Age (in years)	Response
20-30	
31-40	
41-50	
51-60	
61 & above	

2. From which Gender do you belong?

Gender	Response
Female	
Male	

3. What is your latest Qualification?

Qualification	**Response**
Diploma	
Graduate Only	
Post Graduate	
Ph.D.	
Other	

4. At what Management Level are you currently working?

Management Level	**Response**
Top Level	
Middle Level	
Lower Level	
Operational Level	

5. What is your Period of Service in the Organization?

Service Period (in years)	**Response**
Less Than a Year	
1-5	
6-10	
11-15	
16-20	
21 & above	

6. In which Functional Area are you currently working?

Functional Areas	**Response**
Administrative Department	
Finance Department	
Operation Department	
Marketing Department	
HR Department	
Research & Development Department	
Legal Department	
Production Department	
Sale & Distribution Department	
Inventory Department	
Purchase Department	
Logistics Department	
Maintenance Department	
Other (Please Specify): …………………………………..…………	

Section B: Managerial opinion towards Products and Services Diversification Strategies:

Kindly tick (√) in the most appropriate column:

7. In your opinion, what was the main purpose of products and services diversification in company?

Purpose of Diversification	Response
For growth of the company	
Profit	
Risk Sharing	
To get position of competitiveness	
To capture market share	
To get advantage of loyalty of customers	
All of them	
Other please specify……………….	

8. In your opinion which type of diversification is good for this company's growth?

Type of Diversification	Response
Related	
Unrelated	
Both	

9. Are Staff Members in the organization involved in the products and services diversification strategy formulation as well as its implementation?

Parameter	Response
Yes	
No	
Partially	

10. Do you receive support for products and services diversification from following Stakeholders?

Note: Kindly tick (√) in the most appropriate column:

Stakeholders support	Yes	No
Retailers provide adequate sales support for all products in the range		
Supplier provide raw materials and other supplies well on time and on better terms		
Investor's willingness to invest more in the company and having increased faith in company's ability to generate return on investment		
Customers' support and acceptance for diversification decision		
Employees' willingness to contribute their best and assist in implementation of diversification strategy		
Social approval and satisfaction from diversified products and services		
Government's regulatory structure provides positive support for		

Stakeholders support	Yes	No
diversification		
Trade unions give positive support for diversification decision		

Note: If responses are No, please mention the reason……………….

11. In your opinion what are the main advantages of products and services diversification?

Note: Kindly tick (√) one option from the available options {Strongly Disagree (1), Disagree (2), No Idea (3), Agree (4) and Strongly Agree (5)}:

Advantages	**Strongly Agree 5**	**Agree 4**	**No Idea 3**	**Disagree 2**	**Strongly Disagree 1**
International presence increases image and preference for the brand					
Image of brand in the society affects the level of customer satisfaction					
For utilising existing resources and capabilities					
Diversification spreads the risk of stakeholders					
Increases management expertise in formulation and implementing of corporate strategies					
Diversification is a boon to the society					
Product diversification influences consumer buying behaviour					
Product diversification helps in sustaining business growth					
Diversification helps in creating new customers					
Diversification provides freedom of choice					
Diversification helps in increasing brand loyalty to stabilize market share					
Diversification offers variety of products to market					
After diversification products are available under one roof					
Brand identity of company's products enables repeat purchases					

Advantages	Strongly Agree 5	Agree 4	No Idea 3	Disagree 2	Strongly Disagree 1
Well known brands enable better channel relationship					
Facilitate economic promotional efforts					
Increases firm's overall profit					
Products and services expansion					
New emerging markets					
Huge population and large potential for growth in business segments					
Using strategic marketing tools for core brands					
Other please specify……					

12. What problems did this company face in diversification of its products and services?

Note: Kindly tick (√) one option from the available options {Strongly Disagree (1), Disagree (2), No Idea (3), Agree (4) and Strongly Agree (5)}:

Problems faced in products and services diversification	Strongly Agree 5	Agree 4	No Idea 3	Disagree 2	Strongly Disagree 1
It leads to over stocking					
It doesn't help in increasing overall sales volume and profit					
High cost of doing business, increase in fund requirement					
Difficulties in serving loyal customers s on sustained basis					
It requires expertise in doing different businesses					
Resulted in lower customer loyalty					
Inadequate retail space in prime locations					
Resulted in lower returns					
Innovativeness of the company faced set back					
Increasing imitative products/ mimic brands					
Increasing input cost due to increase in price of raw materials					
Competition from local and national players					

Problems faced in products and services diversification	Strongly Agree 5	Agree 4	No Idea 3	Disagree 2	Strongly Disagree 1
Removal of import restrictions resulting in replacement of domestic brands					
Threat from substitute products					
Minimum company profit comes from unrelated business					
Frequent change in government regulations					
Global economic slowdown					
Utilizing revenue from related business for providing capital for cash guzzling (to drink or eat something eagerly) FMCG start-up					
Lack of coordination and support from other levels of management					
Lack of cooperation among the team members					
Resistance from lower levels including lack of or poor planning activities					
Lack of adequate resources					
Unhealthy competition among departments					
Lack of a clear communication to staff members					
Change in Socio-Cultural fabric					
Liabilities towards ecological environment					
Other please specify…………..					

13. What are the effects of products and services diversification on brand loyalty?

Effects of Diversification	Response
Brand Loyalty Increases	
Brand Loyalty Decreases	

14. Does your company link its products and services diversification strategy to the environment in which the company is operating to enhance its performance?

