Marketing

Regional Brands in India, the way ahead

Dr. Vivek Sane
Director,
SIBM, Pune
Email: director@sibm.edu

Dr. Rajesh Panda
Deputy Director,
SIBM Pune
Email:rajeshpanda@sibm.edu

Introduction:

'Can regional brands survive amidst tough competition from national and Global brands', this has been a topic for discussion for quite some time. But, in the present era of global downturn, one segment in India that may reap the benefits of this recessionary climate seems to be the regional brands.

Regional brands becoming a threat to national brands:

In many product categories one can see the emergence of very strong regional brands at the number two or three slots. In last decade or so these regional players are taking the fight to the more experienced marketing companies. These small and medium brands have been giving sleepless nights to their multinational counter parts , be it a Cavinkare in the south , or a Ghadi detergent in UP or WaghBakri tea in the west . Small and regional brands score because they are often close to the market, respond faster to changes and are willing to learn from mistakes. Most of them have struggled to make the transition from local to national. Some have managed to do it well, while others have struggled to shed their regional image.

Waghbakri tea is a known name in the Gujarat. It is the market leader in that state with a 45 percent market share. In recent years, however, the brand has been attempting to go national moving to neighboring states such as Rajasthan, Madhya Pradesh, Maharashtra, Goa and Delhi.

CavinKare, despite being strong player in hair care with total share of 20 per cent in shampoos, the Chennai based firm has struggled to shed its regional image. This Chennai connection, as industry sources describe it, has even prompted CavinKare's chairman and managing director CK Ranganathan to consider shifting base to Mumbai in an attempt to acquire a national footprint. Ranganathan insists that some of his company's brands such as Nyle and Chik shampoos are national brands, which are stronger in the north than the south. "Only MeeraKartikeya shampoos are southern brands."

Delhi – based Fena (detergent/bar maker) or Kolkatta – based Safed or Punjab based Bector Foods, the maker of the Cremica brand of food products, all of them have the same problem – a strong regional identity – say market experts.

Regional brands typically take on well-known, established brands by pursuing a flanking strategy which can be of two types - geographical or need-based. In a geographical attack, the challengers identify regions where the opponent is underperforming. The other flanking strategy is to serve unfulfilled market needs. The essence of a flanking strategy is identifying shifts in market segments that are causing gaps to develop, moving into the gaps and developing them into strong segments. Flank attacks make excellent marketing sense and are particularly attractive to challengers with fewer resources than their opponents. This is how Nirma has become a national brand, even though no one gave it a chance when it took on HLL.

Various factors have contributed to the rapid emergence of challengers in the past decade. In many product categories, technology is easily available. It is no longer the exclusive preserve of established players. Moreover, many entrepreneurs today are qualified tech-savvy people, if not technologists themselves. They understand the importance of technology. Earlier, resources were a constraint. So established brands created high barriers to entry. But today even if the entrepreneurs don't have money to back their plans, angel investors and venture capitalists are around to fund them. The smaller brands have also started delivering on the quality front. No longer can national brands pose as the sole guardians of quality. Probably the biggest strength the smaller brands bring to the table is that they are often close to the market and respond to changes faster. They are typically managed by more entrepreneurial teams which are flexible and willing to learn from mistakes.

Some of the success stories:

The 40-year-old **Anchor group** made only switches during the first 30 years. Later, it diversified into lightings and luminaries, miniature circuit breakers, PVC wires, fans, mixers and irons. Realising it had a strong retail network, Anchor decided to enter the toothpaste business. The company went about identifying a unique selling proposition (USP) and found one which would never have occurred to an MNC - vegetarian toothpaste..

The **Parakhs** started with a *dal*-and-*besan* mill in 1964. In the '90s, the business reached saturation point. Sensing little scope for expansion, they looked at new commodity-based businesses. With the Samrat brand for gram flour, semolina and wheat flour already established, the company launched Samrat edible oil, keeping its price low, while maintaining quality. Soon, another brand, Gemini, was introduced for refined sunflower oil.

Adani Wilmar's Fortune oil comes from the Rs 10,000-crore Adani Group. The Adanis formed a 50:50 joint venture, AdaniWilmar Ltd (AWL), with Wilmar Trading, Singapore.

Fortune , today is one of the leaders in the edible oil market.

The **Dainik Bhaskar** group entered the salt business to leverage its strengths in distribution. Bhaskar salt has targeted housewives with its catchy advertising campaign that describes the salt as natural, free-flowing, iodised, super-refined and hygienic. Bhaskar salt's USP is "India's first taste-enhancing salt." The company's message to customers is "Bhaskar salt is the purest, whitest and most consistent salt. So when you buy Bhaskar salt, you are buying health and happiness for your family." The brand is being promoted using outdoor media, point-of-purchase displays, print ads and cable television network. In the rural areas, Bhaskar is trying to expand its market by eliminating the use of unbranded salt.

Vi-John is a good example of low-profile Indian brands that have stood their ground against multinational onslaught. The Rs 500-crore Vi-John Group also has interests in real estate and liquor, but is best known for its fast-moving consumer goods (FMCG). In the ever growing male grooming market, sophisticated brands such as Gillette and Axe may be more visible, but in the basic category of shaving creams, Vi-John still sells more than many other competitors.

Mapro, a fruit product manufacturer is another example. Based in Panchgani, a strawberry-growing hill station in Maharashtra, it has developed a radically different product from bigger rivals in the confectionery segment, and plans to expand operations beyond western India.

The list for successful regional brands goes on like this: Sosyo, a soft drink brand, and Havmor ice cream, both popular in Gujarat, soft drink maker Kalimark and Sakthi Masala from Tamil Nadu, Himgange herbal products from Uttarakhand, and K.P. Namboodiri's oral care and other products from Kerala etc.

