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Phygital Transformation of Nilon's: The Brand Building in Ready-to-eat Segment

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Abstract: Fast-Moving Consumer Goods (FMCG) is the fastest-growing sector globally. It is expanding at a healthy rate because of rising disposable income, youth population, and awareness about its products. Nilon's is one of the leading FMCG players with deals in the ready-to-eat segment. It has recently completed 60 years of operations. Nilon's products are available at six lakh stores throughout India. Significant in 20 countries including Japan, France, the USA, South Africa, Dubai, Saudi Arabia, Malaysia, Singapore, Australia, and Canada etc. It provides channel sales, including general trade, modern trade, direct-to-customer (D2C), defence, hotels, restaurants, and Catering. Nilon's embarked on a phygital transformation journey to redefine its brand identity and strengthen its market position in the FMCG ready-to-eat segment. Secondary data was used as a framework for this research. This case study is based on Nailon's transformational efforts to develop into a more prominent player in the ready-to-eat segment.

Keywords: D2C, FMCG, Nilon's, phygital transformation, ready-to-eat segment

1 INTRODUCTION

The FMCG industry is the largest globally. Phygital transformation is the fusion of digital and physical experiences, particularly amalgamation. In the modern era, technology is necessary. Newly branded products primarily drive its growth, the expansion of digital transformation through online platforms, supportive laws and regulations, and a growing youth population in urban and rural areas. According to a report, the FMCG projected that by 2025, consumers would spend a total of US$8.85T on food. The demand gradient will also be propelled over the next few years by rising consumer awareness and expanding organized e-payments for shopping. FMCG products are often price sensitive as consumers have much to compare before purchasing [1]. An estimated US$ 182 billion is spent on food in India, making up over two-thirds of the nation's retail industry. Additionally, McKinsey & Co., a consulting firm, forecasts that the retail food industry in India would rise from the amount of US$ 70 billion in 2008 to US$ 150 billion by 2025, accounting for a significant share of the worldwide food market, which is projected to increase from US$ 175 billion to US$ 400 billion by the same year.

The FMCG sector relies on efficient supply chain management. The FMCG sector is subject to various regulations, such as product quality, safety standards, labeling, advertising, etc. The rise of e-payment systems and digital channels disrupts the traditional retail model. As consumers become more environmentally conscious, companies face increasing pressure to adopt sustainability practices. Nilon's is one of the leading FMCG players in India, with deals in the ready-to-eat segment. It has operated for several decades and recently completed 60 years [2]. The company manufactures and distributes various food products, including spices, pickles, sauces, cooking pastes, ready-to-eat meals, and more. Nilon's embarked on a phygital transformation journey to redefine its brand identity and strengthen its market position in the FMCG ready-to-eat segment. This case study explores how Nilon's leveraged innovative strategies and technologies to create a cohesive phygital brand experience that resonates with modern consumers.

2 BACKGROUND

Nilon's Enterprises Private Limited was founded by Suresh B. Sanghavi in 1962 as a pickle manufacturing unit in Jalgaon, Maharashtra; an India-based manufacturer and supplier of processed food products has undergone a remarkable transformation [3]. The well-established brand renowned for its range of food products, including spices, pickles, sauces, and cooking pastes, has recognized consumers' growing demand for convenient ready-to-eat options [2]. Against increasing digitalization and changing consumer behavior, Nilon's identified the need to adapt its brand-building approach to stay relevant in the dynamic FMCG landscape. The company processes approximately 65,000 tons of fruits, vegetables, and spices annually, displaying its commitment to quality, efficiency, and scale. Nilon's offers various products catering to diverse consumer preferences, including pickles, ginger garlic pastes, and Tooty-Fruity. With a pan-India presence and distribution points exceeding 4,000lakh, Nilon's products are available nationwide in over 7-8 lakh retail outlets. The company's turnover in FY2022 is Rs. 415 crores, with 20% YoY growth. Additionally, the company exports its products to 36 countries worldwide, highlighting its global reach and reputation [3].

3 PROBLEM STATEMENT

Nilon's, a prominent player in the FMCG sector, particularly in the ready-to-eat segment, faces several challenges and issues hindering its brand-building efforts. Drawing insights from influential peer-reviewed articles, studies, and industry insights from the past five years, the difficulties identified for Nilon's in brand building are as follows:

- **Increased competition in the FMCG market:** The FMCG sector is highly competitive, featuring multiple stores striving for clients' interests. Rivalry to Nilon's business comes from both the physical and online markets. Due to its highly competitive nature and intricate distribution network, supply chain innovation is a constant focus for firms in the FMCG sector. Better supply chain management will increase a company's performance, whereas poorly managed supply networks will make it difficult for that company to even stay in business [4].
- **Internet users and adopting technology:** The market's swift increase has been encouraged by advancements in regulation, an increase in internet and smartphone users, and more money to spend. The shortage of trained IT staff is among the most significant difficulties in effectively adopting and integrating digital solutions [5].
- The increasing importance of data protection and cyber security, with businesses without IT staff more susceptible to data breaches, cyber-attacks, and noncompliance with regulations [6].
- **Changing consumer preferences:** Frequently shifting consumer preferences mean that it adapts to keep becoming profitable. Consumer tastes and preferences tend to change regularly. Every consumer in the market has unique preferences, particularly regarding brands [7]. Before deciding to buy, consumers will search for specific features. Everywhere people look, there is a growing trend in preference for brands. Personal care products are largely used in everyday life and are extremely valuable [8].
- **Sustainability concerns:** Nilon has scrutinized FMCG, which is linked to social and environmental issues. The organization is pushing to become more environmentally friendly [9].

