
Customer Barriers And Product Disposition In Probiotic Market- A Case Study Of Yakult In India

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Abstract

Probiotics are bacteria, which when consumed as food enhance our digestive system as well as immunity. Probiotics market in India is at a nascent stage, and for Probiotic giants like Yakult who have established a great empire in other Pacific and Asian countries, to establish in the Indian market would require an analysis of consumer demands and strategic means to break past these consumer barriers. This study, covers the various challenges faced by Yakult while creating ground in the Indian market, and the various marketing strategies adopted by them while dealing with these challenges. Also, this study reviews the impact of the subsequent marketing strategies of Yakult on the Indian population.

Keywords: Probiotics, Yakult, consumer barriers, marketing strategies

Introduction

With the Indian market and the disposable income of the middle and upper class growing, the consumption for new and better products is increasing, bringing new and global products to the lucrative Indian Market. One such market is the Food industry, which is becoming the hot spot for investors as increased money flow has taken a paradigm shift of customers from disease specific medication to preventative therapies. Yet

there are certain barricades that hinder their smooth growth in the new Indian market. In order to penetrate this huge market, it is essential for the companies to identify these barriers and bring about certain marketing innovations which can dissolve these barriers.

Yakult, the focus of this study, is one such company. This company is a global leader in the probiotic drinks market with a large range of probiotic products using bacterial strains. Being a pioneer in probiotics, Yakult has astounding research capabilities and product technologies in the field of intestinal bacteria as a factor in health maintenance. The worldwide market of probiotics is centered mainly in the European and Asia Pacific markets, of which the Indian market, till 2007, had not been explored. Yakult began marketing its probiotic product in India in 2008, when the Indian probiotic market was enjoying its infancy. But to create a market share in India, similar to its global market, it needs to develop some strategies through

Industry overview

The global probiotics market is expected to be worth \$32.6 billion by 2014, with the Europe and Asia accounting for nearly 42% and 30% of the total revenues respectively, while the Indian Probiotic Industry accounts for less than 1% of the total world market turnover as published in a new market research report, 'Probiotics Market' (2009-2014), by Markets and Markets. But this

industry is progressing at a steady pace and the Indian market is emerging as a major probiotic market with an indicative annual growth rate of 11% until 2015, with a few players like Amul, Mother Dairy, Nestle and Yakult, trying to capitalize on the cheap labour and large availability of raw materials like milk powder and raw sugar that India provides. The first probiotic product in India was launched in 2007, with Amul's probiotic ice-cream. With Amul achieving success with its probiotic ice-cream, it then launched probiotic lassi. Probiotic products contribute nearly 10% to its ice-cream sales and 25% of its Dahi (Indian yoghurt) or pouched Lassi sales. Mother Dairy's b-activ probiotic dahi, b-activlassi, dahi and Nutrifit (strawberry and mango) contribute to 15% of turnover of their fresh dairy products. Nestle too has launched probiotic milk in various flavors, named as Nesvita and Actiplus. Yakult, a new player in probiotics market in India, started in January 2008, is slowly gaining popularity through its Fermented Probiotic Milk. According to Indian Consumer Survey, 2010, 62% of the market share of probiotic products in India is occupied by milk and fermented milk products.

The entrance of Yakult in India, is seen to increase the visibility, awareness about probiotics in India and the growth of probiotic industry in India. The increase in ageing population and pharma retail growth, the growing in-hand money, acceptance of preventive medication and self-medication by few people, are factors that can enhance the growth of this market. Indian economic survey, 2010, indicates that the Indian per capita income has risen from to Rs. 48,856 from Rs.22, 792 in 1991, increasing the dispensability of money towards this sector.

But it still has a long way to go before it can achieve a similar feat as the global market, primarily because of the myths that surround probiotics. One of the foremost being the belief that 'bacteria is bad' and 'the attitude to health being reactive than preventive', The strong and ignorant belief existing in the Indian culture that natural foods like curd, milk, lassi provide the required immunity which the probiotics claim to deliver, are all factors that restrict the incoming probiotic companies from seeping within the Indian market. Another huge hitch in the establishment of probiotic market in India is the specific requirement of refrigeration conditions for the product, which is missing in most of the Karyana shops in the market, especially in the non-metropolitan cities, thus restricting the product's market. Thus, cold-storage of probiotic products becomes a constricting factor. Distribution costs of the products and inter-state taxes too add to the costs of the companies. Another factor influencing the buying decision of Indian customers in buying the product is their taste consciousness as well as the physical appearance of the product, its packaging and color. Once the product is disliked, there is very less probability for trying that product again and also they have inclination towards multiple product flavors. As this industry enters into its growth stage, new players are emerging who are trying to cash onto the name of probiotics falsely and the lack of standardization and regulations by the government is bringing abuse to this industry.

Company overview

Yakult was first launched in Japan in 1935 by Dr. Minoru Shirota, a Japanese scientist, who isolated a probiotic strain which when reaches the intestines alive, imparts healthy benefits to the consumer.

