

Mr Chand Das' interview on Indiainfoline
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ITC has now become the second largest player in India's greeting cards industry with its 'Expressions' range of Greeting Cards. ITC's venture into paper-based Stationery is also gaining momentum in the market. The 'Classmate' range of notebooks for school children and the 'Paperkraft' range for college and office usage are now available in over 100 cities. ITC has also launched 'White Gold' premium bond paper for discerning consumers.



C S Das is the Chief Executive of the Greeting, Gifting & Stationery SBU. He joined ITC's Packaging and Printing Division in 1980 after a short stint with Larsen & Toubro. Das is an engineer from IIT, Kanpur and an MBA from the Indian Institute of Management, Bangalore. In his 20-year association with ITC, he has held various positions in Marketing and Business Development.

Chand Das, Chief Executive of the ITC's Greeting, Gifting & Stationery business tells **Anil Mascarenhas** of India Infoline that the stationary business offers immense potential and that ITC is looking at moving up the paper value chain.

What is the growth in the Greeting card industry? Do you perceive any threat from e-cards and SMS?

The greeting card industry is going through its own set of challenges. We are facing pressures due to the emergence of new technologies for communicating greetings like telecom, SMS and MMS. The challenge lies in growing the size of this industry by making cards more relevant to consumers. At ITC, we feel we have a role to play in doing this. We are planning to tap the regional markets through regional languages. We are inspired by the regional media and are convinced that the regional languages could contribute to the growth of the industry.

Is the de-growth primarily due to the emerging technologies?

Consumers are looking for convenience and instant gratification. Medium like telephone and email facilitate this communication to a great extent. I am of the opinion that such greetings are very impersonal. The traditional greeting card is the most personal, affectionate and expressive point of communication. Clearly, the greetings card is facing great challenges.

What is the current estimated size of the greetings card market and who are your nearest competitors? Are you planning any tie-ups with international card companies?

The greeting card market is estimated at Rs. 250 crores in terms of consumer spend. The unorganized sector in the greeting card market would be close to 40%. Here the organized sector is better placed commanding 60% market share. The two large international greetings brands viz Hallmark and American Greetings are here. American Greetings has a licensing arrangement with Archies while Hallmark has an agreement with Vintage cards.

We have built a very big library of our own designs, partly from overseas and partly from within the country. We will examine the opportunities. However, we would like to build our own brand, which is Expressions, rather than building someone else's brand.

Are you taking your greetings business abroad?

We have small exports to the neighboring countries and the UAE. Hopefully, this will grow.

With such a vast distribution network and designs at your disposal, why don't you combine it with technology and provide greeting solutions - like personalizing cards or taking orders online?

If the opportunity comes up we will definitely look at it. But there is a lot of logistics involved. There are too many free sites on the Internet. So people are not willing to pay for quality content.

What is your market share in the greeting cards market? What are your strategies to increase the same?

We command a market share of around 20%. In the organized sector, it is mainly between Archies, Hallmark and us. We would together be controlling 60% of the market.

What would be the impact of expansion of retail on the greeting cards business?

Wherever there are opportunities, we will capitalize on the same. We've got a Wills Lifestyle network for apparels and we have a Choupal Sagar outside Bhopal. Interestingly, the Choupal Sagar is carrying our Hindi greeting cards. Our main brand is Expressions and our sub-brand is **Matrubhasha**.

What are your greeting card sales in volume terms? What is the total number of retail outlets right now? Any plans of expansion of franchise outlets?

On an annual basis, our greeting card sales would be around 30mn cards. Our products are available in around 12,000 outlets across 700 cities or towns. We are servicing multi-brand outlets. We have certain special partnerships with the leading multi-brand outlets.

You mentioned that once customers see the product or touch the product, they would be enthused to purchase the same. Have you entered into tie-ups with the upcoming malls where such products are better displayed?

As I mentioned earlier, we are in partnerships with multi-brand outlets. Now they are planning to enter this mall business. So in a way, we too are indirectly making our entry there. Crossword, Odyssey and Landmark are some of the multi-brand outlets we are partnering with.

What kind of investment is required for additional company outlets?

We don't run our own outlets. Ours is not a fixed capital-intensive business. We are working on an outsourcing model. The only capital investments we make are in the creative design team. The rest of the expenditure is brand building and information technology.

How have key raw material costs moved during the year?

Over the last two years, they have been fairly stable. The paper and board that we use is primarily from ITC's stable.

What is the growth and outlook for other businesses - Gifting, Stationery?

Stationery is growing very fast. We are starting at a small base but the size of the opportunity is massive. The organized sector is around Rs. 500 crores. If you include the unorganized sector, we are talking in terms of ten times the size, which is roughly over Rs. 5,000 crores. Importantly, stationery is an important household consumption item, whereas sending greeting cards is more of a cultural habit.

What would the future business mix be?

We would see stationary as a growing element in our business mix. Currently, the mix is 50:50 between cards and gifts on one hand and stationery on the other.

In case of gifting and stationery, is everything outsourced or do you manufacture on your own?

All manufacturing is outsourced and all designing is in-house. For manufacturing we have vendors all over the country

especially in the south and west. In gifts, our focus is paper-based products like autograph books, slam books, bookmarks and party invites.

What is the expected revenue and EBIT growth expected in FY05 in this division?

We already have 20% share in terms of cards and 5% in stationary. We should be looking at Rs. 75 crores in consumer spend. We would like to see the figures double within the next three years.

How do initiatives like Classmate Young Author Contest translate into business?

The Classmate Young Author Contest is our initiative to discover talent among budding writers. By tapping potential at a young age we are able to give them the opportunity to showcase their talent. Moreover, ITC helps them develop their creative writing skills through interactions with leading literary icons like Ruskin Bond. We feel if we mobilize schools with such activities, it helps build our brand and business.

We are creating awareness of the Classmate brand and once people understand the various values that the brand stands for, in terms of quality, eco-friendliness and social cause, they will see value in buying better products. I think we have a very compelling reason for people to upgrade to Classmate note books. Moreover, with Classmate we have introduced a wide range of 180 notebooks with contemporary designs from the makers of Expression Greeting cards. These books provide students with information along with functionality. While Classmate is targeted at the students, we have PaperKraft, which is in the premium range of notebooks. At ITC we are striving to provide high quality products at affordable prices.

Any new businesses you plan to enter?

We are very focused on being market leaders in our business. That is our goal and we are working towards emerging as leaders in the cards, gifts and stationery division.

About new businesses we will have to see. It's a bit premature for me to comment because we have just entered the stationary business where the opportunity is immense. We need to first concentrate and consolidate this business. We are looking at moving up the paper value chain. We want to capitalize on that opportunity. At one level we are a very strong paper company. In short, we want to leverage our pan-Indian distribution strength, marketing strength and product

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