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Case Study: P&G Shampoos Need Conditioning

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The shampoos till 1987 were, in general termed as cosmetics and were linked primarily to beauty care. They were available in staid glass bottles. It was the packaging innovations-especially sachets-post 1987, which expanded the market. The fact that penetration of many FMCG products is still at levels that are considered low, is itself an indicator of the potential demand for such products. The example is of the Indian shampoo market (estimated size is Rs 3000 crore approx.). The per capita consumption of shampoo estimated at $0.6 of Shampoo Market in India is experiencing a battle for supremacy. The increasing competition can be attributed to the attractive market structure, changing consumer perception towards shampoo usage and last but not the least, the untapped potential in the market.

Industry Profile

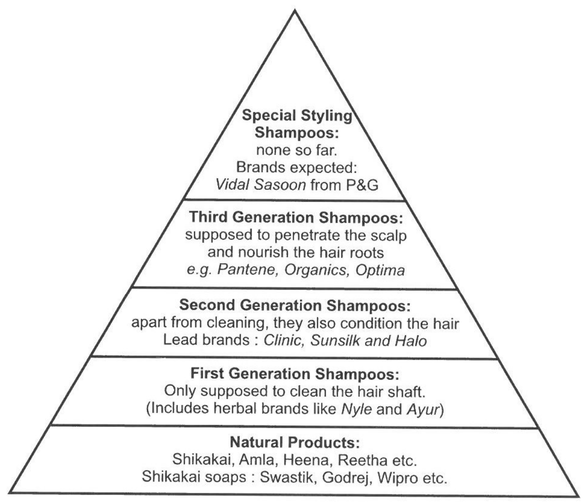
The size of shampoo market in India is approx Rs. 3000 Crore. Major market share (approx 40%) is covered by Sachet Sale. There are various types of shampoos in the market such as cosmetic (shine, health, strength), herbal and anti dandruff. (See Exhibit 1 for major brands of beauty & health shampoos and herbal shampoos). Anti- dandruff shampoo covers around 15% of the market. Hair shampoos and conditioners in urban India are generally targeted at upper middle class and middle class consumers especially at teenagers and house wives whereas in rural India upper class consumers are also targeted by the marketers of various brands.

Major Players: Market Share and Positioning

Hindustan Lever Limited (HLL) had dominated the shampoo market. Now its position has been challenges by many competitors, the most prominent among them being its international rival's such as Procter and Gamble (P&G) and colgative Palmolive India (CPIL). Apart from these players, the herbal shampoos Ayur and Nyle hold significant market share. (See Exhibit 2 for the market shares of major players and their brands in 2008). The major players in the shampoo market are HLL, Procter & Gamble, Colgate Palmolive India Ltd., Cavin Care and Godrej. (See Exhibit 3 for the positioning of different brands of major players).

Hierarchy in Shampoo Usage

Shampoo market in India has a clear-cut hierarchy of usage with different product benefits available at each level of the hierarchy.



Lowest level of the hierarchy was the first evolution in the hair wash market and it is occupied by natural products like shikakai, amla, henna, reetha etc. The first generation shampoos include herbal brands like Nyle and Ayur etc. which provide the functional benefit of clean hair. The second-generation shampoos introduced vibrancy in the market place, on offering dual benefits of not only cleaning the hair but also conditioning after the wash. The third generation shampoos do not just work on the external hair shaft but they penetrate the scalp and nourish the hair roots. The top pyramid is occupied by special styling shampoos, which have not yet hit the Indian market.

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Understanding Consumer Behavior

The frequency of shampoo usage is very low as most consumers do not use shampoo daily rather they use shampoo only once or twice in a week. In many cases, these products are used on special occasions such as weddings, parties etc. Some customers use shampoo only to address a specific problem such as dandruff of when they need to condition their hair. According to the industry reports about 50% of consumers use ordinary toilet soaps to wash their hair and around 15% of consumers use toilet soaps as well as shampoo for cleaning their hair.

A typical female consumer in India needs more shampoo for a proper wash (average 6 ml) compared to 4 ml needed in Western countries as most Indian women have long hair. The age hold habit of Indian women was to apply oil to the hair and later wash it. This habit continued with advent of the shampoo which was used primarily as a cleansing agent after the usage of the oil. Usage was further restricted because shampoos were considered harmful and a potential cause of hair loss due to their detergent content. Another reason was high price tag shampoo carried.

