

Marico turns to hair oil sachets to counter rural slowdown

For the packaged products sector, sales hit a five-year low in the quarter ended December, forcing firms to innovate

f Share

Tweet

in Share

g+ Share

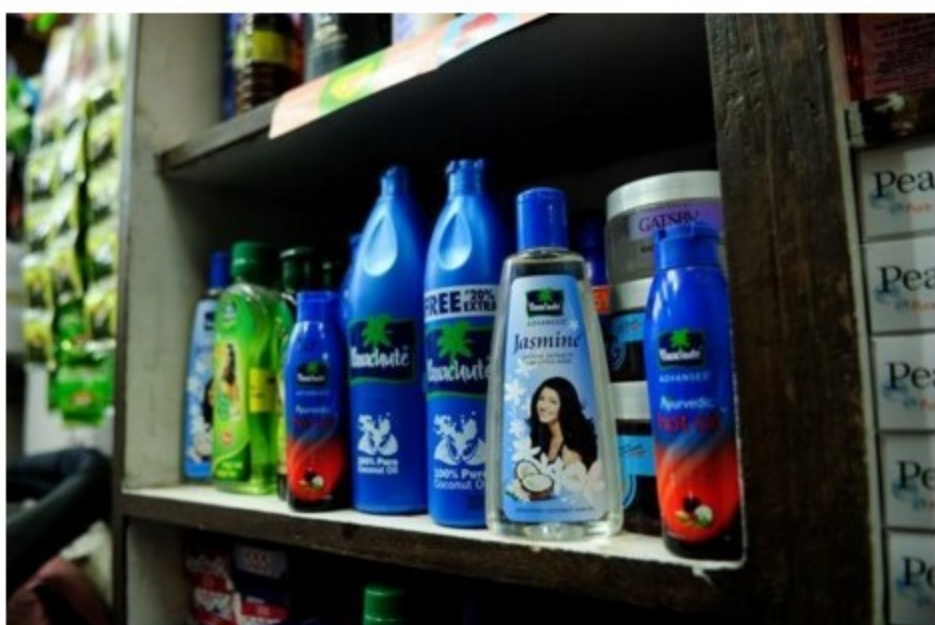
Reddit

Enter your email

0

Newsletter

Sounak Mitra



A file photo of products made by Marico Ltd. Photo: Pradeep Gaur/Mint

New Delhi: In the consumer packaged products business, sometimes smaller is better, especially when sales are slowing. Two consecutive below-normal monsoon has affected rural incomes and demand.

For the packaged products sector, the sales hit a five-year low in the quarter ended 31 December, forcing companies to innovate.

To revive sales, companies such as Mumbai-based Marico Ltd and Kolkata-based Emami Ltd have started selling single-use sachets in product categories such as hair oil.

Marico recently launched 15-ml sachet priced at ₹5 to push the sale of its hair oil brand Nihar Shanti Amla. The oil brand has an estimated market share of about 37% in volume terms in the Amla category, according to a report by brokerage firm Edelweiss Securities.

The company has been reporting slower growth during the past few quarters. Its net sales grew by 2.9% in quarter ended September and growth in net sales stood at 7.29% for the December quarter, according to its BSE Ltd filings.

"The next level of growth for Nihar Shanti Amla will come from deeper rural markets where affordability is a challenge," said Anuradha Aggarwal, chief marketing officer at Marico.

With its ₹5 sachets, Marico aims to "provide these consumers with a first-of-its kind packaging solution in hair oils, which is more affordable and accessible", said Aggarwal.

Meanwhile, Kolkata-based Emami Ltd has come up with a Re1 sachet that contains 2.7 ml of its Navratna cool hair oil. Emami has sachets priced between Re1 and ₹5 for most of its products, primarily aimed at the rural markets.

Sachets, popularised by shampoo products some 20 years ago, work wonders in rural markets as price points are more important than the quantity because of the affordability factor, said an executive at Emami.

"We, at Marico, are continuously finding newer ways to innovate in our offerings to consumers and this is one such example," said Aggarwal.

Marico's attempt to revive rural growth can pose a threat to its competitors. New Delhi-based Dabur India's Dabur Amla is considered the market leader in the Amla hair oil category. Dabur sells small bottles for Amla hair oil priced at ₹20.

"This can be a potential threat to the leader in the amla category," said Abneesh Roy, an analyst with brokerage firm Edelweiss Securities.

Meanwhile, most of the packaged consumer goods companies have slashed prices by up to 10% during the past quarter as raw material prices came down.

The raw materials cost index for consumer companies dropped 0.7% over the preceding month and was 3.8% lower than a year ago, according to a report dated 1 March by brokerage firm Religare Securities Ltd.

Companies expect demand to pick up, including in the rural markets, in the second half of 2016 following the government's rural thrust in the Union budget.

"Most of growth in rural markets came from geography expansion, and not same-store growth in the recent quarters. The challenge in rural areas is to get new customers. Single use sachet is one of the most efficient tool that brings fresh consumers," according to an executive at GlaxoSmithKline (GSK) Consumer Healthcare Ltd that has been selling single-use sachets for its health drink Horlicks in parts of south India.