Parameter	Response
Yes	
No	
Partially	

15. After products and services diversification what outcomes resulted in the given areas?

Note: Kindly tick (√) in the most appropriate column:

Areas	Increase	Decrease
overall growth of the company		
Sales		
Profit from related business		
Profit from unrelated business		
Share price		
Investments		
Organisational effectiveness		
Economies of scale		
Risk		
Market share in total industry (FMCG)		
Customer grievances		
Market size		
Production costs		
Brand portfolio		
Brand name		
Distribution and service network		
International recognition		
Command in domestic market		
Operations in various countries		
Opportunities in new emerging markets		
Competition from other FMCG players		
Taxes and Duties structure		
Research and Development		
Employee grievances		
Government controls		
Other please specify……………..		

Thank you for your kind Cooperation.

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ANNEXURE - IV

Published Research Paper

Published Research Papers

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MARKETING IN THE TWENTY FIRST CENTURY: ONLINE MARKETING

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ABSTRACT

It was around 300 years ago that the Content and the form of Marketing and advertisement as we witness today were introduced. The industrial revolution introduces the manufacturing process, which led to highly Competitive Society and Modern Marketing Practices.

But over the years, the world has continuously become smaller. There is a convergence of a international, regional and local market both at the aspiration and actual consumption levels. The process of convergence gathered pace with the introduction of new communication technology. There were rapid strides in the field of telecommunication towards faster and multimedia data systems. The satellites are providing the marketers easy access to target customers besides access to information and Knowledge.

The Technology as we know Today as internet which has created for the Defence forces of united states, has given rise to new global business, dubbed by media as the E-Corporation which combines computers, the web and the massively Complex Programmes Known as enterprise software. The internet will Change the relationship between consumers and producers in ways more profound than you can imagine. The internet is not just another marketing channel, it is not just another advertising medium, it is not just a way to speed up transactions. The Internet is the foundation of New Industrial order.

Nowadays internet has become the most Prominent Medium of marketing, internet not only gives a Platform to advertise at an extremely low Cost but also

ensures that the exact Target audience can be selected for marketing the Products and services.

The Total electronic hardware Production in India has increased from Rs.107.2 billion in 1993 to Rs.338 billion in 2000. In 2001-2002, E-Commerce transactions were worth of Rs.1000 Crores. In 2003-2004 E-Commerce transactions should be about Rs.10,000 Crores. These Figures reveal the usage Trend of E-commerce in India. There is no other channel where revenues are growing at this pace with this kind of compounded growth, it will change the face business. But the needs of course won't replace off-line retailing mode of bricks and mortar, on the other hand, will fundamentally charge customer's expectations about convenience, speed, comparability, Price and Service.

E- Commerce

E-COMMERCE or Electronics commerce is a methodology of Modern Business which addresses the need of business organizations, vendors and Customers to reduce Cost and improve the Quality of Goods and Services while increasing the Speed of Delivery.

- Electronic Messaging: Email, Fax
- Electronic Publishing: Marketing Advertising, Sales, Customer Support
- Corporate Digital Library: Information Sharing, Collaborative Work
- Electronic Document Interchange: Electronic Fund Transfer, Electronic Data Interchange

The e-commerce is the actual buying and selling of goods or Services electronically online.

Users of E-Commerce

Besides Individuals, the following kinds of Business concerns which extensively use E-Commerce today are:

- Industries interested in promoting their Products / Services especially technology industries having an interest in improving electronic routes.
- New Enterprises which have no existing structure.

- Media Companies use E- Commerce for benefiting from fast distribution of information together with low costs.
- Any other mode of Payment including Credit cards, cheques etc. can be setup via Internet.
- Thus E-Commerce is a win-win situation for all the players in the business via employer, employee, government, supplier, customers, stake holders and society at large.

Online Channels

The Most recent channel for direct marketing is composed of Online Channels.

An online marketing Channel is one that a person can reach via computer and modem. A modem connects the computer thorough a telephone line or cable so that the computer user can reach various online information services. There are two types of online channels:

Commercial online channel

Various companies have setup online information and marketing services that can be accessed by those who have signed up for the service and pay a monthly fee. The best known online services are CompuServe, American Online and Prodigy with more than 32,00,000,30,00,000 and 16,00,000 subscribers respectively. These online Channels provide subscribers with five main services:

- Information (News, Libraries, Education, Travel and Sports references)
- Entertainment (Fun and games)
- Shopping services
- Dialogue opportunities (Bulletin boards, Forums, Chat boxes) and E-mail

The Internet

The Internet is a global web of some 45,000 computer networks that has made instantaneous and decentralized global communication possible. Originally, established to facilitate research and scholarly exchanges, the internet is now available to a much broader audience, some 25 million people. Users can send E-mails, exchange views, shop for products and access news, food recipes, art and business information. The internet itself is free, though individual users may need to pay a commercial service to be hooked up to it.

1. The benefits of online marketing.
2. Why have online services become so popular?
3. First, they provide three major benefits to potential buyers.

- **Convenience:** Customers can order products 24 hours a day wherever they are. They don't have to sit in traffic, find a parking space and walk through countless aisles to find examine goods. And they don't have to drive all the way to a store, only to find out that the desired product is out of stock.
- **Information:** Customers can find reams of comparative information about companies, products and competitors without leaving their office or home. They can focus on objective criteria such as prices, quality, performance and availability.
- **Fewer Hassle**s: With online services customers don't have to face sales people or open themselves up to persuasion and emotional factors. Second, Online services also provide a number of benefits to marketers.
- **Quick adjustment to market conditions:** Companies can quickly add products to their offerings and change prices and description.
- **Lower Cost:** Online marketers avoid the expense of maintaining a store and the accompanying costs of rent, insurance and utilities. They can produce digital catalogues for much less than the cost of printing and mailing paper catalogues.
- **Relationship building**: Online marketers can talk with consumers and learn much from them. Marketers can also upload useful reports, or a free demo of their software or a free sample of their newsletter, on to the system. Consumers can then now download these items into the electronic mailboxes.

