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EDUCATION

Semiconductors and talent: our colleges, universities need to chip in

Building fabs is a years-long process. Operating fabs requires a highly-skilled workforce. We need to start creating that workforce, now. The Semicon India Future Skills Talent Committee said that India needs 1.2 million skilled workers in the semiconductor industry by 2032.

By Sanket Goel

The writing is on the wall. The US and China are in a tech war, with Washington trying to limit Beijing's access to advanced semiconductor technologies. According to Pat Gelsinger, the CEO of Intel, just as oil shaped geopolitics over the past five decades, semiconductors will shape geopolitics over the next five decades. Gina Raimondo, the US Commerce Secretary, said that the US will prevent China from accessing the most advanced US semiconductor technology.

Amidst these geopolitics, where does India stand? Can India become a credible player in the highly competitive semiconductor arena? Should I even try? If so, who all can it learn from?

Advanced fabs in India

India is a long way from being able to manufacture the advanced semiconductors being made by Taiwan's TSMC – the world's leading producer of advanced semiconductors – or even the less advanced chips made by China's SMIC.

India cannot roll out a programme that's as ambitious as China's TTP or Qiming – under which hundreds of billions are being invested in semiconductor technology.

But the country can work on other crucial facets that are extremely important to becoming a manufacturer of semiconductors. For instance, developing an ecosystem where intellectual property is incentivised, developing internal capabilities, and building conducive infrastructure to the development of semiconductor technologies.

Intellectual prowess

There is reason for optimism. The India Brand Equity Foundation stated that the country is home to 200 semiconductor design and embedded software companies. India has the intellectual prowess to design semiconductors, but doesn't have the expertise, investment, infrastructure and ecosystem to manufacture them. The government is acting to change this.

To position India as a global hub for electronic systems design and manufacturing (ESDM), the government has approved an outlay of $10 billion, and is offering fiscal support equivalent to 50% of the project cost under the scheme for setting up semiconductor fabs.

These initiatives have attracted leading global players. America's Micron Technology has committed to invest $825 million in a semiconductor testing and assembly plant in Sanand, Gujarat. The total proposed investment is slotted to be $2.75 billion. The difference between Micron's committed and proposed investment will be made up by state and central government subsidies.

The American semiconductor toolmaker Applied Materials will invest $400 million over the next four years in a new engineering centre in Bengaluru.

Building a semiconductor fab is a years-long and expensive process. Operating fabs requires a highly-skilled workforce. Creating such a workforce is essential if India expects to become a serious semiconductor player. On this front, progress is being made.

Chipping in with talent

The Semicon India Future Skills Talent Committee – tasked with finding a way to make India a hub for the manufacture of semiconductors – stated that the country needs 1.2 million skilled workers in the semiconductor industry by 2032.

To meet this demand, the curriculum taught in colleges and universities is being changed. The AICTE has started BTech Electronics (VLSI Design and Technology) and a diploma in Integrated Circuit Manufacturing. A minor programme in semiconductor manufacturing has also been approved.

The Skills Acquisition and Knowledge Awareness for Livelihood Promotion (SANKALP) scheme aims to train 10 million people across sectors, including in the semiconductor industry. Under the National Skill Development Corporation, the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) will train youth, and many trained under the PMKVY will acquire the skills needed to work in semiconductor foundries.

In addition to textbooks and classrooms, India will need to develop a start-up ecosystem if it expects to become a global player in semiconductors. The MeitY's Modified Programme for Semiconductors and Display Fabs is a step in that direction. But India also needs to learn from others' successes.

When it comes to semiconductor foundries, China has a decades-long lead over India. One reason is heavy state backing of the semiconductor sector. India needs to borrow this aspect from China.

Rolling out relevant education policies, attracting investment, and nurturing an ecosystem where innovation related to semiconductor technologies can thrive are vital. India must make a concerted push in all these areas to become a semiconductor major. (FE08012024)

Higher education: Struggle or promise?

To realise the potential of our higher education system, policy must do less to achieve more, and reflect its diversity

By Naushad Forbes

India has a massive higher education system. With over 42 million enrolments, we have more students in higher education than the population of three-quarters of the countries in the world. Thousands of engineering colleges and management institutes, most relatively recent, sit alongside older colleges of arts and commerce. Not only is our higher education system huge, but it is also by far the most heterogeneous in the world. In the public system, central universities spread around the country coexist with state universities. The IISc, IIT, IISER and IIM operate as separate entities, each with its own acts of Parliament. Medical colleges, the NIDs and NIFT are outside the Ministry of Education. And then we have a huge private system. Many thousands of private (mainly professional) colleges are affiliated to public universities. Some private institutions have morphed into deemed universities. And a recent wave of private universities funded by philanthropy has been set up under Union or state university Acts, with each aspiring to become great national universities.

Policy needs to reflect the needs of this huge and diverse system. The key challenge is quality, a direct consequence of the massive growth in private professional education in the last 40 years. For decades, we have tried to regulate quality into the system and failed. Instead, let institutes decide for themselves what disciplines to start, how many students to admit, fees to charge, and the curriculum to teach. The state must limit its role to assessing institute quality, dramatically increase research funding for both the public and private system, and increase investment in the humanities and social sciences. So huge and diverse a system requires a much more limited state role focused on just those few areas.

