

Brand World

pg 08 **For Emami, small is big**

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FOR EMAMI, SMALL IS BIG

The FMCG major has made a habit out of developing niche segments into money-spinning brands

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Last week, fast moving consumer goods major Emami entered a list of 39 Indian companies named by Forbes magazine as Asia's 'Best Under A Billion.' A week before that, the Kolkata-headquartered firm announced that it is looking at its first overseas acquisition for around ₹1,500 crore. An additional ₹800-1,000 crore has been set aside for a domestic buy in the personal and health-care sectors.

The plans are in tune with Emami's ambition of having six more ₹100 crore-plus brands in its kitty, apart from the four it already has. An overseas buy, say analysts, makes eminent sense as it will take the company closer to its customers in more than 60 countries.

The ₹3,000 crore Emami has been looking at the inorganic route to enter into niche segments for some time now. It has done so in the past. In 2008, it acquired Zandu Pharmaceuticals for upwards of ₹750 crore. The brand, at present, holds 43 per cent of the balm market in the country.

THE WINNING BRANDS

ZANDU

Emami bought Zandu Pharmaceuticals for ₹750 crore-plus in 2008. The brand, at present, holds about 43 per cent of the balm market in the country

NAVRATNA OIL

Emami's largest brand enjoys 48% market share in the ₹550 crore 'cool oil' category and is the fastest growing FMCG brand in the country

FAIR AND HANDSOME

The early-mover advantage in the men's fairness cream market has played out well. The brand has 84 per cent market share

BOROPLUS

Marketed as India's No 1 antiseptic cream, it accounts for 74% of the boro creams segment



isting segments," explains director Aditya Agarwal.

Angel Broking's FMCG analyst Anand Shah supports the theory. "Emami has been able to benefit from the first mover advantage. Sometimes, the market (or segment) needs to attain a certain size before someone wants to enter," he reiterates.

With Navratna Oil, Emami's largest brand that is positioned as a 'therapeutic cooling oil', the company has followed a similar paradigm of developing a niche segment into a money spinner.

Launched in the early nineties, the brand continues to enjoy around 48 per cent market share of the ₹550 crore 'cool oil' category, which incidentally has seen the entry and exit of another domestic major: Marico.

Today, Navratna Oil, which the company claims to be among the fastest growing FMCG brands in the country, faces major competition only from much smaller brands such as Himgange and Rahat Rooh.

"Though we market it as

a 'cool oil', Navratna (Oil) has a wide appeal because multiple brand or product usage across most households is low. We have had competition from domestic majors such as Marico, but have been able to retain market share by remaining relevant," Agarwal adds.

And as far as relevance is concerned, Emami has done a stellar with first flagship brand — Boroplus Antiseptic Cream — that was launched in 1984.

Although the present contest remains between Boroplus and Boroline, Emami's hold of the segment has been scathed previously by big-spending Paras Pharmaceuticals with BoroSoft and BoroNatural, apart from Dabur India's Boro Glow.

Currently, Boroplus, now marketed as 'India's No. 1 antiseptic cream', accounts for about 74 per cent of the ₹269 crore boro creams segment in the country.

Taken together, these three brands — Fair and Handsome, Navratna Oil and Boroplus An-

tiseptic Cream — contribute about half of Emami's total revenues.

But as much as Emami earns from these brands, it spends substantially, too. In 2009-10, around ₹195 crore was invested in advertising and branding, and advertising spend, as a portion of the total revenues, was 18.7 per cent. In the previous year, this ratio stood at 19.3 per cent.

"We use the best available talent for our ad films. We don't worry as long as we get returns and, overall, as a package, this strategy suits us," Agarwal insists.

Indeed, Emami's list of brand ambassadors encompasses a serious chunk of India's A-list product endorsers.

"The company believes in higher celebrity endorsements. With Navratna Oil, sales really started taking off between 2000-2003, when Govinda was brought in as the brand ambassador. Then, around 2004-2005, Amitabh Bachchan came and turned the brand into a national entity before Shahrukh was also brought in.

And, although a higher Share of Voice (SOV), versus Share of Market (SOM), creates entry barriers as in the case of Emami, Pardeshi also feels that distribution has a substantial role to play in the company's success story. "About 40-45 per cent of Navratna Oil sales come from ₹1 sachets, and it is Emami's large franchise base that gives it good volumes. Both celebrity endorsements and distribution are important," said Shirish Pardeshi, senior FMCG analyst at brokerage firm Anand Rathi.

The once small-time manufacturer of ayurvedic medicines and cosmetics has clearly covered a long distance through its small-is-big strategy. In fact, it is making a habit out of entering small, niche segments, developing them into lucrative business propositions and subsequently, spending big on advertising and marketing to retain a substantial share of the market in the face of growing competition.

It did just that with its men's fairness cream — Fair and Handsome — as it carved out a virgin segment from within what is now a ₹1,400 crore fairness cream market in India. The early-mover advantage played out well for the firm, despite Hindustan Unilever (HUL) launching its own variant followed by international rivals Nivea and L'Oréal, with the brand growing at a compound annual growth rate (CAGR) of 32 per cent.

Fair and Handsome has become a ₹100 crore-plus brand with 84 per cent share in the ₹137 crore domestic men's fairness cream market, according to Emami's annual report. Analysts, though, peg the market domination at 60-65 per cent.

"We were the first to launch in this segment, and although HUL came up with a strong campaign, they were not able to crack it. I don't think MNCs (multinational corporations) have considered these markets as much we have. They don't want to enter small or non-ex-



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DIRECTOR, EMAMI