

FMCG spend falls in Jan-March quarter

Anxiety on margins, lower ad rates cited as reasons

SAPNA AGARWAL
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Falling advertising rates and focus on improving operating margins saw FMCG (fast moving consumer goods) companies reduce their ad spending during the January to March quarter, said sector experts.

Advertising and marketing (A&M) spending for Godrej Consumer Products (GCPL) dipped 85 per cent, Marico's ad spends were down by 20 per cent and Emami's were down by 7 per cent. Hindustan Unilever's spending saw an increase of 3 per cent, but as a percentage of net sales, its advertising and promotions spending was down 40 basis points for the January to March quarter as compared with the corresponding quarter of the previous year.

The increase in focus on improving operating margins came as 2008-09 saw input and raw material prices rise considerably. Also, spending meant for the Indian Premier League (IPL) cricket tournament-related ad-

vertising has been shifted to the current (April-June) quarter due to the postponement of the event.

For instance, GCPL recorded an 842 basis points (bps) rise in raw material costs during the quarter as it had not benefitted from falling commodity and raw material prices. Likewise, Marico's raw material costs were higher by 186 bps.

HUL, which is losing marketshare to rivals in soaps, skincare, detergents and oral care segments, has also seen a fall in volumes sold over the past five quarters, year on year. There was 10 per cent growth in the January-March 2008 quarter compared to a year before, 8 per cent growth in the next quarter and so on to 6, 2 and now -4 in the just-concluded quarter. Yet, operating profit margins have expanded a remarkable 300 basis points to 13.8 per cent during the quarter. This expansion, say analysts, is on account of lower raw material expenses and 40 basis points savings on ad spends.

"Falling commodity prices

TIGHT FIST



- Godrej ad spend reduced 85 per cent y-o-y
- Marico ad spend down 20 per cent y-o-y
- Emami ad spend down 7 per cent y-o-y
- HUL's ratio of ad spend to sales down 40 basis points

will benefit some FMCG firms only in the current quarter. Hence, firms like GCPL and Marico have reduced their ad spends as their gross margins were under pressure," said Abhijeet Kundu, vice-president (research), Antique Stock Broking.

Companies have also benefited from lower media spot rates. "For every rupee that companies spend, the returns are 120 per cent," said Ambika Parameswaran, executive director and chief executive officer, Draft FCB Ulka.

Additionally, at GCPL and

Emami, the dip in spends was a conscious decision taken in view of the larger campaigns scheduled for the coming April-June quarter. "We have cut ad spends during this quarter as we gear up for Indian Premier League-related promotions in the coming quarter," Adi Godrej, chairman, Godrej Group, had told *Business Standard* in a recent interview.

Emami is gearing up for the summer months (April-September) with a Rs 60-70 crore ad budget, a sequential increase of over 50 per cent over the

A&M spending of Rs 20.45 crore for the January to March quarter. In the coming months, Emami will air three new television commercials for its Navratna Cool Talc with Shah Rukh Khan and Navratna Oil with Amitabh Bachchan. Besides, there will be a campaign for the Boroplus range with Kareena Kapoor.

"Emami is targeting Rs 300 crore in sales in the summer season. Apart from mass media marketing, we will market directly through door-to-door and in-shop promotions. Other below-the-line activities will also take place in key outlets, colleges, trains and rural markets, supported by massive campaigns in district-level newspapers and the electronic media", said Aditya Agarwal, director, Emami Group of Companies.

In the October to December quarter, Colgate Palmolive, which is yet to announce its results, saw 26 per cent drop in its A&M spend. HUL's ad spend also recorded a marginal dip of close to 2 per cent during the December quarter.

However, Dabur and Procter & Gamble were exceptions, with increased A&M spends of 30 and 47 per cent, respectively, during the January to March quarter. Dabur had launched a food drink, Chayawan Junior, Vatika's enriched Almond Hair Oil and Total Protect Shampoo.