Private and public professional colleges affiliated to universities: 6,000 engineering colleges and 3,000 management institutes largely come under state government universities. Improving their quality needs a compulsory assessment and certification programme that is made public. Then, these institutes can rely on the market to sort the system as students and parents decide which colleges thrive, which survive, and which don't. The key choice that must be made here is a non-choice: Do not try to improve quality by limiting expansion. Let colleges expand and add fields and students at their choice — and then compete with one another.

Institutes of national importance: Our IITs, IISc, IIMs, and NIDs are justifiably a source of much pride. But we need to treat them as we have classified them: As institutes of national importance. This means providing them with the autonomy they need to build their own future. (If they don't seek autonomy, perhaps it should be forced on them; they must compete with one another for students, faculty and funding.) This government took a very welcome step in 2017 when it freed the IIMs to decide their own appointments for the board, chair and director, allowing them to handle matters independently. The complete reversal of that reform a month ago, with all power over appointments returning to bureaucrats in the Ministry of Education, needs to be reconsidered. Isolated examples of possible wrongdoing should be addressed as the exceptions they are, without tying the whole system up in regulation in response. The government can always appoint an ombudsman to check financial compliance in public institutes. And progressively, for these professional institutions, reduce government funding for operating expenses and fund only capital expenditure. That will deliver true autonomy.

Full-service universities with the humanities and social sciences: The concentration on professional fields had the corollary of neglect of the social sciences and humanities. Many of today's most challenging problems — getting to Net Zero, decent health care for all 1.4 billion of our population — demand a perspective that spans technical and non-technical disciplines, so excellence increasingly demands full-service universities. We have two paths to getting there. The most elusive feature of a world-class institute is excellence. Excellence is hard to define. Presidents of universities that have it say it is in the water. But excellence is only an established feature at those same institutes of national importance I spoke of earlier. Creating a culture of excellence in an institution without it is a much harder task than growing new fields in an institution that has it. So an immediate opportunity of creating a few world-class universities is to grow the IITs and IISc into them, where graduate and undergraduate education, and science, engineering, the social sciences and the humanities are all of equal merit. Some of our best IITs are doing just this, but the effort — and prominence—that the humanities and social sciences receive needs to be substantially enhanced. This should be a collective project of the next 20 years. Several recent private philanthropic efforts are beginning to change the map of Indian higher education. Ahmedabad University, Ashoka, Krea, Shiv Nadar, Plaksha and a project I'm involved with, Nayanta, are all great projects that should inspire emulation. States should compete to attract these universities by freeing them from all strictures on admissions, recruitment and the types of degrees that can or cannot be awarded.

Let these purely privately funded philanthropic efforts be our laboratory for experiments that flourish or fail without regulation. They will collectively deliver the thousands of broadly educated graduates we need each year as our intellectual leadership.

Research universities: A key recent initiative is the setting up of the National Research Foundation. I have written on this twice in these pages ("NRF: A landmark initiative", Business Standard, July 20, 2023, and "NRF: What research should be funded?" Business Standard, August 17, 2023), so I will not say much here beyond repeating that, done right, the NRF could
be transformative. This requires that the full ~50,000 crore be state funded, the NRF be run by academics and scientists and not politicians and bureaucrats, and there be no dilution of the condition that every funded proposal must involve an academic from a public or private institution. Our goal is not just substantively more scientific research. It is also, or even
more, better quality graduate education. If our best faculty engage in more research, our postgraduates would learn how to do research as apprentices to the country's best minds. The resulting flow of talent could power the country's research effort and begin to build an innovative India. (BS17012024)

ARTIFICIAL INTELLIGENCE

HR tech trends of 2024: from human touch to digital touch

Workplace digitisation – started with the lockdown in March 2020 – has reshaped the business landscape, and today you don't need face-to-face meetings for effortless collaboration.

By Lokesh Nigam

Cloud computing, artificial intelligence and machine learning are revolutionising businesses, and organisations are adopting new-age human resource (HR) technologies to establish a sustainable, efficient and participative workplace. Over the past two years, there has been a surge in HR investments, with venture capitalists allocating more than $17 billion to HR tech (as per a report by ‘HR Executive’). Here are top HR tech trends that human resources leaders should keep an eye on.

Workplace digitisation – started with the lockdown in March 2020 – has reshaped business landscape, and today it has evolved so much that you don’t need face-to-face meetings for effortless collaboration. In 2024 and beyond, organisations are expected to invest even more in workplace digitisation.

Digital L&D

Employee learning and development (L&D) also picked pace during the lockdown. As digital learning gains widespread acceptance, 2024 will stand out as a pivotal year marked by integration of gamification and virtual reality into the learning process. This is expected to yield heightened employee engagement, motivation, and improved learning outcomes. Additionally, to address the learning needs of remote workers, digital learning will be tailored to cover a broader scope through mobile and desktop applications.

Employee self-service

Tech-enabled employee self-service empowers employees to independently handle their HR-related tasks, such as updating personal details, checking pay statements, and requesting time off. It enhances operational efficiency and lightens HR workload.

Already, AI and ML are empowering employee self-service portals, and apps and chatbots are able to deliver personalised recommendations and support to employees. Going forward, granting employees the capability to manage their HR-related tasks independently will make organisations nimbler and more responsive to employee needs, ultimately boosting employee satisfaction and engagement.

People analytics

The contribution of people analytics in critical decision-making processes and business outcomes has outpaced conventional and paper-led strategies. It will continue to grow through 2024 and beyond.