Yakult's benefits have been improving health of 30 million people in more than 30 countries every day. In India, Yakult-Danone India, a 50:50 Joint venture between the leading probiotic manufacturers in the world, Yakult Honsha, Japan and Danone Group, France was launched in 2008. The company's first plant was set up in Sonapat, Haryana, which produces about 200,000 bottles per day, with the plant functioning 2-3 days a week to meet their current sales demand. The Yakult fermented milk drink was first launched in January 2008 in Delhi NCR and then expanded to Mumbai in September 2009, Bangalore in August 2010 and Hyderabad in February 2012, as Yakult Danone India established sales bases in these major cities. Yakult is currently delivered to households or sold at retail stores in most of the metropolitans of India and as of December 2011 the number of stores selling Yakult totaled about 2,100 stores and Yakult Ladies numbered around 230. They chose Delhi as their first market, as it being a metro city was the most suitable market and provided various facilities like availability of fresh water, cold storage, efficient distribution system, educated population etc. and then expanded their markets to other similar cities. The dispersion of Yakult in these cities has been successful because of their unique marketing strategies. Yakult uses the two-point strategy to crack the Indian market, i.e., both ATL and BTL form of promotion is done. Before entering the Indian Market, Yakult utilised Print media i.e., magazines and

newspapers like HT Brunch, India Today, Prevention, Good Housekeeping, GrihShobha and Readers Digest, to its fullest in breaking the barricades of unawareness amongst Indian consumers about probiotics, thus creating a base for Yakult before launching its product in the Indian market. Yakult has also roped in famous Bollywood Actress Kajol Devgan as the brand ambassador for its product. The target population of Yakult includes urban households SEC A&B of age group, 20-45 years, primary focus being women, as they are more health consciously evolved, and young adults. But what has worked the most for Yakult are their unique BTL strategies. Their special sales agents team, popularly known as the 'Yakult Ladies', is a team of 250 ladies across various cities of India. Yakult ladies promote probiotics and are provided scooters with chiller boxes to deliver their products from door to door without any spoilage and are responsible for 50% of the total sales of Yakult in India. Women are preferred over men for this job as it is believed that women are more health conscious and can thus effectively communicate the benefits of the same to their target group, which mainly comprises of women, who are also believed to be responsible for the health of their families and are also more accepted by families, thus establishing a bond with the customer. This team works with the motive of creating brand visibility at the doorsteps of the customers, generate trials, grow awareness about the probiotic category, their relevance and involve in high levels of customer engagement. Yakult believes in the philosophy of building and maintaining customer connect, which they accomplish not just by their team of Yakult Ladies, but

also through other BTL activities like sampling at various events, shopping malls etc. They have also conducted several workshops and lectures over the years in various schools and colleges like IIT Delhi to create a youth market for their product and creating awareness through BTL means. Also, they conducted radio and in-between ad campaigns for brand recall. As the industry is entering its growth phase, reasonable pricing is a tool which is helping it compete with other big, Indian players like Amul, Mother Dairy, etc. in the probiotic market. Yakult believes in the daily consumption of their product for maximum benefit, and so does not retail variants with artificial flavors, bringing it in a face-off with the mindsets of Indian, who prefer multiple flavored products. This unique journey of Yakult in India, won them the 'Frost & Sullivan Emerging Company of the year' Award in 2011 in the Indian food and beverage market.

Product Overview

Probiotics are beneficial microorganisms like gut bacteria which have been proven to improve the overall health when taken regularly, by improving the intestinal microbial balance. They play an important role by serving as a major line of defence against invading pathogens, improving digestion, enabling suitable absorption of nutrients and producing vitamins such as Vitamin K. They have been used to modulate immunity, treat cancer, diarrhoea, constipation, obesity, lower cholesterol, and improve lactose intolerance. The star product of Yakult is a 65 ml bottle which contains over 6.5 billion beneficial bacteria (*Lactobacillus casei* strain Shirota) which imparts gut health and improves immunity. It does not contain any preservatives, colorings, stabilizers, or conditioners, which can easily catch the

attention of people seeking a healthy lifestyle. Heating of milk and sugar imparts it the color that Yakult has. It is fat free and contains 0% cholesterol and has a low Glycemic Index which means that the sugar in a Yakult drink enters the bloodstream gradually and does not increase blood glucose levels rapidly. The bacterial strain, *Lactobacillus casei* imported from Japan, while other raw materials like milk powder and sugar. This world's number 1 probiotic drink, is sold in India at the price of Rs. 55/pack (set of 5 bottles), and requires refrigeration for maintenance of its bacteria. The shrink wrapped packs in which these bottles are available all have a picture of an Indian family on it, appealing to the traditional and collectivistic Indians, yet the packaging appears dull and non-attractive to the Indian consumer. Along with it is a slogan of, 'Daily piyo, healthy jiyo', insinuating their motto of general health.