- **Audience sizing**: Marketers can learn how many people visited their online website and how many stopped at particular places on the site. This information can help marketers improve their offer and advertisements.

Clearly, marketers will want to consider using online services to find, reach, communicate and sell. Online marketing has at least four great advantages. First, both small and large firms can afford it. Second, there is no real limit on advertising space, in contrast to print and broadcast media. Third, information access and retrieval are fast compared to overnight mail and even fax. And fourth, shopping can be done privately and swiftly. However, online marketing is not for every company nor for every product, thought has to be given to if, when and how it should be done.

Online marketing channels

Marketers can conduct online marketing in four ways: By creating an electronic storefront; participating in forums, newsgroups and bulletin boards; placing ads online; and using E-mails.

Creating an electronic storefront

Thousands of businesses have established homepage on the internet- an opening menu screen. Many homepages serve as electronic storefront that offers users of a wide variety of information.

- Descriptions of the company and its products in both text and pictorial form. The browser simply clicks on any text or icon to bring up more details about a particular product.
- A company catalogue describing product features availability and prices.'
- Company news, including reports on financial results, current events, new products and upgrades, dates of training, seminars and so on.
- Technical information and product brochures.
- Information about company's employment opportunities.
- Opportunities to speak to staff members.
- The ability to place and order before leaving the website.

It is estimated that product sales on commercial online services are somewhere between 50 Million dollars to 200 million dollars per year. Hundreds of companies now offer merchandise online. Suppose an internet subscriber wants to buy a turtleneck he goes to Land's Ends homepage (http://www.landsend.com/) and clicks on 'the goods'. A menu of articles appears: Men's products, Women's products, Luggage. He clicks on Men's products and a listing of different types of apparel appears: Custom clothing, shoes and boots, jeans, ties and so forth. By going further and further into the menus he can find the Turtleneck he wants and sees a colour picture and full description of it.

Given these online marketing opportunities, each company has to decide whether and how to go online, with what products, for what audiences, with what copy and budget.

Participating in forums, newsgroups and news bulletin boards

Companies may decide to participate in various groups that are not organized specifically for commercial purposes. Their participation may increase their company's visibility and credibility. The three groups with the highest visibility are forums, newsgroups and bulletin boards.

- **Forums** are discussion groups located on commercial online services. A forum may operate a library, a conference room for real time chatting and even a classified ads directory. To participate, a person subscribes to the forum at a nominal or no cost. The forum's homepage will show icons for newsflashes, libraries, messages and conference rooms. Most forums are sponsored by general or interest groups.
- **Newsgroups** are the internet's version of forums, but newsgroups are limited to people posting and reading messages on a particular topic rather than managing libraries or conferencing, interest users can participate in newsgroups without subscribing. There are thousands of newsgroups, most of which are listed in the internet yellow pages.
- **Bulletin board systems (BBSs)** are specialized online services that centre on a specific topic or group. BBS subscribers tend to be loyal and active, and resent blatant marketing efforts. There are over 60000 computer

games, real estates and so on. Marketers might want identify few BBSs that have the type of subscribers who fit their target market and then participate in the BBS subtly.

- **Placing ads online:** Companies and individuals can place ads on commercial online services in three ways. First, the major commercial online services offer an ad section for listing classified ads; the ads are listed according to when they are arrived, with the latest ones heading list. Second, ads can be placed in certain news group that are setup for commercial purposes. Finally, ads can be put on online billboards; they pop up while subscribers are using the services, even though they did not request an ad. In this case a subscriber may be looking up movie ratings on prodigy and suddenly an ad for Alamo rent-a-car might appear with a statement "Rent-a-car from Alamo and get up to 2 days free!"

Advertising on the free access internet is frowned upon y many. Two lawyers who advertise their services the net "Flawed" for doing so; they received more than 40000 nasty messages via E-mail

Using E-mail

A company can encourage prospects customers to send questions, suggestions and even complaints to the company's e-mail address and customer service representatives can respond to the customers in a short time via e-mail.

The company may also gather the names of prospects or customers and send periodic or special information to their e-mail address. The group may be a fan club, a set of people who want to receive a regular newsletter or a company annual report, and so on. Companies can use the list to send reminders to car owners to bring their cars in for service, or to managers to attend ne seminars.

Internet Marketing In Indian Context

Statistics show that India is among the top 25 countries in the world having the most number of computers. In 1996 it was estimated that there were 2.12 million computers in India which accounted for 0.70 per cent of the world total. The USA on the other hand has the latest head count of 372 million users, and one-third of the US population used to shop online. India on the other hand cannot boast of such figures.

Total on-line purchase in US by households in past 6 months was 160 million dollars. However with regards to our country no such data is available and it is estimated that online shopping is in its introductory stage in India.

Growth and prospect of Internet marketing

The Indian digital market is still in a nascent stage. Every new technology passes through an evolutionary phase. It takes time for people to understand the technology as well as the benefit arising out of it. As sighted by the editor of one of the leading business magazines in India, Business Today, at a workshop of multi-business group where top management team refuted a strategic level involvement in the net on the basis of no return guarantee on investment. Nobody is sure of how to make money on the Net otherwise everybody would jump on wagon to success. Such attitudes by the top management certainly do not help India to be equality competitive in the international market. What India needs are pioneers. Net-based business is still largely an uncharted territory. The market is expected to see lots of turbulence and is in the process. Both business and consumer would undergo a major learning process. But this will take time.