Metaverse in HR

Metaverse, an immersive alternate reality, will bring about a paradigm shift in various aspects of HR practices. This innovative technology seamlessly integrates virtual meetings, interviews, discussions, onboarding, employee engagement, employee experience, and L&D.

Metaverse creates realistic virtual environments, and can enable HR professionals to host dynamic and interactive meetings, conduct immersive job interviews, and facilitate engaging discussions with remote teams.

Research anticipates rapid and widespread adoption of metaverse in HR, with a projected 25% of individuals dedicating at least an hour of their daily work routine to this transformative technology by 2026 (as per 'The HR Digest'). As more and more organisations acknowledge the immense potential of metaverse, its impact on reshaping traditional HR processes and fostering collaboration across distributed teams is expected to be nothing short of revolutionary.

Towards engaged employees

The future of HR technology will have to be based on technology, innovative frameworks, and data-driven approaches. (FE08012024)

ADVERTISEMENT

Synthetic media and influencer marketing: A tale of two sides

As AI becomes ubiquitous, advertisers grapple with whether to embrace AI-generated content in the form of synthetic media

By Sreeram Reddy Vanga

In an age marked by continual content consumption, technological advancements and the reduced need for extensive human involvement empower individuals to actively create rather than solely consume. A noteworthy outcome of this evolution is synthetic media, where artificially generated content provides a platform for individuals who may not conform to the traditional influencer archetype. Offering brands novel ways to connect with their audiences, synthetic media has unlocked novel dimensions for brand marketing.

As AI becomes ubiquitous, advertisers grapple with whether to embrace AI-generated content in the form of synthetic media. Consumers exhibit both fascination and scepticism toward content produced by artificial intelligence, presenting a nuanced challenge for brands seeking to balance personalised experiences with captivating content. Its usage is booming, as a study by 360iResearch reveals that the Synthetic Media Market size was estimated at $1.99 billion in 2022 and is expected to reach $5.15 billion by 2030. The question remains: is synthetic media an inevitable evolution for the advertising industry?

What is synthetic media?

Synthetic media's evolution stems from altering digital content through computers to modify existing media or generate new content. From the early days of Adobe Photoshop in the 1990s to the recent phenomenon of 'Deepfakes,' a term that emerged in a 2017 Reddit thread, deep learning algorithms have exponentially enhanced the ability to manipulate images and videos seamlessly. Unlike traditional photoshopping, synthetic media employs deep learning, progressively improving its ability to create "digital twins" that closely resemble real individuals.

Opinions on AI-generated media vary. Getty Images and Shutterstock took a strict stance, banning AI-created visual art. Similarly, YouTube recently implemented restrictions, disallowing AI music covers and content mining well-known individuals, especially those in the public eye. In contrast, Google maintains an open approach to AI-generated content as long as it doesn't manipulate search result rankings. Companies such as OpenAI, Alphabet and Meta platforms have voluntarily committed to safety measures, including using watermarks on AI-generated content.

Deepfakes: boon or bane?

While the current narrative emphasises deepfake technology as a potential threat, the future narrative suggests it could become a significant business advantage. From pioneering the world's first synthesised, presenter-led news reports to promoting public health and safety issues in the education and healthcare industries, the technology has been put to good use.

On the contrary, deepfakes can also be used to create realistic but false videos or audio recordings, leading to the spread of misinformation and manipulation of public perception. Therefore, a measured approach is necessary to monitor the progress of this technology and better understand its implications.

Rising role of synthetic influencers

Virtual influencers – digital avatars brought to life by synthetic media- have recently captured much attention. The appeal is apparent- these influencers give marketers creative flexibility, allowing them to explore interesting narratives. Furthermore, they are relatively simple to manipulate and reprogram.

Despite lacking physical existence, computer-generated models like Lil Miquela or Miquela Sousa lead active lives on social media. Notably, Lil Miquela earned a spot on TIME Magazine's "25 Most Influential People on the Internet." Regardless of being exclusively business vessels, they have developed into an advantageous, economical tool for marketers. And as technology evolves, these virtual influences will become even more real-looking and less synthetic.

What synthetic media's rise means for brands

As technology advances, the advancement of creative tools escalates, necessitating strategic reflections on the role of synthetic media in advertising. User-friendly AI tools not only enhance efficiency by eliminating monotonous tasks but also unlock unprecedented creative expressions, enriching diverse experiences. Despite challenges in cost and complexity for smaller brands, synthetic media, powered by advanced algorithms and machine learning, offers an efficient solution for generating realistic images, videos, and audio. Brands are pondering how to wade into this artificial media landscape, exploring avatar product visualisations and reshaping content creation in ways we hadn’t even dreamed of a few years back.

Additionally, to handle the ethical aspects of synthetic media, brand marketers should focus on clear communication, obtaining user consent, and following industry guidelines. Collaboration with ethical AI developers and regular content assessments are key for maintaining transparency and trustworthiness.