Figure 1- Yakult's Probiotic Drink

Emerging Scenario

The success of Yakult in the global arena is world renowned, yet establishing a strong foothold in the Indian market, is still a long journey to be covered. The Indian market which has big Indian dairy giants like Amul, Mother Dairy stepping in the field of probiotics, and launching probiotics in the food category, has paved way for other international players like Yakult-Danone, to also land in this market. The probiotics in the pharmaceutical sector have been established, but in the food category, they still need acceptance from Indian people.

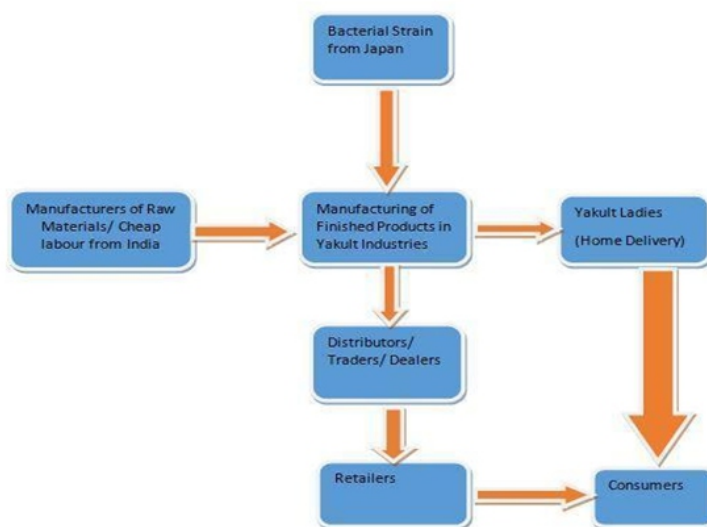
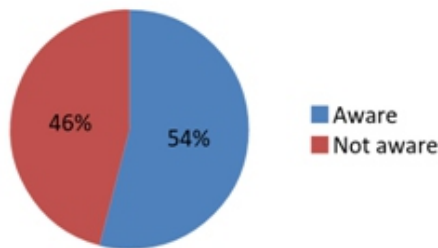


Figure 2- Typical Supply Chain Management of Yakult Company in India

Unlike other FMCG companies, the company's unique marketing strategy comes into focus with its home delivery system through Yakult ladies, who are not only responsible for generating sales but also for creating awareness among a major section of society and thus, needs regular attention. The company's major concern are the retail outlets as its product requires 24*7 cold storage facilities as the product has low shelf-life and thus the options are very limited.

Based on a survey done on a sample in Delhi comprising of Yakult's target population (young adults and household ladies), awareness levels of probiotics among the people were recorded (see APPENDIX). Approximately half of the target subjects are still unaware of the benefits of probiotics in a metropolitan city like Delhi. Moreover, Yakult's promotional campaigns are primarily based on improving general health which deprives them of approximately 30% of the target population. Use of fear marketing can play a critical role in this field for the probiotics market in India.

Heard of Probiotics : College students and Household Ladies



Use of Probiotics for General Health vs Use of Probiotics against a disorder

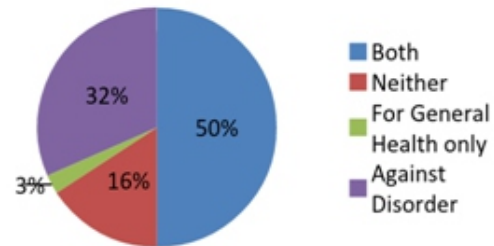


Figure 3- Graphical Analysis of Probiotics among its Target Population

Based on the same survey, the popularity of various probiotic companies in India were also measured. Surprisingly, Yakult here is leading by a big margin over its competition while Yakult's market share of the probiotics market in India tells a completely different story. Thus, it would be safe to tell that Yakult has been able to create more awareness about its product in its niche category of target population than any other probiotic company. But still there is a large section of targets still left where Yakult has not been able to reach.

Popular Probiotic Companies among youth and women

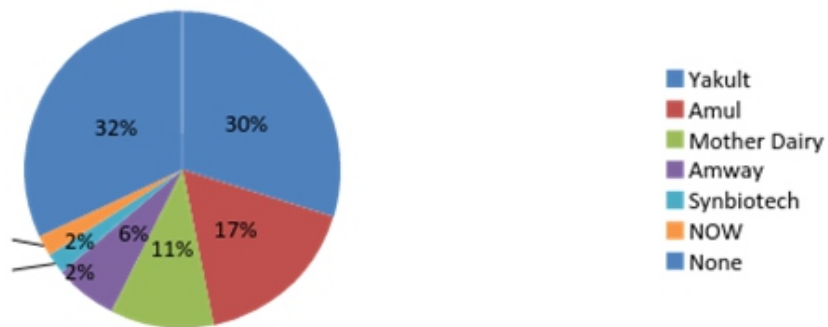


Figure 4- Leading Companies in the Probiotics Market in India