Increasing number of Internet users in the country and lowering the prices will be the biggest boost for Internet Marketing. One form of growth can be similar to that of telephones or the cable television. Just as there are STD and ISD booths in every locality there can be e-commerce kiosks or cafes in various pockets. People would go to a café offering e-commerce facilities, check in a site, order a product and pay on-line for it. Lot of effort needs to be put in place for creating awareness and educating people about the technologies and their advantages. Both organization and consumers need be involved. This also calls for a significant amount of reengineering with organizations, which cannot happen unless there is an active management involvement and support. Moreover it is often easy to get the best technology, but it is difficult to get it working as desired. A major concern is if the Indian consumer is psychologically prepared to transact electronically or not. In fact, it may not because to change his conventional shopping paradigm which involves going to a shopping mall, touching a product, feeling its texture, bargaining with the shopkeeper and so on. It is hard to imagine that their shopping habits would be reduced to a mere 'browser, click and pay' procedure.

Things cannot be changed overnight. Probably, the physical existence of store, outlets, workhouses, etc will never be completely wiped out. In all likelihood, it will be a kind of coexistence.

E- Commerce in India

The Internet world states.com shows that Asia has 44.8% internet users in the World distributed by World regions 2012 Q2.

Internet Users in the World Distribution by World Regions Q2 2012

ASIA	44.8%
EUROPE	21.5%
NORTH AMERICA	11.4%
LAT.AMERICA	10.4%
AFRICA	7%
MIDDLE EAST	3.7%
AUSTRALIA	1%

Source: Internet World States – www.internetworldstates.com/stats.gtm

Forecast: India Online Retail Revenue (B2B and B2C)

Year	2012	2016
Revenue in U$ Billion	1.6	8.8

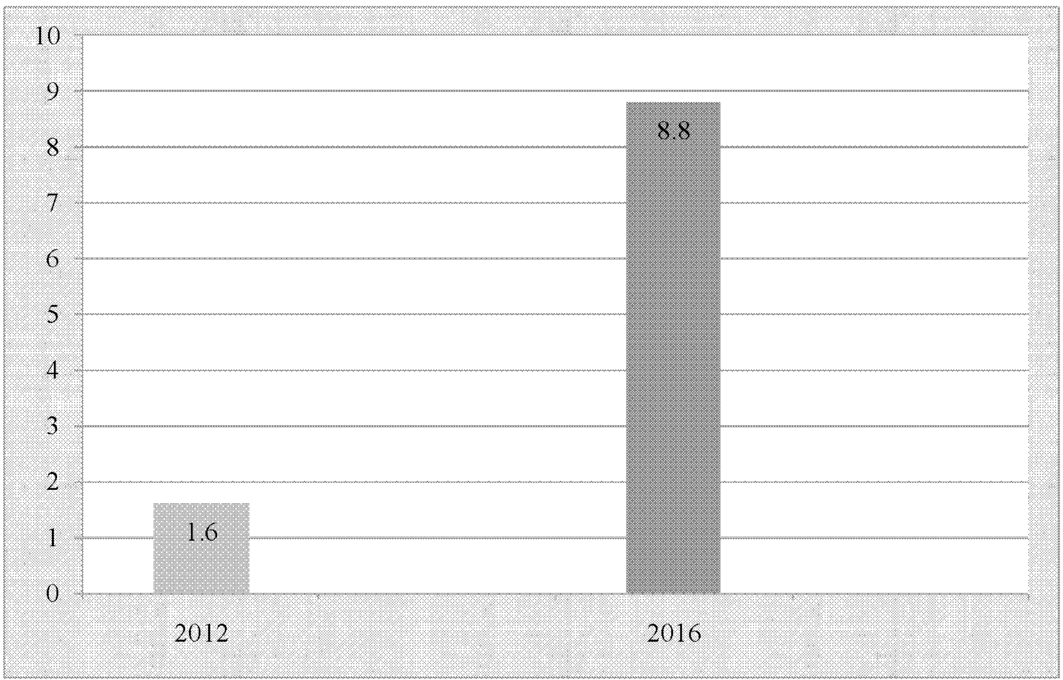

Figure: 1.1 India's online Retail Revenue

Source: Forester year Research Online Retail forecast 2011 to 2016.

Barrier to E-Commerce

The Advantages and Disadvantages of Internet Marketing Ruckman (2012), suggested that Internet Research becomes an increasingly important tool during the Purchasing Process, More Marketers are seeing the advantages too. It's a win situation. Marketing departments are investing more into Online Marketing Today because it's

- Attractive to a significant segment of the demographics for most customer profiles. It can be effectively reach the target customer.
- Faster and less expensive to conduct Direct Marketing Campaigns.
- Measurable which means that success are identifiable and repeatable.
- Open 24 hours a Day.
- Cost – effective in the long run.

Disadvantages

There is no actual Face to Face Contact involved in the internet communication. For the Types of products that rely heavily on building personal relationships between buyers and sellers such as the selling of life insurances, and the type of products that requires physical examination. Internet marketing may be less appropriate, while internet marketing cannot allow Prospective buyers to touch or smell or taste or try on the Products. Some of the disadvantages of E- Marketing are Dependability on technology, Security, Privacy issues, Maintenance costs due to a constantly evolving environment. Higher transparency of pricing and increased price competition and worldwide competition through globalization.