As synthetic media gains traction across various sectors, including the influencer industry, traditional advertising, film, and TV, its integration into the mainstream seems inevitable. Incorporating synthetic media into brand marketing strategies can be delicate and requires thoughtful consideration. While it may come naturally to companies with a tech-forward approach, those placing high value on human interaction should exercise caution. Gaining audiences’ trust requires finding a balance between pushing the limits of creativity and ensuring that it is used ethically. Therefore, even if virtual influencers may guarantee your customers an unmatched experience, will they be able to establish genuine relationships? To answer the question effectively, it’s essential to consider your audience’s needs and your campaign goals, avoiding the temptation to follow trends blindly. I recommend using synthetic media in a way that aligns with your messaging and values for a more authentic impact. (FE06012024)

Ad spends likely to rise by up to 15%

The ad forecasts by the media agencies peg the Indian ad market at around Rs 1.22-1.57 trillion in terms of size in 2024, up from Rs 1.09 trillion in 2023

By Viveat Susan Pinto

The advertising expenditure (adex) growth rate has been projected at 11-15% this year by GroupM, Dentsu and IPG Mediabrands – three of the country's top media agencies. This projection comes at a time when the global advertising growth rate is seen muted at 4-6% amid slowdown and geopolitical concerns.

India is also likely to top the Rs1-trillion mark in terms of ad spends for the second year in a row, led by digital, television and print advertising. It will also emerge amongst the fastest-growing ad markets in the world, standing eighth overall from ninth position earlier.

Factors such as advertising around the general and state elections (eight states will go to the polls this year) coupled with a likely resurgence in sectors such as fast-moving consumer goods (FMCG) are expected to aid adex growth in 2024, the media agencies said.

"Despite the current worldwide geopolitical instabilities and economic outlook, major political and sporting events in 2024 in key markets (such as the UK, South Africa, the US, Mexico, India and Indonesia) will create positive growth in ad spend," said Will Swayne, Dentsu's global practice president of media.

"Globally, the ad revenue growth of traditional media owners is slowing. In India, however, linear as well as digital formats are growing, which are contributing to overall domestic advertising growth," said Venkatesh S, senior vice-president and director, intelligence practice at Magna India, part of IPG Mediabrands.

The ad forecasts by the media agencies peg the Indian ad market at around Rs1.22-1.57 trillion in terms of size in 2024, up from Rs1.09 trillion in 2023.

Categories that are expected to drive advertising growth this year include FMCG, automotive, retail & e-commerce, media and entertainment, banking and finance, including fintechs, travel and real estate.

Dentsu says that digital advertising is now the primary driving force for the Indian ad market, taking an over 41% share of the domestic ad market. But TV advertising, it says, continues to be a key medium for brands in terms of driving visibility and reach. Print remains a stable medium from advertising perspective.

“Advertisers, even those enlisting the expertise of agencies, are drawing on deeper and often more direct relationships with their customers. This is especially true of the automotive, media and entertainment sectors, disintermediating customer marketing and allowing for more personalised messaging,” GroupM said of the advertising trends emerging in 2024.

GroupM also projects how artificial intelligence will permeate the world of advertising this year. The agency sees AI affecting every aspect of business, including marketing communications which could turn to AI to drive more bang for the advertising buck.

“Just as every business is now a ‘digital’ company, the same will soon be true of AI—especially in the world of advertising. AI will spread through products, services and operations at all companies, including ad agencies. While early benefits will accrue primarily to technology providers developing large language models, users will also see their operations undergo a change,” GroupM said. (FE12012024)

MARKETING

Inclusive influencer marketing: reaching diverse audiences

Influencer marketing has also become an integral part of brand promotion as it allows them to connect with their target audiences majorly to collect reviews and suggestions

By Anushree Jain

Influencer marketing has emerged as a consistent and effective marketing strategy in the past few years. Marketing strategies evolve along with the expectations of audiences; thus, staying relevant and authentic. It is essential to stay trendy in influencer marketing with a focus on catering to diverse audiences. This strategy will boost influencer marketing among brands that are looking to expand their reach in diverse and multicultural countries like India.

Influencer marketing has also become an integral part of brand promotion as it allows them to connect with their target audiences majorly to collect reviews and suggestions, which was quite difficult with traditional marketing. According to a report by Influencer.co, the average engagement rate for influencer marketing campaigns in India is 5.2%. In contrast, the engagement rate for traditional marketing campaigns is only 1-2%. Undoubtedly, influencer marketing has emerged as more promising than other marketing forms.

The power of diverse audiences and authentic representation

Influencer marketing is not just about brand representation but also recognizing and celebrating the diversity of audiences. Micro and macro influencers stay authentic and often engage with their audiences of diverse backgrounds and collectively cover diversity of audiences. For brands to reach people of various languages, cultures, religions, and backgrounds, the opportunities become immense with the adoption of influencer marketing. To create a meaningful impact and establish a lasting connection, brands embrace and appreciate the diversity of not only audiences but also influencers.

Nykaa, an Indian beauty and wellness e-commerce platform, effectively utilises influencer marketing by collaborating with a wide range of influencers from different regions and backgrounds. From makeup artists to skincare enthusiasts, they have influencers who cater to various beauty needs and preferences. This approach helps Nykaa connect with diverse consumers who are looking for products suitable for their unique skin tones, types, and beauty standards.

Social causes and influencer marketing

In India, consumers are becoming increasingly conscious of social issues, and they expect brands to be socially responsible too. Inclusive influencer marketing can help brands align themselves with social causes, making them more appealing to socially aware consumers.

Mindhouse, a mental wellness and meditation app, collaborated with influencers like Kusha Kapila and Shikha Talsania to raise awareness about mental health and promote their app. These influencers share personal stories and experiences related to mental well-being and stress management. The partnership helped Mindhouse destigmatize mental health issues and connect with users seeking support for their mental health.