In many parts of India, hairs tend to collect more dust due to dusty environment and oiling habits so regular users prefer to use sachet primarily due to saving on quantity and price. Southern market is predominantly a sachet market, accounting for 40% of sachet volumes. Many consumers attribute lathering to the act of cleaning. Use of conditioners is not common. It is restricted to the super premium segment or those who are very involved with their hair care. Some consumers prefer natural conditioning agents such as henna.

Brand loyalties in shampoo are not very strong. Consumers frequently look for a change, particularly in fragrance. Major expectations from the product are improvement in texture and manageability, giving softness and bounce to hair, curing and avoiding damage to the hair. Moreover, most advertising emphasized the cosmetic appeal of shampoos, resulting in usage being restricted to a few special occasions such as weddings, festivals etc.

Shampoo Market: Challenges for P&G

Almost 17% of the sales of the company come from shampoo sales in comparison to that of 9% of its close rival HUL. Indian urban market has almost 80% market penetration as far as shampoo market is concerned whereas, the penetration is as less as 12 - 17% only. In the sub category where the Pantene was reigning: it is facing stiff competition from Dove now. Dove With its crafty promotion strategy has gain 8% market share in a short time vis a- vis 9.2% of Pantene. The other segment that will grow fast is the bottom of the pyramid segment, in which P&G launched Rejoice, which eventually had to be withdrawn due it's lackluster response from the market and some stiff competition from the Chiks and Nyles of the world.

In value segment where HUL get its maximum market share from its brand like Sunsilk & Clinic range of shampoos, P&G has no brand to offer. Though this segment is proving to be Cash Cow to HUL it helps the company to garner more shelf space and mind space in the market. This is the reason why the brands, especially, Sunsilk have been used to extend to related Hair Care categories. Even Dove has successfully gone into vertical integration of it shampoo category.

P&G is known for having market leadership and stellar Brand equity in whichever category they are present. Except for anti- dandruff category, where it's Head & Shoulder brand is market leader, in other sub- categories it is yet to weave its magic. In India where its 17% revenue come from this segment, it is delicately placed in this space due to following reasons.

- Its arch rival HUL has 45% market share in comparison to P&G's 20-22%.
- It's presence in growth segment is again hugely challenged by brands like Dove.
- No competitive brand to offer against Sunsilk and Clinic Plus.
- It's brand Rejoice, failing in another growth segment (bottom of the pyramid) is another matter of concern.
- Newer but, powerful players like Dabur, ITC, & Marico registering strong presence along with their serious intents.
- Shampoo being a habitual and low involvement buying poses both threats and opportunities.

Will P&G bring its brand Vidal Sassoon to India to create a new segment where it might have almost no competition? Is India ready for this brand?

Exhibit 1: Top Shampoo Brands

Beauty and Health Shampoo's (Healthy and Shiny Hair)	Herbal Shampoos
Sunsilk	Ayush
Clinic Plus	Dabur Vatiks
Chik	Nyle
Pantene	
Anti Dandruff Shampoos	Premium Products
Clinic All Clear	Shehnaz Hussain
Head & Shoulders	Revlon Flex
Dabur Vatika Ad	L' Oreal

Exhibit 2: The market shares of major players and their brands in 2008

Company	Brands offered	Market Share (%)
HLL	Clinic, Sunsilk, Clinic All Clear	45% approx.
P&G	Pantene, Head and Shoulders, Rejoice	20% approx.
Cavin Kare	Chik, Nyle	13% approx.
Colgative Palmolive India Ltd.	Optima, Halo, Velvette	Not Available
Other players	Ayur/ Himalaya	8-10% approx.

Exhibit 3: Positioning of Different Shampoos

Positioning Plank	HLL	P&G	Colgate Palmolive	Others
Beauty/Conditioning	Sunsilk, Dove	Pantene	Halo	Ultra Doux (from Garnier Labs) Chik (from Cavin Kare)
Health/ Nourishment	Clinic Plus, Organics	Pantene	Optima	
Nutrition				Swastik, Godrej, Wipro etc.
Anti dandruff	Clinic All Clear	Head & Soulders		
Herbal				Nyle and Ayur
Family Shampoo	Clinic plus	Rejoice		