

# IN CONVERSATION WITH VIVEK GAMBHIR

***Tell us about The Godrej Way, your recently articulated purpose and values for GCPL.***

Over the last couple of years, we spent a lot of time reflecting on some fundamental questions. Why do we exist as an organisation? What will build the future of GCPL? What will inspire our team members to come to work and give their best every single day? Through this journey, we have spoken to hundreds of our team members across geographies, studied global best practices and reflected as a senior leadership team. Basis these discussions, we crafted a refreshed version of our fundamental principles, which we call 'The Godrej Way'.

We believe that in over a century, the one thing we've never let go of, is trust and being a 'good' company. It's at the heart of everything we do in The Godrej Way. It makes our word stronger than any contract. It challenges us to think beyond limits. And collectively, go beyond what's expected. It makes us innovate and collaborate to create deeper impact and stronger bonds. It makes us continuously improve productivity and push the limits of service.

As we see it, while there are many ways to do business, we choose the Goodness way. So, we have defined our purpose as – *'Bringing the goodness of health and beauty to consumers in emerging markets'*.

To live our purpose, we need to ensure that we are guided by the right values. We have identified six core values: Trust (It's the most important thing), Be Bold, Create Delight, Own It, Be Humble and Show Respect.

Our values are both about who we are and what we want to be. So, they aren't static. They must be lived and tried every day – and we

need to keep on improving on how we act on them. They need to be our compass when things are going right, but more importantly, when things aren't – when we need to make the difficult choices, and have the tougher conversations. They may even cost us at times. But this is how we will keep improving and building new muscle. This is how we will challenge ourselves and find new ways to raise our bar.



***How has your India business performed over the last year?***

Our India business has shown a lot of agility in adapting well to the changing dynamics of the macroeconomic environment, in particular the implementation of the Goods & Services tax that caused a lot of turmoil. It has been a difficult last couple of years for the Home and Personal Care category in India and growth was adversely impacted. Despite these challenges, we outperformed and delivered best-in-class, double-digit volume-led growth. Our EBITDA growth was also very strong.

We increased our market share and continued to improve penetration across all categories. We forayed into the professional hair care space in India with the launch of Godrej Professional. In Goodknight, we introduced Power Chip, an electric solution infused with unique gel technology, and a higher efficacy liquid vapouriser. While overall performance was very strong, we were disappointed by Household Insecticides, and we are doubling down on ensuring we bring growth back on track in this category.

***Africa is a big priority for GCPL. How are your plans progressing?***

Establishing a strong foothold in Africa continues to be key to our strategy, in terms of business size today, as well as potential for the future. Our largest investment as a company, of INR 4,000 crore, is in Africa. Today, catering to the hair care needs of women of African descent contributes to 21 per cent of our revenues. We intend to double this in the next 4 years.

African American women in the US today spend 3 times the amount on and twice the time as compared to the rest of the market, on hair care. We believe that this category overall is very underserved in terms of product innovation and brand delight. We can significantly leverage our skillsets here and there are significant opportunities for us, globally. The acquisition of Strength of Nature in the US, a leading player in ethnic hair care, has catapulted us to become one of the largest players globally, serving the hair care needs of women of African descent. It will, over time, also provide a platform for us to further build and drive global leadership.

We are putting a lot of building blocks in place to create a strong foundation for this business. Over the last year, we set up our Africa Centre in Dubai. In December 2017, we inaugurated a new state-of-the-art factory in Maputo. We are one of the biggest employers in Mozambique; this factory employs over 1,700 people, 70 per cent of who are women. We are also making a lot of effort to foster an impactful employer brand, and invest significantly in strong local talent and capable senior team members to support our exciting growth ambitions.

Our teams are leading a lot of very exciting work in brand building and innovation. We have developed a new brand architecture for our Darling brand, which is the leader in hair extensions in the sub-continent. We are gearing up for a big relaunch to position Darling as a more modern, fashion-forward brand.

The integration of Strength of Nature has progressed well. In line with our plans, we have started the scale up

of our wet hair portfolio across Africa and see huge potential in this.

***Over the last year or so, your Indonesia business has faced significant challenges. What's the thinking on the way forward?***

Our Indonesia business had a tough year and the team is working on a range of levers to turn it around. While market conditions remain tough and competitive intensity is high, we are hoping that the worst is behind us. What is encouraging however, is that we have seen our market shares for our HIT brand, the leader in household insecticides, return to 50 per cent levels. Some of our recent innovations like HIT Expert Nozzle are being well received.