Collaboration between influencers and brands to promote sustainability and eco-friendly products is widely seen today. Influencers often share their experiences with eco-conscious brands and encourage their followers to make sustainable choices. This approach helps raise awareness about environmental issues and how individual contributions matter to prevent them, encouraging positive change in consumer behaviour.

Navigating challenges in inclusive influencer marketing

While inclusive influencer marketing has numerous benefits, it also has some challenges, and it's essential to navigate those challenges effectively. In India, sensitivity related to cultural and social issues is paramount. Missteps can lead to backlash and damage a brand's reputation.

Another challenge is ensuring authenticity in influencer-brand partnerships. The authenticity of an influencer's endorsement should align with their beliefs and values, or it can backfire. Influencer fraud is also a major concern; thus, brands must research and verify the authenticity of an influencer's following and engagement. Utilisation of influencer marketing platforms with transparent metrics can help in this regard.

Staying updated with emerging social issues is essential as public sentiments are subjected to them and can change rapidly, so it is essential to adapt your influencer marketing strategy accordingly and remain agile.

Tanishq, a prominent jewellery brand in India, faced both praise and criticism for its "Ekatvam" (Oneness) campaign, which aimed to celebrate unity in diversity. The brand collaborated with influencers who supported the message of Ekatvam. The campaign faced backlash from some sections of society who found the campaign controversial. This example underscores the importance of carefully considering cultural and social sensitivities when embarking on inclusive influencer marketing campaigns.

The future of influencer marketing vs. traditional marketing

Unlike traditional advertising, influencer marketing offers a more personalised and engaging approach that resonates with the diverse audiences in India. While older marketing methods may have struggled to adapt to the digital age, influencer marketing has harnessed the power of social media, video content, and user-generated authenticity.

Inclusive influencer marketing is not just a marketing trend; it is a reflection of the values and expectations of a diverse and dynamic audience. In a diverse country like India, embracing and celebrating its diversity is not just good practice but a strategic imperative for brands. Consumers are seen as expressive on their social media platforms, so continuous gathering of feedback and adapting your campaigns based on audience responses has become easier with influencer marketing. Brands that embrace inclusivity authentically and genuinely will not only increase their market reach but also build stronger and more meaningful connections with consumers.

The amalgamation of diversity in influencers and audience

As the world embraces more diversity every day, brands are also doing the same. In the past, reaching diverse audiences in India often involved casting a wide network in different demographics. Influencer marketing, on the other hand, has allowed brands to target specific niches and communities effectively. This has led to creating a wider market and thereby understanding the needs and demands of various audiences better. (FE07012024)

From gimmick to necessity: Role of sustainability in shaping a brand’s success

By prioritising sustainable strategies that align with their values, companies can build a reputation as responsible leaders and gain the trust of consumers who share these values.

By Yug Bhatia

As consumers become more aware of environmental and social issues, sustainability has become more than just a buzzword. It has evolved into a crucial component in defining the essence of a successful brand.

While many companies may view sustainability as a mere marketing gimmick, it is essential to recognise that a genuine commitment to sustainable practices can substantially impact a brand's identity, consumer perception, long-term profitability and societal contribution.

By prioritising sustainable strategies that align with their values, companies can build a reputation as responsible leaders and gain the trust of consumers who share these values.

Sustainability is crucial for all businesses, especially those involved in renewed products.

Renewed products, such as refurbished electronics and appliances, offer consumers a more sustainable option compared to purchasing new products. The businesses involved in this segment aid in reducing waste, conserving resources and reducing the environmental impact of consumerism by extending the lifespan of existing products.

The growth of the used and refurbished smartphone market is a clear example of the evolution of sustainability from a mere marketing gimmick to a necessity. According to research firm Mordor Intelligence, the market size is expected to increase from $56.61 billion in 2023 to $71.91 billion by 2028, with a CAGR of 4.90% during the forecast period. GSMA predicts an even more significant growth, with the refurbished smartphone market alone expected to grow by $140 billion by 2030.

These numbers reflect a substantial change in consumer behaviour and industry focus towards sustainability.

To succeed in this flourishing market, brands must make sustainability their core principle and integrate it into every aspect of their operations. This includes responsibly sourcing materials, adopting eco-friendly manufacturing processes and providing top-notch customer service.

By embracing sustainability, renewed product brands can reap several benefits, including:

Enhanced brand reputation: With sustainability becoming increasingly significant to consumers, brands prioritising it can garner a distinct advantage in the market. By demonstrating a commitment to eco-friendly practices and values, these brands can improve their reputation and attract a growing segment of environmentally conscious consumers.

Reduced costs: Implementing sustainable practices can result in cost savings by reducing energy consumption and waste production. This, in turn, can lead to enhanced profitability for brands that adopt these practices.

Unique competitive advantage: Integrating sustainable practices can also furnish a significant competitive edge over other brands that do not prioritise sustainability. With this, businesses can attract a new segment of customers who value green operations, which can help them gain a larger market share.

It is also essential to understand that contrary to the misconception that sustainability compromises profitability, it future-proofs businesses against evolving regulatory frameworks and consumer preferences.

Today, employees are more inclined towards organisations that are driven by purpose. Businesses with strong sustainability initiatives appeal to top talents who seek to contribute to a more significant cause. Furthermore, apart from hiring, a commitment to sustainability instills a sense of satisfaction and involvement among the workforce.

When employees feel they share the same values as their organisation, they function as brand advocates, leading to enhanced innovation and productivity.