Addressing these challenges and issues will be pivotal for Nilon's in overcoming barriers to brand building and achieving sustainable growth and success in the competitive FMCG landscape.

4 PHYGITAL TRANSFORMATION

Consumers' relationship with the retailer gets strengthened because consumers feel empowered and satisfied with the product/service being rendered [10]. The cross-channel integration of Phygital (i.e., physical and digital) influences consumer retention [11]. The channel integration in retailing can impact the consumer's bodily experience and, in the process, influence their long-term association with retailers [12]. Digital technologies enhance customer satisfaction, optimize company activities, and promote inventiveness [13]. The digital transformation includes technologies such as cloud-based computing, digital currencies, blockchain data, artificial intelligence (AI), and the Internet of Things (IoT) [11]. Nilon's exemplifies the remarkable integration of phygital transformation within its Omni channel distribution strategy, particularly in the context of its pickle products.

a) **Traditional Channels:** Nilon's have recognized the significance of traditional distribution channels such as Indian Railways, government offices, and army canteens due to the inherent alignment of pickles with traditional Indian cuisine. By leveraging these channels, Nilon's has established a strong presence in institutional settings, catering to a diverse consumer base with a penchant for authentic Indian Flavors.

b) **Distributor Networks:** Since the 1960s, Nilon's has fostered strong relationships with distributors who actively promote the consumption of Nilon's pickles in traditional restaurants. This grassroots approach has been instrumental in expanding Nilon's market reach and penetrating local markets where traditional culinary practices thrive.

c) **E-commerce Platforms:** Embracing the digital realm, Nilon's has strategically positioned its brand on prominent e-commerce platforms such as Big Basket, Amazon, and other verticals [14]. By tapping into the burgeoning e-commerce market, Nilon's caters to consumers seeking convenience and accessibility, thereby diversifying its sales channels, and reaching a wider audience nationwide [6].

d) **Modern Trade:** Nilon's has forged partnerships with entities operating multiple outlets in modern trade settings. This strategic collaboration enables Nilon's to capitalize on the foot traffic and consumer base of these outlets, ensuring prominent shelf placement and visibility for its products, including ketchup and pickles [1].

e) **Institutional Supply Contracts:** The significant presence of Nilon's products, notably ketchup and pickles, within the Indian Railways underscores its dominance in institutional supply contracts. Capturing almost 60% of the market share in this segment demonstrates Nilon's proficiency in catering to large-scale institutional demands while maintaining product quality and consistency.

By seamlessly integrating phygital elements into its omnichannel distribution strategy, Nilon's has achieved a harmonious balance between traditional and digital channels, leveraging each platform's strengths to maximize market penetration and consumer engagement. This involved revamping its retail outlets with interactive displays, implementing QR code-based promotions, and enhancing online platforms with engaging content and seamless e-commerce functionalities. By integrating digital technologies into its physical spaces and online channels, Nilon's aims to deliver a seamless brand experience across all touch PoPs (Point of Purchase). This integrated approach underscores Nilon's adaptability and innovation in meeting evolving consumer preferences and market dynamics within the FMCG sector.

5 SUGGESTIONS

a) Enhanced Digital Presence: Given the significant growth in internet users in India, Nilon's should prioritize strengthening its digital presence through targeted online marketing campaigns, engaging in social media content, and seamless e-commerce experiences. Leveraging data analytics and AI technologies can help personalize customer interactions and drive online sales.
b) Phygital Integration: Building upon its existing strengths in traditional distribution channels, Nilon's should further integrate digital technologies into its retail operations to create a seamless phygital customer experience. This could involve implementing innovative solutions such as interactive displays, QR code-based promotions, and mobile payment options in-store.
c) Sustainability Initiatives: Nilon's should continue its commitment to corporate social responsibility by expanding its sustainability initiatives beyond philanthropic efforts. Implementing environmentally friendly practices in packaging, sourcing ingredients ethically, and reducing carbon footprint can enhance brand reputation and resonate with eco-conscious consumers.
d) Product Diversification: To capitalize on the growing demand for ready-to-eat foods and other FMCG products, Nilon's should consider expanding its product portfolio to cater to evolving consumer preferences. Investing in research and development to innovate new product offerings and flavors can help Nilon’s maintain its competitive edge in the market.

6 CONCLUSIONS

Nilon’s Enterprises Pvt. Ltd. embodies entrepreneurship, innovation, and resilience. From its origins as a pickle manufacturer to its evolution into a globally recognized FMCG brand, Nilon’s has consistently demonstrated growth and success. With a strong vision, commitment to quality, and a robust distribution network across traditional and digital channels, Nilon’s is well-equipped to capitalize on the expanding Indian market. By embracing digital transformation, investing in R&D, and prioritizing sustainability, Nilon’s continues enhancing customer engagement and fostering long-term brand loyalty. The company's diverse product range, including spices, pickles, sauces, and ready-to-eat meals, reflects its dedication to innovation and authenticity. As Nilon’s navigates the competitive FMCG landscape, its focus on quality, customer-centricity, and environmental responsibility will ensure its sustained leadership and influence in the industry.

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ETHICS STATEMENT

This study did not involve any human or animal subjects and, therefore, did not require ethical approval.

STATEMENT OF CONFLICT OF INTERESTS

The authors declare no conflicts of interest related to this study.

LICENSING

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