Top Motivators for Shopping Online

Times of India (February 12, 2013) has published that top motivators for shopping Online which include Cash Back guarantee, Cash on delivery, fast Delivery, Substantial discounts Compared to retail and access to branded Products, While barriers include inability to touch and try products before purchase, Fear of faulty Products, Apprehension of Posting personal and Financial details Online and inability to bargain.

Conclusions

E-Commerce is set to play a very important role in the 21st Century, the new Opportunities that will be thrown open, will be accessible to both large corporations and small companies. Waghmare (2012) , karoor (2012) explained that E-Commerce encapsulates many of the dynamics of 21st Century of India. The Net Population is Growing Rapidly all over the World. As more and more people become Net Users, Companies will no longer be able to ignore or over look this segment. Online commerce India is Destined to grow both in revenue and geographic Reach.

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ANNEXURE - V

Published Research Paper

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"IMPACT OF DIVERSIFICATION STRATEGY IN THE GROWTH OF INDIAN COMPANIES"

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ABSTRACT

The Indian Economy is one of the most emerging and fastest growing economics in the World. When thinking about building a diversified portfolio remember the old adage, "DON'T PUT ALL YOUR EGGS IN ONE BASKET." Diversification is not only about the number of investment in your Portfolio, It's also about the Relationship among those investments. Diversification becomes an attractive strategy when a company runs out of Profitable growth opportunities in its core business. There are four basic growth alternatives open to a business. It can grow through Increased market Penetration, through market development, through Product development, or through Diversification. While they are an Integral part of the over-all growth pattern, Diversification decisions present certain unique problems. Much more than other growth alternatives, they require a break with past patterns and traditions of a company and an entry onto new and uncharted Paths.

Introduction of Diversification Strategy

The term "Diversification" is usually associated with a change in the Characteristics of the Company's Product line and / or market, in contrast to market penetration, market development, and product development, which represent other type of Change in product- market structure.

Diversification is a form of growth marketing strategy for a company. It seeks to increase Profitability through greater sales volume obtained from new Products and new markets. Whenever a single business companies faced with diminishing market opportunities and stagnating Sales in its principal business, it is the indication for Diversification. And a Management quote about diversification is given by Andrew Campbell as below, "Fit between a parent and its business is a two-edged sword; a good fit can create Value and a bad one can destroy it."

Types of Diversification Strategy

Strategy Alternatives

I. STABILITY STRATEGY

II. EXPANSION STRATEGY

1. Intensification Strategy

(a) Market Penetration

(b) Market Development

(c) Product Development

2. Diversification Strategy

(a) Vertically Integrated Strategy → Forward Integration

→ Backward Integration

(b) Concentric Diversification Strategy

(c) Conglomerate Diversification Strategy

III. RETRENCHMENT STRATEGY

IV. COMBINATION STRATEGY

Diversification Strategy involves expansion into new businesses that are outside the Current businesses and markets.

There are three broad types of Diversifications

- Vertically integrated diversification
- Concentric diversification
- Conglomerate diversification

Vertically integrated diversification : involves going into new business that are related to the current ones. It has two Components – Forward integration and backward integration. The Firm remains vertically within the given product process sequence; the intermediaries in the chain become new business.

In Concentric diversification, too, the new products are connected to the Firm's existing Process/ technology. But the new Products are not vertically linked to the existing ones. They are not intermediated. They serve new functions in new markets. A new business is spinout from the firm's existing facilities.

In Conglomerate diversification too, a new business is added to the firm's portfolio. But, it is disjointed from the existing business; in process / technology / function, there is no connection between the new business and the existing ones. It is unrelated diversification.

Vertically Integrated Diversification: In Vertically Integrated Diversification, firms opt to engage in businesses that are related to the existing business of the firm. The Firm remains vertically within the same process sequence moves forward or backward in the chain and enters specific product / Process steps with the intention of making them into new businesses for the firm. The Characteristics feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product – process chain.

Forward and Backward Integration: Forward and backward integration forms part of vertically integrated diversification. In vertically integrated diversification, firms opt to engage in businesses that are vertically related to the existing business of the firm. The Firm remains vertically within the same process. While diversifying firms opt to engage in businesses that are linked forward to backward in the chain and enter specific product / process steps with the intention of making them into new businesses for the Firm

Backward Integration is a step toward, creation of effective supply by entering business of input providers strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own Supply. Capability or lessen its Cost of Production. On the other hand forward integration is moving forward in the value Chain and Entering business lines that use existing Products. Forward integration will also take place where organizations enter into businesses of distribution Channels.

Horizontal Integrated Diversification : Through the acquisition of one or more similar business operating at the same stage of the Production-Marketing, Chain that is going into complementary Products, by products or taking over Competitor's Products.

Related Diversification

- Exchange or Share assets or competencies, there by exploiting.
- Brand Name
- Marketing Skills
- Sales & Distribution capacity
- Manufacturing Skills
- R & D and new product capability
- Economies of scale

Unrelated Diversification

- Manage and allocate cash flow
- Obtain high ROI
- Obtain a bargain price
- Refocus a firm
- Reducing Risks by operating multiple product market
- Tax Benefit
- Obtain liquid assets
- Vertical integration
- Defend against a takeover

Given below the list of best 10 diversified companies in India

Diversified Companies in India are an important Partaker of the Indian Economy. In India particularly the sector of media, retail finance, health, education and information technology are the most preferred in terms of diversification by Companies.