Moreover, sustainability is not just about the environment but also about social responsibility. Brands that actively promote sustainability often support community development, marginalised sections and diversity and inclusion.

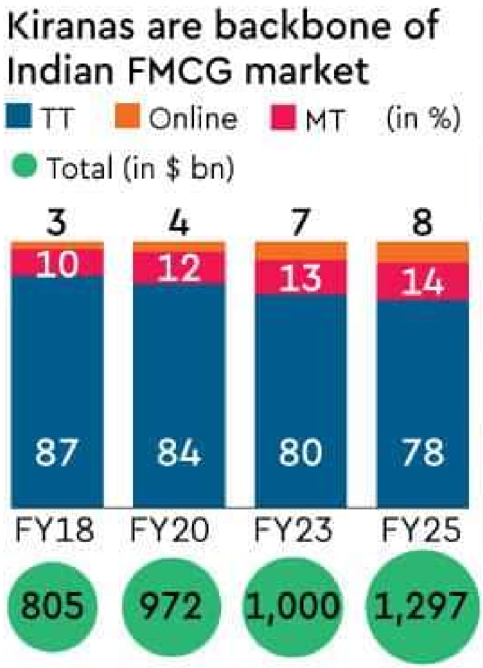
By embracing a comprehensive approach to corporate social responsibility, these businesses improve their reputation and foster goodwill among stakeholders, positively impacting society. Furthermore, zeroing in on sustainability will also allow businesses to comply with stringent environmental regulations and meet the growing expectations of new-age consumers.

In the ever-changing business landscape, sustainability is no longer just an advantage but a crucial factor that shapes a brand's image and prosperity. (EF07012024)

Can HUL win its game of margins?

In rural areas, the fall in fixed margins has been even sharper from 5% to 3.6%, a drop of 1.4%, say distributors, while the variable pay has surged by 0.4% to 1.7%.

Written by Viveat Susan Pinto



Source: Deloitte/Nielsen/Industry
TT stands for Traditional Trade; MT stands for Modern Trade, #Estimate

For distributors of the country's largest consumer goods company, Hindustan Unilever (HUL), 2024 has started on a disappointing note. The fast-moving consumer goods (FMCG) giant has restructured the distribution margins with the fixed margin having been reduced by 0.6% to 3.3% in urban areas and the variable pay increased by 1.3% to 2%. This has irked general trade. In rural areas, the fall in fixed margins has been even sharper from 5% to 3.6%, a drop of 1.4%, say distributors, while the variable pay has surged by 0.4% to 1.7%.

The changes come at a difficult time for general or traditional traders, considered to be the backbone of the country's Rs 5-trillion domestic FMCG market. More than three-fourths or roughly 80% of an FMCG company's sales come from general or traditional trade. However, a rural slowdown has put this channel under a lot of stress. Of the 12-million kirana stores tracked by market researcher NielsenIQ, almost two-thirds or 8-9 million stores are in semi-urban and rural areas with the rest in urban markets.

Distributors are understandably upset; they believe the re-jigging of the margin structure should not have been done at this time as it may compel others to follow suit.

"This isn't the time to push us into a corner. We need FMCG companies to support us, not disincentivise us with margin rejigs. We can't do much if the market is sluggish," says Dhairyashil Patil, president, All India Consumer Products Distributors Federation (AICPDF), an apex body of distributors in the country. AICPDF has written to HUL seeking clarity on the move and giving the company 10 days to reconsider its decision. In the event, there is no response from the firm, distributors say they may have to stop stocking HUL products to protest against the decision.

"A boycott will become inevitable if the company does not reconsider its decision. We have sought time with the company's CEO & MD Rohit Jawa to understand the rationale behind the move. We view this as a serious matter," he says.

But the company seems intent on going ahead with its plan, having unveiled the new margin structure across 100-150 towns last month following a pilot. It will be taken nationwide in phases over the next few months as it seeks to increase retail coverage. HUL reaches nine million outlets totally (directly and indirectly), the highest for an FMCG company in India. Some analysts see the cuts as a move to rationalise distribution costs. A mail sent to HUL remained unanswered till the time of going to press.

Navigating traditional trade

HUL's decision to rejig its margin structure for general trade has significant repercussions for the domestic FMCG market. Cutting fixed margins will mean that the payout to general trade will be smaller. Variable pay, on the other hand, is performance-linked, hiking it hardly bodes well for traders struggling with weak sales, say experts. But this isn't the first time that HUL has cut distributor margins. Until 2017, the company offered nearly 5% as a fixed margin to general trade (GT) in urban areas and 6% in rural areas. In that year the structure was altered with a 3.9% fixed margin for urban areas and 5% for rural areas. The latest round of cuts has revised these figures downwards further, say experts.

Out of place?

HUL has been pushing direct distribution aggressively over the last few years. It has tried to reach retail outlets directly through its Shikhar app, initiatives such as Smart Stores and by putting more feet on the ground. Sector analysts point out that the company has reduced its dependence on distributors. Nearly a third (or 3 million outlets) of HUL's total retail reach of 9 million outlets is now serviced directly by the company.

Sachin Bobade, vice president, Dolat Capital, points out general trade has been facing liquidity constraints from consumers to retailers, notably, in rural areas. As a result, retailers are unable to pay distributors for the orders they place with them and this, in turn, has seen credit cycles go up significantly within trade. "Also, inventory is stuck because movement of goods is slow, since consumer offtake is low. All of this has possibly led some firms to question the efficacy of general trade," Bobade told FE.

