

Thoughts

Reflexion and Analysis for the Indian Market

October 2017

FMCG growth: focus on market penetration



For decades, the fast-moving consumer goods (FMCG) industry has been the bellwether of Indian corporations and the country's economy. Not only has it successfully met every Indian's daily needs, but it has also created aspirational brands, providing avenues for self-expression and emotional fulfilment. The industry has been at the forefront of innovation, providing world-class products at affordable prices and making them available in the remotest parts of the country.

Over the last three years, however, the industry has hit a slowdown. Its growth rate vs. the GDP has fallen to 0.8, from a historical ratio of 1.2. This slowdown is perplexing; it cannot be fully explained by external factors, such as changes in consumer spending power—which has only marginally decelerated in growth—or by any significant shifts to non-FMCG categories, including the rise of e-commerce. But as we look within the industry, during this period FMCG companies scaled back growth-oriented investments and shifted focus to sustaining profits—all at the cost of the top line.

The brand winners experienced high consumer churn, but managed to win by constantly driving recruitment and gaining from other brands. This increase in penetration also spurs more frequent purchases, increasing the likelihood of a brand becoming part of a consumer's repertoire.

The best companies increase penetration and outperform their competitors by thoughtfully investing in both the quantity and quality of three key areas: brand memorability – shopper visibility – range productivity.

Brand memorability. *“It's not about what they think of you; it's about making them think about you in the first place.”* Rather than relying on constantly switching messaging and running campaigns in waves to grab attention, winners build brand memorability by targeting broadly, always being on air, and using consistent messaging that focuses on memory structures and distinctive assets.

Shopper visibility. *“It's much easier to sell more of what people really want vs. selling things they are not waiting for.”* Hero SKUs are the proven products for any particular brand. They contribute to the bulk of sales and profits because they are what every shopper will know and look for. Penetration gains of brand winners were directly linked to the performance of the hero SKU. Brands that ensure that these hero SKUs are readily available in as many stores as possible increase their chances of landing in consumers' baskets.

Range productivity. *“Surprisingly few innovations lead to real, profitable growth, while there is always more to be done on the 'core' products.”* Brand winners launch



fewer, more successful new products. Instead, brand winners create heroes and compel them to grow, thereby simplifying the rest of the product portfolio while still holding shelf share. They rely on deep insights about consumer repertoires to guide innovations, launching products that reach a larger number of shoppers rather than break penetration barriers.

Building these assets is not a one-time activity. It requires continuous investment, especially as the industry becomes more competitive.

The winning mantras

1. Winners succeed by outperforming competition in increasing penetration. They do so by constantly driving re-recruitment and gaining from other brands and focusing on hero SKUs.
2. Winners are obsess over what consumers actually do, not say. Use these insights to increase consideration and penetration. They do so by harnessing three brand assets—memorability, visibility and range.
3. To increase sustainable growth, FMCG companies must incorporate these winning mantras into their growth model.

Example of Gillette

Although Gillette entered the Indian market in 1984 and launched its newest triple-blade system, Mach3 in 2004, sales were flat for a long time. The product did not go through any changes and kept its key features - such as long lasting diamond-like coating blades, 'PowerGlide' smoothness, ergonomic handles, pivoting precision heads - and premium price, which was 10 times more than its two-blade competitors.

Even though the target customers were professional men with higher disposable incomes than the average Indian, the traditional, double-edged razor, could not be dislodged. Indian men do not consider shaving a significant enough activity to justify such a premium. Gillette's Mach3 value proposition was based on extensive consumer research, which highlighted key concerns men had about shaving: it was time-consuming, caused skin irritation and was generally unpleasant. Mach3 promised "the closest shave ever in fewer strokes - with less irritation". Research and development

served as the key value network component supporting this value proposition, as it was crucial to deliver the promised performance. Manufacturing, distribution, marketing and advertising were geared for the global introduction through increased production capacity and aligned promotional material.

With such indifference towards shaving, Gillette had to focus on changing the consumer's attitude, leading to some creative marketing campaigns. For example, the launch of the newest Gillette Mach3 in 2009 was supported by the 'Shave India Movement 2009' campaign which included several initiatives. Gillette created the platform 'India Votes... to shave or not' to support this campaign, which asked three controversial questions: Are clean-shaven men more successful? Did the nation prefer clean-shaven celebrities? And the big one: do women prefer clean-shaven men? For two months, various media channels picked up on the campaign and ran interviews, discussions, editorials and news stories, which triggered popular interest. The main purpose was to create a debate around shaving.