1. **3 M India Ltd. (1987) :** Plot No. 48-51, Electronics City, Hosur Road Bengaluru- 560100, Karnataka. 3M is fundamentally a science- based company which is listed by BSE. 3M produce thousands of imaginative products and are a leader in scores of markets – from health care and highway safety to office products and abrasives and adhesives.

2. **Aditya Birla Nuvo Ltd. (1956) :** Indian Rayon Compound veraval-362266 Gujarat, India Aditya Birla Nuvo Ltd. (ABNL) is a US $ 4.5 billion Conglomerate by revenue size and is part of Aditya Birla Group. Having a market cap. Of $ 2 billion as on 29th february 2012, ABNL is present across financial services, Telecom, Fashion & lifestyle, IT-ITES and manufacturing businesses. Market capitalization (Rs. Cr.) 21,278.57

3. **Advanced Micronic Devices Ltd. (1984)** - Unit No.505, Midas Chambers, off link road, Mumbai, Maharashtra 400053. Advanced Micronic Devices Ltd. (AMDL) is a Bangalore- based Company in the business of Medical equipment distribution and technology Services. Its Customer base includes major corporate, Defense establishment, Software technology packs, MNCs and Super-Specialty Hospitals.

4. **Camlin Ltd. (1946) :** 9-B, Nand deep Industrial Estate, Kondivita Lane, J.B. Nagar, Mumbai-400059, Maharashtra. Camlin manufactures art materials, marker pens, Fountain pens, inks, Pencils and other stationery products.

5. **Century Textiles (1897) :** Century bhavan, Dr .Annie Besant Road, Worli, Mumbai-400030, Maharashtra. The main business activity involves manufacture of Cotton, textiles, yarn, denim, viscose filament rayon yarn, tire-cords, caustic soda, sulfuric acid, salt, cement, pulp and paper.

6. **Cimmco Birla Ltd. (1943) :** Indra Palace, (3rd Floor), H-Block, New Delhi- 110001 Delhi CIMMCO Birla Limited Formerly known as CIMMCO is a part of the SK Birla group. It has manufacturing Capabilities in Industrial machinery and spares, and railway wagons. The Company is engaged in business activities in wool and blended fabrics ready to wear garments, Plastic co-extruded films, sheets and BOPP Films, Thermosetting resins, heavy engineering, railway wagons, manufacture of Complete plants for Cement, Chemicals and Other industries, high precision defense stores, Microwave components and Telecom testing equipment, granite and marble and international trading and export house.

7. **Cosco India Ltd. (1980):** No.2/8, Roop Nagar, Delhi – 110007 The Company produces large variety of Sporting goods, health and fitness equipments of international quality and of renowned world brands as well.

8. **Empire Industries Limited (1900):** 414, Senapati Bapat Marg, lower Parel (W) Mumbai- 400013, Maharashtra. The Company has business interests in machine tools, Industrial equipments, vending, Foods, and Real estate and glass containers for Pharmaceuticals.

9. **Gillanders Arbuthnot & Company (1935):** C-4, Gillander house, Netaji Subhash Road, Kolkata – 700001, West Bengal. The Company is in the business of Cultivation and marketing of Tea. The Company is also into manufacture of Kalamazoo Binders and Accessories, Kalamazoo Sheets, Continuous Conveyor Belt weighers and Plastic Containers.

10. **Godrej Industries (1928):** Pirojshnagar, Eastern express highway, vikhroli (East) Mumbai – 400079, Maharashtra. Godrej Industries limited is one of the India's Leading Manufacturers of oleo chemicals and makes more than a hundred Chemicals for use in over two dozen industries. It also manufactures edible oils, vanspati and Bakery fats. Besides it operates real estate.

Other Diversified Companies in India

- Grasim Industries (1947)
- Indian Tobacco company Limited (1910)

- Kesoram Industries Limited (1919)
- Max India
- Mercator Lines
- Murli industries
- National Steel and Agro Industries Ltd.
- Nova Bharat Ventures Ltd.
- Nesco Limited
- Orbit Exports
- Oricon Enterprises
- Orient Beverages Ltd.
- Orient Press Ltd.
- Parekh Platinum Limited
- PBM Polytex
- Pithampur Steels Ltd.
- Pochiraju Industries Ltd.
- Pokarna Limited
- Prakash industries Ltd.
- Radha Madhav corporation
- Ramco Industries
- Rackon Fintech Ltd.
- Rossell India Ltd.
- Santowin Corporation
- Saraswati Industrial Syndicate
- Sarda Plywood industries
- Sawaca communication
- Shilp Gravures
- Singer india
- Sintex Industries
- SRS Ltd.
- Standard Industries
- Sun Techno Overseas
- Supreme holidays and Hospitality
- Surana Telecom and Power Ltd.
- Tainwala chemicals and Plastic India Ltd.
- Tak Machinery and Leasing Ltd.
- TCI Industries Ltd.
- Techno Electric and Engineering Company Ltd.
- Times Guaranty Ltd.
- Trans Asia Corporation Ltd.
- Videocon Industries
- Vikas Metal and Power Ltd.
- Vishaka Industries
- Voltas Ltd.
- Weizmann Ltd.

- XO Infotech
- Xpro India

Barriers for Related Diversification

- Skilled Personnel
- Planning Controls
- Regulatory Controls
- Validity of marketing Research
- Access to finance.