Varying strategies

But not all companies doubt the efficacy of general trade. Many such as Saugata Gupta, MD & CEO of Marico, the maker of Parachute and Saffola, have been vocal about revitalising general trade, describing the current challenges faced by the channel as short-term in nature.

"GT growth has to be rekindled because I think it's important that it grows. If I look at a 20-30 years' horizon, GT will continue to be important in India and it will be an 'and' growth and not an 'or' growth," Gupta said on a recent investor call. Marico will launch some direct-to-consumer brands—True Elements in food and Plix in nutrition—via general trade as it attempts to reinvigorate the channel. Dabur, on the other hand, has increased its credit cycle to distributors to help them tide over the liquidity crisis they are facing. And Parle Products has reduced inventory clutter in retail stores, as it focuses on fewer stock-keeping units that move quickly off shelves. (FE08012024)

LOGISTICS MANAGEMENT

Logistics Performance Index: The state of logistics

While India's logistics performance may have improved over time, that's not true of every state. Some have slipped

By Bibek Debroy

World Bank has a Logistics Performance Index (LPI), with a focus on trade logistics. This is based on six heads of customs, infrastructure, international shipments, logistics competence, tracking and tracing, and timeliness. As is the case with every index, especially when data is based on subjective responses to questionnaires, methodology can always be questioned and improved. In the 2023 LPI, India is ranked 38 out of 139 countries. In 2014, India was ranked 54th. Despite possible caveats about LPI, it is obvious that logistics performance has improved and the goal has also been clearly articulated in 2022. "Targets for achieving the vision of the National Logistics Policy are to (i) Reduce cost of logistics in India to be comparable to global benchmarks by 2030; (ii) improve the Logistics Performance Index ranking—endeavour is to be among top 25 countries by 2030; and (iii) create data driven decision support mechanism for an efficient logistics ecosystem." In addition, there is PM Gati Shakti, launched in 2021. Because of understandable time lags, the impact of this doesn't show in LPI 2023, but will, eventually.

A cross-country ranking of logistics performance is one thing, estimating logistics cost is another. Economic Survey 2022-23 told us, "Logistics costs in India have been in the range of 14-18 per cent of GDP against the global benchmark of 8 per cent." That kind of range floats around. In 2018, there was a port logistics report by Dun and Bradstreet (D&B), which found cost of doing business at sea-ports was around 15-16% of the consignment value (there was wide variation across ports.) Before Economic Survey 2022-23, in 2020, there was a CII-Arthur D. Little report on India's supply chain.

To quote, "Logistics costs in the Indian supply chain amount to almost USD 400 billion, or 14 percent of GDP. A comparison with global peers shows that logistics costs amount to 8-10 percent of GDP in the US and Europe, and 9 percent in China. The global average is close to 8 percent of GDP, which reveals a competitiveness gap of USD 180 billion for India. …Other South-Asian countries, such as Thailand and Vietnam, also have high logistics costs. These countries' costs reach 14 and 16-17 percent of GDP, respectively." The D&B methodology was clear. In any event, it computed cost of doing business as percentage of consignment value. But when it comes to logistics costs as percentage of GDP, since methodology isn't clearly explained, numbers seem to be plucked out of thin air.

This brings one to a recent (December 2023) report by NCAER on logistics cost in India. This is precise in its methodology and estimation. To quote from this paper, "In the context of India, there are no official estimates for logistics costs as a percentage of GDP. However, private sector institutions and academic institutions have computed logistics costs, which are widely quoted to stress the point that India is a country with high logistics costs." In addition to the ones I mentioned earlier, NCAER cites three—Armstrong and Associates (2017), an estimate of 13% of GDP; CII (2015), an estimate of 10.9% of GVA; and NCAER (2019), an estimate of 8.9% of GVA. Clearly, there are variations in what is being measured and how. This new NCAER report uses supply and use tables. What does it find? In 2021-22, logistics costs had an estimated range of between 7.8% and 8.9%. In 2014-15, they had an estimated range of between 8.3% and 9.4%. There has been a decline over time (with a transient increase in 2017-18 and 2018-19). It cannot be anyone's case that this new NCAER report is the last word on the subject. But it is a beginning, with a clear methodology. And two points emerge. First, logistics costs aren't as bad as they are often made out to be. Second, they have declined over time (also evident from LPI).

Logistics, good or bad, are driven by the states and the commerce ministry has a LEADS (Logistics Ease Across Different States) report, based on perceptions. The 2023 version was released in December. Since states are heterogenous, in the reporting, they are divided into four groups—coastal, landlocked, north-east, and UTs.

States that do well are called achievers. Nomenclature matters. Thus, states that are middling aren't called average. They are called fast movers. States that are sub-par are called aspirers. Let me highlight coastal states, since 75% of export cargo is estimated to originate from them. Among coastal states, ones that do well are Andhra Pradesh, Gujarat, Karnataka, and Tamil Nadu. The ones that lag are Goa, Odisha, and West Bengal. While India's logistics performance may have improved over time, that's not true of every state. Some have slipped. Most states have a state-level logistics policy, including Goa and Odisha. West Bengal, bottom of the pecking order in the coastal category, doesn't have one. To quote from LEADS 2023, "Looking ahead, the State (West Bengal) could benefit from formulating a State Logistics Master Plan and State Logistics Policy to drive efficiency improvements and facilitate investments within the logistics sector and undertake consultation with the logistics stakeholders for educating and informing them about the initiatives State is undertaking for the development and improvement of logistics sector."