We have tightened controls on promotion management, started an extensive go-to-market transformation, and put stronger emphasis on new product development. We now need to execute this with full intensity and ensure that through strong execution, this gets translated into results soon. Overall, we remain positive about the potential in the region and are confident that we will deliver a stronger performance in the year ahead.

***GCPL has an entrepreneurial culture, with a strong bias for action. As you get larger, how are you ensuring that you remain agile?***

Over the last few years, we have grown in scale and complexity. While there are lot of benefits of scale, we need to continue to strike the right balance between scale and agility.

One of our historic advantages has been our strong bias to action. As we grow, we want to make sure that we sustain this advantage.

We are taking several actions to drive greater agility. For example, we have established a self-working, cross-functional team to suggest specific actions for us to be more agile. We are finding this a great way to get feedback, channel good ideas and drive action, while engaging with some of our bright, young team members. We are also trying to become more systematic and drive a culture of experimentation and idea generation through targeted initiatives. A large part of our focus is on making processes and systems more efficient to drive greater speed to action. We are also encouraging our team members to take much more ownership of decision making. In fact, one of the aspects of our value 'Own It', that we are driving particularly strongly, is around being 100/0 - taking 100 per cent accountability with 0 excuses.

### ***What are you doing to drive more focus on innovations?***

Innovation is our lifeblood as a company and we are very focused on driving innovation-led growth across our different categories. In fact, our new products launched in the last 5 years account for approximately 20 per cent of our global growth and 35 per cent of India growth.

Our approach to innovation is two-pronged. We believe that there is significant headroom for growth in the core categories we play in. So, we are building on and extending our leadership positions in our current categories through new formats and democratisation. At the same

time, we are also pursuing attractive adjacencies and creating new vectors of growth to broaden our portfolio overall. Air care for example, which we launched in India in 2012, has evolved into a fourth core category for us, globally. We are now leaders in air fresheners in India and Indonesia.

We bring our innovation efforts together through a RIDE (Research & Development + Innovation + Design + Expertise) platform, an integrated space for key functions involved in new product development. This helps streamline and expedite innovation delivery.

We are also building for the future and investing in technology and skills. We have a state-of-the-art Research & Development centre at our headquarters in Mumbai. Our in-house Design Lab is of strategic advantage and we are leveraging a design-led innovation approach to transform product capabilities. We are also fostering strategic global partnerships to leverage cutting-edge global technology and processes.

### ***How are you reinventing marketing for the digital age?***

We are investing significantly in building stronger digital capabilities and reinventing marketing for the digital age. Over the last year, we trained 135 of our marketers worldwide through immersions on understanding the consumer journey, improving digital capabilities and encouraging more 'test and learn'. We have also set up a Global Digi Cell, a team of digital marketers from across our geographies, to share ideas and learning and be our 'digital catalysts'.

Our teams are doing much more digital experimentation, which has

resulted in a significant 4x increase in consumer reach worldwide. Overall, we are making a shift from seasonal campaigns to strong brand platforms and always-on content. We are also using geo-analytics effectively to drive hyper-local activations. We recently launched Black Hair Hub, our online magazine, featuring the latest African hair trends, and are excited about scaling this up.

The Black Box, our new Digital Command Centre in Mumbai, is a dedicated facility to evaluate real-time brand performance. We are leveraging it to monitor and engage in social conversations with consumers and also create more customised content.

### ***What is your thinking on building next gen capabilities in supply chain and manufacturing?***

A lot of our focus in manufacturing and supply chain is on becoming more future-ready. We are exploring a lot of interesting opportunities through Industry 4.0 and making future-ready investments to ramp up our different processes. Over the last couple of years, we have been piloting the Internet of Things in manufacturing and logistics. We are also exploring opportunities in agile manufacturing through different pilot projects in smart automation and robotics. We are seeing very encouraging results in improved productivity, greater accuracy, safety and efficiency.

At the same time, we continue to introduce best practices across geographies, including demand-driven supply chain, Theory of Constraints, Total Productive Maintenance, Lean, Six Sigma and

low-cost automation. As part of our focus on agile fulfilment, we are mapping cutting-edge replenishment practices to the Advanced Planning and Optimisation module of SAP. We are also trying to become much more agile in responding to constantly changing consumer demand patterns. This has led to high fill rates, which now an industry benchmark - over 95 per cent customer service levels across key geographies. The project on bar coding shippers has led to improved 'freshness' of products at time of sale, better logistics practices, product traceability and reduced obsolescence.

***What are you doing to foster a more inclusive GCPL?***

Becoming more inclusive is a critical to our ambition of being a leading multi-local FMCG player. As we see it, we need to build diversity in different ways and we look for this balance through our businesses and people in new geographies, the openly inclusive stance we have on issues like LGBT rights, and the new skills that we are fostering in design, digital marketing, consumer insights, analytics, research and innovation.