Barriers for Unrelated Diversification

- Planning controls
- Regulatory Controls
- Capacity to develop a business case
- Specialist business advisor
- Lack of skills

Diversification Strategy Matrix

		Growth	
		High	**Low**
Profit	**High**	Mixed Diversification	Related Diversification
	Low	Unrelated Diversification	Disinvestment

Figure: 1.1 Diversification Strategy Matrix

- When company's mainly focusing on profit they can prefer unrelated or mixed diversification strategy.
- When company's mainly focusing on growth they can prefer related diversification or mixed diversification Strategy.
- When the company's growth and profit are at low, suggest that they can go for disinvestment the business operations.

Conclusion

It is very tempting for a business leader to diversify with related or unrelated business activities carried out in a company. But it must be understood that it is a very complex task. Hence any such move must be planned and executed with great care and Diversification Strategy Matrix is given above for the business Leader to help in Chosen the Strategy for Diversifying the Business activities.

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AN ANALYSIS OF DIVERSIFICATION STRATEGIES IN SELECTED INDIAN COMPANIES: PROBLEMS AND PROSPECTS FOR GROWTH" (IN REFERENCE TO INDIAN TOBACCO COMPANY AND HINDUSTAN UNILEVER LIMITED, INDIA)

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2018

- Conceptual Framework
- Diversification Strategies in Indian Companies
- Current Scenario
- INDIAN TOBACCO COMPANY (ITC)
- HINDUSTAN UNILEVER LIMITED (HUL)
- Review of Literature

Statement of Problem

The study aims to study and analysis of diversification strategies in Indian Tobacco Company Limited and Hindustan Unilever Limited, India.

PRIMARY OBJECTIVE

To study and analysis of diversification strategies in Indian Tobacco

Company Limited and Hindustan Unilever Limited, India.

SECONDARY OBJECTIVES

To analyze the purpose of products and services diversification strategies at selected companies.

To examine the support received for products and services diversification by various stakeholder's of the company.

To uncover the advantages from products and services diversification by managerial personnel at selected companies.

To analyze managerial opinion on problems faced during implementation of products and services diversification strategies at selected companies.

To appraise outcomes of products and services diversification in the companies undertaken.

SIGNIFICANCE OF RESEARCH STUDY

- The study analyzed the Managerial Opinion for products and services diversification strategies at selected companies.
- Research measure the Stakeholder’s support received for products and services diversification strategies at selected companies.
- The study analyzed the outcomes of products and services diversification strategies at selected companies.

Hypothesis of the Study

- H1
  Null — ITC Management does not gain its purpose of products and services diversification strategies.
  Alternate — ITC Management gained its purpose of products and services diversification strategies.

- H2
  Null — Stakeholders' does not provide adequate support for products and services diversification of ITC.
  Alternate — Stakeholders' provide adequate support for products and services diversification of ITC.

- H3
  Null — ITC Management does not receive advantages from products and services diversification.
  Alternate — ITC Management received advantages from products and services diversification.

- H4
  Null — ITC Management does not face problems during implementation of products and services diversification strategies.
  Alternate — ITC Management faced problems during implementation of products and services diversification strategies.

- H5
  Null — ITC outcomes are negatively influenced from products and services diversification strategies.
  Alternate — ITC outcomes are positively influenced from products and services diversification strategies.

- **H6**
  Null **HUL Management does not gain its purpose of products and services diversification strategies**
  Alternate **HUL Management gained its purpose of products and services diversification strategies**

- **H7**
  Null **Stakeholders's does not provide adequate support for products and services diversification of HUL.**
  Alternate **Stakeholders's provide adequate support for products and services diversification of HUL.**

- **H8**
  Null **HUL Management does not receive advantages from products and services diversification.**
  Alternate **HUL Management received advantages from products and services diversification**

- **H9**
  Null **HUL Management does not face problems during implementation of products and services diversification strategies.**
  Alternate **HUL Management faced problems during implementation of products and services diversification strategies.**

- **H10**
  Null **HUL outcomes are negatively influenced from products and services diversification strategies**
  Alternate **HUL outcomes are positively influenced from products and services diversification strategies**

Research Design

- The present study followed both exploratory and descriptive research approach.
- Exploratory research is carried out via review of existing literatures in formation of Hypothesis.
- Descriptive research approach is used to test the hypotheses and present conclusions from data analysis.
- The present study uses quantitative approach of problem solving. This includes a quantitative, descriptive, and comparative research with cross-sectional survey of data from Management of ITC and HUL.

Population

The universe of present study consists of all top level managers of both companies. In this research study, the universe is management personnel responsible for diversification strategies in the select company.

SCOPE OF THE STUDY

- The study is conducted in India keeping in view the time and cost constraints.
- The area of research is the analysis of Managerial Opinion towards the products and services diversification of Indian Tobacco Company Limited and Hindustan Unilever Limited.
- The present study will cover purpose of products and services diversification, support from stakeholder's, advantages, problems and outcomes from product and services diversification strategies by managerial personnel at selected companies.

Sampling

- **Sample Unit**

  Individual management personnel of select companies

- **Sample size**

  An optimum sample is one, which is appropriate representative and within the reach of the researcher. In the present research work, the sample size will be of 47 respondents (30 Top level managers of ITC and 17 Top level managers of HUL)

- **Sampling Technique**

  Respondents were chosen by Convenience Sampling technique

Data Gathering and Generation of Scale Items

- This research work is in the form of empirical and exploratory study for which the information was gathered from the Primary and Secondary sources.

Statistical tools

Chi Square

- The chi-square goodness-of-fit test is a single-sample nonparametric test, also referred to as the one-sample goodness-of-fit test or Pearson's chi-square goodness-of-fit test.