Logistics has been talked about for a long time and India has also focused on improving performance. We are now getting some precise data on measurement and quantification. That helps. (FE11012024)

SOCIAL MEDIA

We need to use the social media for self-development, in addition to entertainment: IIM Rohtak research

The data was collected from 32,896 individuals aged 18 to 25 years, and included 18,521 males and 14,375 females from various regions, socioeconomic backgrounds and cultural contexts.

By Prof Dheeraj Sharma

The last decade witnessed a surge in the use of smartphones and social media platforms, thanks to affordable data plans and a rapidly expanding internet infrastructure. Instagram, WhatsApp, Facebook, etc, have become virtual public spaces where the youth exchange thoughts, images and experiences. While they offer connectivity and a sense of belonging, they are also a contributor to the substantial increase in screen time.

But how exactly do we use the social media, and what can we learn from it?

To capture it, research was carried out by a team from the Indian Institute of Management, Rohtak, during October-November 2023. The data was collected from 32,896 individuals aged 18 to 25 years, and included 18,521 males and 14,375 females from various regions, socioeconomic backgrounds and cultural contexts.

Findings reveal that 60.66% use social media platforms, and there is a notable peak in engagement during evening hours. The average screen time of males is 6 hours and 45 minutes, and for females it is 7 hours and 5 minutes. YouTube, Instagram, WhatsApp and Safari/Google Chrome predominantly contribute to their screen time. There is also a shift from traditional calling to WhatsApp calling – the reason is the youth's desire for privacy and control over communication, as WhatsApp provides end-to-end encryption.

Social media platforms serve as a canvas for digital self-expression, allowing youth to construct and curate their online identities. Here are insights into the social media preferences of the youth – Instagram is the most popular (preferred by 31.27%), followed by WhatsApp (28.32%), Snapchat (19.78%) and Facebook (17.20%).

In addition, a predominant proportion (54.52%) of viewership is dedicated to entertainment, followed by professional and self-help content (26.23%), education, knowledge and news (14.28%), and political content (4.97%).

Coming to OTT platforms, YouTube is the dominant force (preferred by 32.03%), followed by Netflix (20.25%), Hotstar (19.24%), Amazon Prime (18.78%) and Zee5 (9.69%). These figures underscore the profound impact of OTT platforms on the entertainment choices of the Indian youth, signalling a notable shift in social media behaviour towards active engagement with on-demand and personalised digital content.

While social media platforms offer connectivity and opportunities, a mindful approach is crucial to strike a balance between the benefits of the digital age and the preservation of mental well-being and societal harmony. The dawn of the digital era beckons for a collective effort to harness the positives while mitigating the potential pitfalls of excessive screen time among the nation's youth. The above data suggests a high degree of involvement of the youth in social media platforms. Policymakers need to devise strategies so that the youth voluntarily restrict usage of social media and use them as aid for self-development. (FE15012024)

ACCORDING

Professional growth: Skills that management accountants must learn

While most business schools teach these so-called soft skills, it's only with practice that one can master these.

By Vikram Chaudhary

In addition to core skills such as knowledge of accounting practices, proficiency in accounting software, understanding tax codes and regulations, preparing financial statements, and the ability to analyse data, accounting professionals must build a thriving profession by embracing innovation, inclusion and sustainability, the new global president of CIMA, Sarah Ghosh, said.

In Delhi recently for the Chartered Institute of Management Accountants (CIMA) meet, she told FE that the Indian economy is growing, and companies are looking for certain skill sets that go beyond core management accountancy.

"In addition to the obvious skills – which are finance and accounting – today technology is changing very fast and professionals have to adapt quickly to skills such as data analytics modelling, machine learning, ESG (environmental, social and corporate governance), and sustainability," Ghosh said. "Leadership and social impact skills are also equally important."

According to her, the following are the skills students must focus on:

Critical thinking: It's the ability to see both the big picture and tiny details. "Beyond your technical expertise, if you come across as an independent thinker and researcher, all employers will value you," she said.

Organisational skills: A management accountant has to work on multiple projects and clients at a time, and so 'being organised' is a very important skill. "Organisational skills include prioritisation, planning, goal setting, delegation, attention to details, and so on," Ghosh said. "As also to-the-point and clear communication."

Time management: While it's an organisational skill, Ghosh said it's so important that it needs a special mention. "An employee who understands and respects deadlines is a great asset to any company," she said. "It's quite simple to plan tasks and goals, but requires practice to follow. Here, technology can be of great help – keeping a detailed calendar and setting up reminders on phone."

Written and verbal communication: You may understand numbers very well, but management accounting professionals must be able to make their clients also easily understand those numbers. "If you're able to articulate well, that's possibly your best skill," she said.

Lastly, while most business schools teach these so-called soft skills, it's only with practice that one can master these, and that perfection can be achieved in the professional life, provided there's a dedicated focus on such upskilling.

"The CIMA, which serves 698,000 members, students and professionals in 188 countries, has recently launched the finance leadership programme – a guided, digital-first learning and assessment experience, and the online route to the Chartered Global Management Accountant (CGMA) designation, the most relevant global finance qualification for a business career held by more than 140,000 finance professionals," Ghosh said. "We also run many other programmes to upskill and reskill management and accounting professionals." (FE15012024)

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thank you