One more threat for the established brands is the store brand or the private label. Many large retail chains are sourcing items from original manufacturers and in some cases making them on their own. They don't have to bear heavy advertising and promotional expenses. The store label signals quality and consumers are attracted by significantly lower prices. These are not regional brands in the sense that they are sometimes found all over the country. But their strategy closely resembles that of regional brands.

The established brands cannot afford to sit idle in the face of this threat from regional brands and private labels. They need to do a lot of soul-searching and keep reinventing themselves so that they do not leave any flanks uncovered. That calls for both smartness and hard work on the part of the owners of these brands to segment markets carefully. While the upper end of the market can be targeted in the traditional way, at the lower end, they must come up with an innovative business model that can break even at much lower prices.

But the struggle is not yet over for many regional brands:

Not all regional brands compete at national level. Increasingly, smaller entrepreneurs are looking at the sell option once they have made a reasonable image of their brands in an area. Why are these smaller brands up for grabs? So the debate carries on: does size matter? As always there are two schools of thought, one of which says that bigger need not be better, who lead us to believe that staying small and focused is all that matters, size doesn't. But what's the other side of the argument, why is size believed to be important? After the initial spurt of growth and the first taste of success in their home geographies, these under-the-radar operators have to spread out. "Scale is important and critical as it brings the overall cost down," says BimalArya of Karamchand, the manufacturers of the Allout brand.

Looking at the case of of Captain Cook, the DCW Home Products owned salt brand had quickly captured 20 per cent of the branded iodized salt market and was then sold off. The owner, SC Jain admitted to a magazine: "I concede defeat. I don't have the staying power needed to compete in the foods business." HLL and Tata made life just impossible for Captain Cook — a demonstration of what sheer size can do to the regional brands.

Also, the regional mindset sometimes inhibits growth. A local locus, be it on product or distribution doesn't allow growth into a national brand. Often the success of the brand has to do with local consumer behaviour, so it becomes tough for the brands to become a national success. This is especially true in food categories where eating habits and tastes can differ widely by region —so taking a brand national needs to be done carefully. Some of the small brands are owned by closely held family-run businesses, where decision makers often do not have the professional competence or skill-set to take the brands to the next level. "Will and skill of the decision-makers can often be the deciding factor in the success of a small brand," agrees JagdeepKapoor, Managing Director, Samsika.

Regional brands taken over by national/global companies:

1. Reckitt Benckiser bought D'cold and Moov, Itch guard , Krack&Dermicool brands from ParasPharma
2. Captain Cook salt being taken over by HUL (Annapurna Salt)
3. Uncle chips is being taken over by Pepsico Foods (Lays).
4. Chandrika soap being taken over by WIPRO.
5. Mangola being taken over by Pepsi.
6. Good night mosquito repellent brand is being taken over by Godrej.
7. MTR is being taken over by ORKALA NOWEGIAN COMPANY.

National Brands fighting back:

National brands are also gearing up to the threat of the regional brands. Reckitt Benckiser bought home-grown ParasPharma for an astounding Rs 3,260 crore in 2010. Hindustan Unilever Ltd (HUL) launched Brooke Bond Sehatmand for low-income consumers, to compete with regional tea brands such as WaghBakri, Girnar and Sapat. Sehatmand was specifically meant for down-trading consumers - those who shift to less expensive brands based on economic considerations - in Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh and Uttar Pradesh. HUL also launched

Ruby, a tea brand specifically for the Karnataka market.

Recessionary trend, does it benefit regional brands:

The present recessionary trends make companies to cut costs, and under such circumstances nothing takes the axe quite like the marketing and advertising budgets. So big brands trying to hold back expenditure on marketing and advertising gets coupled with consumers trying to trim their spending. This may be a good opportunity for regional brands. As national brands are forced to break their connect with consumers, the latter will turn to regional brands, which almost always offer better value for lower price. But are the big national brands just going to sit back and watch? The obvious strategy for them would be to continue to focus on reinforcing brand values and maintaining the consumer connection. Yet, the fact remains that after a year of rising costs and declining profits, concepts such as brand equity and consumer connect begin sounding too abstract, and cutting cost sounds more pragmatic.

So the slowdown brings huge opportunity for regional brands. There is a chance for them to get a foothold in the consumer mind-space, slowly but surely nudging out the big national brands. They should improve product quality, bring packaging up to speed and pump up distribution. Nothing will connect with consumers quite like "value" in this trying time and this is what the regional brands need to shout about. Over all the regional brands mustn't ignore that 't**he biggest strength of the regional brands is that they are regional'.**

Concluding Remarks:

India, with so many diversity would predominantly be a market of regional brands, because the regional differences within the markets is too great to be catered to by one or two national brands, though the phenomenon is yet to manifest itself fully due to the lack of economies of scale at regional levels, but in the future as these regional markets mature so would brands catering to them. However, regional majors quite often do not have the management bandwidth to look at a national play. Quite often there is not enough investment made in the kind of people who can look to take them national that can be a big impediment in making regional brands grow bigger and compete with national brands at a bigger level. So the struggle is on for the regional brands to go national, some cherish, but few perish with the competition.

References:

1. http://www.livemint.com/2009/02/25223304/Time-for-regional-brands.html
2. http://rajeshaithal.blogspot.in/2009/08/regional-brands-in-india-gaining-over.html
3. Vedpuriswar, VA., 'The rise of Regional Brands' http://www.thehindubusinessline.in/ catalyst)
4. http://businesstoday.intoday.in/story/small-local-brands-compete-wth-big-multinational-firms/1/184592.html
5. http://www.regions.qld.gov.au/dsdweb/v4/apps/web/content.cfm?id=8240