Sample Demographics

	Categories	ITC	HUL
Age	20-30	0%	0%
	31-40	0%	0%
	41-50	0%	41%
	51-60	40%	24%
	61 & above	60%	35%
Gender	Female	7%	18%
	Male	93%	82%
Management Level	Top	100%	100%
	Middle	0%	0%
	Lower	0%	0%
Qualification	Diploma	0%	0%
	Graduate Only	0%	0%
	Post Graduate	93%	71%
	Ph.D.	0%	0%
	Other	7%	29%

		ITC	HUL
Length of service in the company	Less Than a Year	0%	**0%**
	1-5	40%	0%
	6-10	10%	6%
	11-15	13%	18%
	16-20	13%	41%
	21. & above	23%	35%
Functional area	Administrative Department	17%	24%
	Finance Department	13%	12%
	Operation Department	17%	12%
	Marketing Department	10%	6%
	HR Department	3%	12%
	Research & Development Department	7%	6%
	Legal Department	7%	6%
	Production Department	10%	6%
	Sale & Distribution Department	3%	12%
	Inventory Department	3%	0%
	Purchase Department	3%	0%
	Logistics Department	3%	6%
	Maintenance Department	3%	0%

	ITC	HUL
Purpose	Risk sharing and to get competitive advantage in the competition	Risk sharing, growth and profit advantage
Type of Diversification Preferred	Related diversification of more beneficial than unrelated diversification	Unrelated diversification (53 percent) of more beneficial than related diversification
Stakeholder Support	Perceive that retailer provide adequate sales support for all products in the range, supplier provide raw materials and other supplies well in time Reasons for non-support including poor communication with supplier, unavailability of material	Retailers and other stakeholders provide adequate support for all products Top management give positive perception that government regulatory structures

	ITC	HUL
Advantages	Increases international image and preference for the brand, image of brand in the society, increases in overall firm profit Diversification helped in products and services expansion and assist in attracting huge population	Top management of HUL perceive that diversification affects the level of customer satisfaction and image of brand in the society. Diversification influences consumer buying behaviour and in creating new customers.
Problems	High cost of doing business that require more funds and also requires expertise Diversification increases competition from local and national players Change in Socio-Cultural environment also negatively impact diversification.	Top management at HUL accept diversification is a complex decision for any company Diversification leads to over stock Threat of imitative products/mimic brands in the market

	ITC	HUL
Relating segment wise diversification with Company outcomes	ITC Management team also believed that diversification provides financial success in terms of increase sales and market share. Secondary data analysis also revealed that company reported a constant progress in overall financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Branded Packaged Foods in year 2001, Education & Stationery Products in year 2002, Safety Matches in year 2003 and Personal Care and personal care segment in year 2005.	Diversification certainly increases growth of the company, sales and profit from unrelated business. They also agreed that diversification has positive impact on share price, investments and enhance organisational effectiveness with economies of scale. From secondary analysis it can be concluded that company reported a constant progress in financial measures like Profit, Market Capitalisation and Asset Turnover Ratio (%) after the introduction of Home Care segment in year 2005.

Result of Hypothesis testing

Hypothesis			Result
H1	Null	ITC management does not gain its purpose of products and services diversification strategies.	Reject
	Alternate	ITC management gained its purpose of products and services diversification strategies.	Accept
H2	Null	Stakeholders' does not provide adequate support for products and services diversification of ITC	Reject
	Alternate	Stakeholders' provide adequate support for products and services diversification of ITC	Accept
H3	Null	ITC management does not received advantages from products and services diversification	Reject
	Alternate	ITC management received advantages from products and services diversification	Accept
H4	Null	ITC management does not face problems in implementing products and services diversification strategy.	Reject
	Alternate	ITC management faces problems in implementing products and services diversification strategy.	Accept
H5	Null	ITC outcomes are negatively influenced from products and services diversification strategy.	Reject
	Alternate	ITC outcomes are Positively influenced from products and services diversification strategy.	Accept

Hypothesis			Result
H6	Null	HUL management does not gain its purpose of products and services diversification strategies.	Reject
	Alternate	HUL management gained its purpose of products and services diversification strategies.	Accept
H7	Null	Stakeholders' does not provide adequate support for products and services diversification of HUL	Reject
	Alternate	Stakeholders' provide adequate support for products and services diversification of HUL	Accept
H8	Null	HUL management does not received advantages from products and services diversification.	Reject
	Alternate	HUL management received advantages from products and services diversification.	Accept
H9	Null	HUL management does not face problems in implementing products and services diversification strategy.	Reject
	Alternate	HUL management faces problems in implementing products and services diversification strategy.	Accept
H10	Null	HUL outcomes are negatively influenced from products and services diversification strategy.	Reject
	Alternate	HUL outcomes are Positively influenced from products and services diversification strategy.	Accept

Conclusion & Suggestions…

- The companies (ITC and HUL) must continue to deliver value to consumers to maintain customer loyalty.
- Product diversification can be an expensive, time-consuming task. Analyze whether company have the resources to develop new products or modify existing ones.
- Set a budget for the diversification program

- Focus on product diversification that represents an attractive opportunity. Risk increases if the new product might take sales away from existing products.

- It is helpful to study pros and cons of ‘related’ and ‘unrelated’ diversification.

- Management teams that have more experience at managing diversification will enjoy higher performance than those firms

Further Research Scope….

- Future research can also study on more classifications of diversification type, level.
- Future research needs to pay attention to demographic changes and firm synergies in strategy implementation
- A more meaningful causal relationship between diversification and financial performance can be focused on if the product-wise revenues of a business firm are appropriately disaggregated.

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Thank you