Marico doubles down on digital channel

After tasting early success with Studio X, the company is working to offer more products in varying pack sizes and at diverse price points

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Fast moving consumer goods (FMCG) company Marico took a bold bet when it introduced its first digital exclusive brand Studio X in May last year. Ten months on, the company's bet appears to be paying off with its e-commerce business growing four times between then and now. Online sales account for over 3 per cent of the company's overall domestic business at the moment. For the third quarter of 2019, the company reported revenues of ₹1,861 crore, logging a year-on-year growth of 15 per cent. So far, it has clocked more than ₹150 crore of sales through e-commerce in FY 2019. The company aims to cross the milestone of ₹300 crore in the next couple of years generating 4-5 per cent of its business from e-commerce. Marico already has an edge over its counterparts with digital sales for the rivals like Dabur and others estimated to contribute around 2 per cent of their overall sales turnover.

Marico's push to bolster its e-commerce channel stems from the increasing influence digital seems to have cast on the new-age consumer. It is estimated that 40 per cent of all FMCG consumption in India will be online by 2020. The online FMCG market is forecast to reach $45 billion in 2020 from $20 billion in 2017. Indeed, there is a lot of headroom for FMCG companies to grow both offline and online. According to India Brand Equity Foundation, revenues of the FMCG sector in India reached $52.75 billion) in FY18 and are estimated to reach $103.7 billion in 2020.

The key to unlocking the potential of the digital sales lies in creating differentiated offerings for buyers who are both aspirational and self-assured about their brand choices. "The challenge in selling online is that one cannot sell the same product that one is selling in offline trade as this will lead to cannibalisation. The product proposition for selling online has to be sharper and the offerings have to bring in incremental sales," says Saugata Gupta, managing director and chief executive officer, Marico.

Understandably, cannibalisation is a common concern for a lot of players who are venturing online from the offline space. If there is little or no product differentiation in the two sales channels, product margins are bound to be hit. Brands also need to understand that the consumer journey has become seamless. A consumer today hops on and off to/from the e-commerce channel depending on her convenience, product promotions and brand communication, says Ranjeet Kumar, CEO, Team Pumpkin, a strategic brand consulting firm. Therefore, at this point, cannibalisation should not be a concern for players looking for incremental sales from selling online. "The key strategy here should be to target customers who may have moved to competing brands and other modes of buying, thanks to the digital revolution. The objective should be to bring them back to Marico. And while some cannibalisation is bound to happen initially, in the long run, it will only add to incremental sales," adds Kumar.

Marico launched a digital-only brand — with Set Wet male grooming products — last year

Having taken the lead in launching a digital-only brand — with Set Wet male grooming products — last year, Marico has consolidated its e-commerce brands portfolio by introducing a slew of new offerings. The company's digital-first and digital-only brand list now includes products such as True Roots botanical hair tonic, Saffola Fittify, Coco Soul virgin coconut oil, Parachute Advansed Coconut Crème range, Set Wet Global Edition perfume sprays, Parachute Advansed body oil and Parachute Advansed body gel.

Marico is present on platforms such as Amazon, Flipkart, BigBasket and Grofers. The company has identified categories such as male grooming, premium hair nourishment and foods (soup etc) as the key growth drivers. Gupta says to succeed in e-commerce, one need to innovate at a faster pace. There will be failures along the way but the good thing is, the digital channel allows one to take quick calls in case something is not working out. In the traditional sales channel, owing to the scale of operations, revisiting decisions is time consuming and costly. That apart, to keep consumer interest high, a company has to keep multiple experiments going on at the same time. What this means is that to sustain a business online, the number of product launches has to be higher as compared to traditional brick and mortar model. So, the team at Marico needs to be more agile and proactively work at making product lifecycles shorter.

According to Marico's Gupta another key difference in selling online is that in comparison to the offline model, fill rates in the online space are lower. Given that, it is important for the company to bring in saliency in the supply chain and keep it flexible. All this calls for the use of better forecasting tools and consumer analytics models.

Besides beefing up its digital brands portfolio, Marico is making sure it offers different pack sizes to ensure there is no channel conflict.

Industry experts acknowledge the need for players to maintain competitive pricing and product differentiation while catering to the two sets of consumers — online and offline. Since the use of Marico products is habit-driven, bundle discounting could be one of the options for the company to move ahead, suggests Kumar of Team Pumpkin. "The company can study the correlation between various products purchase patterns and make a bundle of items that are frequently bought together and offer package deals on them," says Kumar.

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