QZ&A

# The maker of India's popular Parachute Oil believes men's grooming products are the way forward

By Sangeeta Tanwar • November 26, 2019


MARICO LIMITED.

Room to grow.

As with all Indian consumer goods firms, homegrown major Marico has been hit by India's recent economic slowdown.

The Mumbai-based company, which boasts fast moving consumer goods (FMCG) brands like Parachute Oil, Hair & Care, and health care brand Saffola, had a "soft" September quarter. The firm's consolidated revenues fell marginally to Rs1,829 crore ($254 million) in the period, compared with Rs1,837 crore a year ago. Domestic sales volumes, meanwhile, grew a meagre 1%.

"The economic slowdown has contributed to distress, particularly in rural consumption," Saugata Gupta, Marico's managing director and CEO, told Quartz India. "The liquidity crunch has resulted in lower uptake of products."

In an interview, Gupta spoke about how the firm is battling slowdown blues by seizing "bottom-of-the-pyramid" opportunities in rural markets. Edited excerpts:

**What's the kind of hit has Marico taken due to India's recent consumption slump?**

Demand in rural markets, for the industry as well as Marico, has been in distress. We had a soft second quarter (July-September 2019). The company's international business, though, has provided some respite. Revenue from overseas rose 8.29% to Rs431 crore in the three months.

**Do you see a quick recovery in the market? What are the factors that could boost consumption demand for the FMCG sector?**

We are hoping that the slowdown is temporary. The recent announcements made by the government could drive FMCG sales in the short- and long-term. For example, the move to transfer money (Rs6,000 per head) directly to farmers' bank accounts is a welcome move, as this will help enhance their purchasing power. The decision to cut corporate taxes, too, could help drive investments from companies and lead to more consumption.

**What are the measures you are taking to deal with the slowdown?**

MARICO LIMITED.

Saugata Gupta.

We are taking measures to boost sales. The company is focused on expanding its reach in both rural and urban markets, and ensuring that relevant products are available at the right price points.

In line with our long-term growth targets, we have been focusing on advertising and marketing campaigns to drive demand.

Despite the slowdown, we continue to seize bottom-of-the-pyramid opportunities in rural markets. In the past, we have seen consumers gradually moving up the value chain by upgrading from unbranded to branded products. I think this phenomenon will continue in rural markets.

**What are the segments Marico is focusing on?**

Our long-term strategy is to drive premiumisation. Male grooming and health food continue to be focus areas.

Our brand Set Wet Studio X is doing well, given the growing demand for male grooming products such as hair gels and waxes. We have expanded our men's grooming portfolio by launching Set Wet hair serums in two new variants. They are now available in 20ml and 100ml packs, priced Rs59 and Rs199, respectively.

We are also betting big on healthy snacking segment. Marico is pushing its healthy and ready-to-eat product portfolio, which includes Saffola Masala Oats and poha. We have been working towards taking Saffola ready-to-eat products to more stores in cities such as Mumbai and Delhi. The products are also available online on platforms like Amazon and Flipkart.

**The ready-to-eat segment is a crowded space. How do you deal with competition?**

Healthy snacking is a growing category. Changing lifestyles, including the younger generation's busy work-life, is driving demand for convenience food like ready-to-eat products. The market is big enough to accommodate multiple players.

Ready-to-eat is a western concept and penetration of such food in India is low. To stay relevant, one needs to innovate and provide healthy and nutritious products at the right price points. Identifying the right distribution channel to sell these products, is equally important.

**How big is your focus on driving sales through e-commerce platforms?**

Online is an important medium for us. It accounts for 3-4% of our sales as of now. We are focused on driving our sales online through premium assortment. In doing so, we are careful that there is no cannibalisation of traditional sales. Our men's grooming products are doing well online. Ready-to-eat food products also sell well on e-commerce platforms.

The challenge lies in striking a balance and ensuring how to grow the business through traditional and modern trade, which includes the digital channel. We need to specifically answer the question: how do we go about aligning our product portfolio with digital.

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