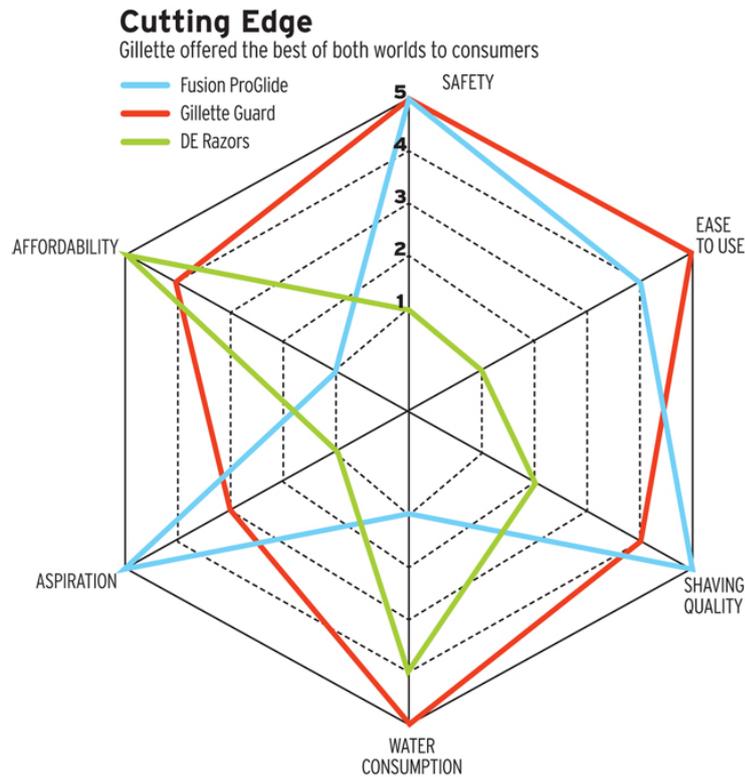
The company created the Women Against Lazy Stubble (WALS) association, where women were encouraged to ask their men to shave, capitalising on their role as influencers of men in this aspect. Gillette recruited Bollywood celebrities such as Arjun Rampal and Neha Dhupia to support the campaign. This innovative way of marketing proved to be effective and as awareness grew, sales and market share increased by 38 per cent and 35 per cent respectively.

Until 2010, Gillette India had been following a strategy of marketing cheaper-end US-developed razors. However, low-income Indian customers who could not afford Gillette's premium price relied on the outdated, but traditional, double-edged razor shaving systems. An estimated 400 million customers not happy with existing market offerings provided a promising growth opportunity for Gillette. Thus, it focused on understanding its customers and the challenges they faced, which required spending hours visiting and interviewing consumers in order to understand the role of grooming in their lives and their needs.

The company realised that apart from affordability, customers also valued safety and ease of use. Those customers' needs would not be satisfied by Gillette's existing offering - most lacked running water, had to manage longer facial hair and sit on the floor while shaving. Nor were they satisfied with the existing double-razor solution as they caused frequent cuts.

Once Gillette understood this consumer segment, the company created a new customised product. Gillette Guard, the first product created just for the Indian market, was introduced in October 2010. It was priced at just Rs15 per razor - less than 35

cents and three per cent of the top-of-the-range Fusion ProGlide price. At Rs5 for a refill cartridge, Gillette Guard met customer expectations on safety and ease of use. Gillette made several changes to Gillette Guard from the traditional razor systems produced in the developed world. Extra blades were eliminated. Gillette Guard's single-blade system does not follow the trend of increasing the number of blades in a razor made for developed countries. Design complexity was reduced. Gillette Guard is a much simpler design with fewer parts to assemble during the manufacturing process. Features such as easy-rinse cartridges and lightweight, ribbed handles were designed. Easy-rinse cartridges help customers save water and ensure the blades are clean, even if running water is not available. The new handle has a better grip, making the experience easier and safer. Safety comb and hang hole in the handle was introduced. Designing a safety comb tackles the problem of frequent cuts, especially for men who are not daily shavers and deal with longer hair. The hang hole was introduced as a response to less convenient conditions and to allow for easy drying and storage.



The research and development process was reinvented to come up with the product tailored to target customers' needs. Simplified design means 80 per cent fewer parts are used in production compared to Gillette Vector. This helps cut manufacturing costs to ensure that the low price does not interfere with the business model's sustainability. Apart from research and development, Gillette also built Guard's distribution network across millions of small local shops, where it was more likely to reach its target customers, rather than bigger retail chains. This ensured a wide distribution reach. Unlike the heavy digital marketing strategies used in the developed world, the campaign for promoting Gillette Guard was based on traditional advertisements featuring Bollywood actors. Additionally, the success of changing Indian men's shaving culture played a significant role in marketing Gillette Guard. As the first product designed for men specifically in this market, Gillette Guard is touted as "one of the most significant product launches in Gillette history".

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