We are focused on building equal gender representation in our teams by attracting and developing top women talent. While a lot of our team members globally are women, we still have a lot of work to do on this front in India. In 2016, we decided to make it mandatory to evaluate a certain percentage of women candidates for every open position at General Manager and above levels. We are also making a more concerted effort to look for alternative approaches in functions where we have historically

faced challenges, either because of the nature of the work involved or the availability of talent.

Simultaneously, we are reviewing policies and infrastructure to enhance the support women require to thrive at work. Godrej Careers 2.0, our second careers programme, offers women who have taken a career break a chance to return to the workplace. We have a mix of policies to help create an inclusive environment, including multiple flexible work, part-time, and work from home options. We have also recently introduced a caregiver policy, where if you have a child under a year old and you need to travel on work, then we will sponsor travel for your child and a caregiver.

We have articulated clear diversity goals, in terms of representation across teams and levels. The Diversity Council for the Godrej Group meets every quarter to discuss our approach and track progress against these targets.

Our commitment on diversity extends to our board of directors as well. The number of women on the GCPL board has increased from 1 in 2007 to 5 today. We are very proud that along with Godrej Agrovet, GCPL now has the most women directors in any Indian listed company.

***What do you think you could have done better last year?***

Like every year, along with things that went well, there were areas where we did not perform well. We continue to reflect and learn from them. This strengthens our resolve to become better and stronger as

a company. Despite the seasonal challenges, our Households Insecticides performance in India should have been much better. Our new product development rates were also lower than what we had aspired for. We are geared up to bring this back on track this year through an exciting set of new launches. In our Africa cluster, both our top line and bottom line performance was below our expectations. While the macroeconomic environment in several geographies did not work in our favour, we should have executed better. The Africa cluster holds tremendous potential and we remain very committed to building a strong business in the region.

***What are your key priorities for the year ahead?***

We have identified a set of five key priorities for the year ahead. First, we want to step up the pace of organic growth across our geographies. The second is to strengthen our go-to-market approach. Third, we will continue to make investments in digital marketing and analytics. Our fourth priority is to instill our purpose and values in a much deeper way in GCPL. And fifth, is to deliver profitable, sustainable growth.

***What is GCPL doing to promote more sustainable growth?***

Godrej has always actively championed social responsibility and we are deeply committed to driving the social progress of the communities that our businesses operate in. We have a 'shared value' approach to business growth and innovation. The idea is to

link business success with social progress. Through 'Godrej Good & Green' we are playing our part in creating a more inclusive and greener India.

Skilling youth is high on our agenda at GCPL. We collaborate with non-profit organisations and social enterprises on employability training programmes in beauty and hair care, retail management and channel sales for young people from low-income communities. As of March 2018, we trained 305,101 youth in India and Kenya in skills that will enhance their earning potential.

Overall, we continue to make environmental sustainability key to our manufacturing processes and supply chain. We are implementing several initiatives to reduce specific energy and water consumption across our manufacturing locations. We have also set targets for improvement on environmental aspects, including achieving zero waste to landfill and carbon neutrality. In line with the Government of India's ruling on plastic waste management, our teams are working to set up systems and processes to follow Extended Producer Responsibility (EPR) as well as integrate recycled plastic into our packaging. With solid waste management emerging as a critical issue globally, we have extended our commitment to send zero waste to landfill beyond our manufacturing plants, to include local communities. We have multiple projects with municipal bodies around the country where we are working at different points in value chain to completely divert waste from landfill and instead recycle it for other purposes.

We have extended our Green goals to ensuring the sustainable sourcing of the raw materials that we use.

Over the last couple of years, we have been collaborating closely with all our partners to ensure they drive sustainable practices across their operations as well. All GCPL suppliers are required to align with our sustainable procurement policy. This policy draws from internationally recognised standards and details our partnership expectations around integrity, human rights, health and safety, environmental sustainability and community development.

As leaders in the household insecticides category, we believe is important that we partner the Indian Government in eliminating malaria by 2030. In 2016, we launched Project EMBED (Elimination of Mosquito Borne Endemic Diseases) to improve the knowledge and awareness of communities through behaviour change campaigns and empower them to take charge of their own protection. In its second phase, EMBED has reached 3,000 villages, 700,000 households and 3.5 million people across 9 districts in Madhya Pradesh. It currently addresses ~36 per cent of the malaria burden in Madhya Pradesh, a state with one of the highest burdens of malaria in India. Over time, we plan to scale up this programme and extend it to other states as well.