

Case Study on Pampers

Industry Analysis

The baby diaper market in India is pegged at Rs.1500 crores and is growing at the rate of 23% per annum. (businesswireindia.com) The healthy growth rate is driven by factors such as 25 million babies born per year, higher disposable income among common people and the increased hygiene awareness of Indian mothers.

The Indian diaper market has long been characterized by large fluctuations in the market share within short periods. The main players in the baby diaper industry in India are Proctor & Gamble with their brand Pampers, Kimberly Clarke-Lever a joint venture between Kimberly Clarke International and Hindustan Lever with their brand Huggies. Unicharm's Mamy Poko Pants, one of the latest entrants into the market has gradually developed into a major player. Godrej's Snuggly, SCA Hygiene's Libero and Himalaya's Baby Diapers are other important players in the market. Branded disposable diapers hold the largest market share in diaper market. P&G lead the diaper market with a market share of 42%. (Economic Times, 2015). Unicharm's Mamy Poko Pants holds the second largest share of market with 33%. The diaper market broadly comprises of the product's variants as well, such as nappies/diapers/pants. The various types of baby diapers available in the markets include cloth diapers, swim pants, training nappies, and a wide category of disposable diapers such as biodegradable, super-absorbent, and ultra-absorbent diapers. In India, the segment of disposable diapers accounts for more than 75% of the market share.



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The case writer(s) H. Gayathri, Deputy-Director and Professor - Marketing, author is thankful to Mr. George Joy for providing invaluable support in writing this case. She may be reached at hgayathri@sdmimd.ac.in. Author(s) have prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of the situation. This case is fictionalized and any resemblance to actual person or entities is coincidental. This publication may not be digitized, photocopied, or otherwise reproduced, posted, or transmitted, without the permission of SDMRCMS, SDMIMD, Mysore. For Teaching Notes please contact sdmrcms@sdmimd.ac.in.

Although the industry is characterized by high growth rate, companies in the diaper market still face a lot of challenges. The Indian diaper market is less than one-eighth the size of China market. This is despite the fact that there are 25 million babies born per year in India as compared to 15 million babies in China. In the same vein, Australia whose population is only a fraction of India, sells more diapers than India. One of the reasons why the diaper market still remains small is because parents prefer to wrap their baby's skin in soft muslin cloth and use a diaper only when going outdoors. A report by Transparency Market Research predicts that Indian diaper market will grow faster than West Asian and African markets. But Africa still remains the largest market in terms of volume and value amongst the three regions. (Diaper market growth, 2012)

Although the main factors driving the growth of Indian market are favourable demographics, higher disposable income and increased concern for hygiene, the ever increasing participation of women in the workforce is something which needs to be considered in relation to the growth of the market. Taking note of the growth potential of the Indian diaper market, several multinationals have entered the lucrative Indian market which has led to players investing heavily on product innovation and development which will enable them to get an upper hand in the market over their competitors.

When P&G launched Pampers in India in 2006, the Indian baby diaper market was worth only Rs.110 crore. (Diaper market growth, 2012).The market has expanded almost 14 times since 2006 with Pampers spearheading the growth in the category. P&G and Kimberley Clark are firms who made their first entry into the Indian diaper market. But much before their entry into India, they had already played out many a battles for the diaper market around the world. During the early part of this decade, they dominated the Indian market with close to ninety percent market share between them. Although the entry of new players has eaten away their market shares, both still remain the most favored brands in the country. With Huggies planning to boost their reach using the distribution clout of its partner HUL and Unicharm

not showing any let up in their pursuit of becoming the market leader, P&G has a battle on its hands to keep itself ahead of the rest.

Competitor Analysis

The biggest competitor for Pampers in the diaper market right now is the Japanese multinational Unicharm's Mamy Poko. Unicharm entered the Indian market in 2008 and it has covered ground very fast. In less than a decade it has eaten into the market shares of Pampers and Huggies. During October 2013, the market shares in terms of volumes of P&G and Kimberley Clarke were 56% and 18% respectively, while that for Unicharm stood at 18%. Almost 15 months later, Unicharm's share of market had catapulted to 32% while that of P&G and Kimberley Clarke had gone down to 42% and 17% respectively. (Nirma Story again?, 2015). Mamy Poko launched its diaper brand Mamy Poko Pant with a powerful differentiating factor and it acted as a brand builder for them. It had no tape like stickers, instead it was a simple pull-up kind of diaper. Lower price and higher margins have encouraged retailers to push the brand more aggressively. Its market share now stands at 33%. (Economic Times, 2015). The market status of Mamy Poko is positive as they now look to beat P&G for the market leadership position.

Kimberley-Clarke Lever Ltd., is a 50:50 joint venture formed in September 1994. Pampers and Huggies share around 80% of the market share globally (Adbrands, n.d.). Huggies is a common name in the baby diapers segment owing to the huge investment in advertising and promotion by the company. Huggies was one of the earliest entrants into the market along with Pampers, thus both brands have played their parts in developing the Indian market which was unfamiliar with a product like diapers. At the end of financial year of 2014-15. Huggies held the third largest market share in terms of volumes with 17% after Pampers and Mamy Poko. Huggies has maintained its market share now for the last two years, but hasn't been able to improve it. The global giant, which aims to make India a key market by 2020 needs to improve its competitive position if they are to regain its market challenger position.

Snuggly was India’s first diaper brand. Launched in 1987, by Shogun Diapers, Snuggly was acquired by Godrej in 2003. Although Godrej disrupted the market in its early years by pricing its product much lower than the competitors, it could not sustain the momentum for long. The foray of foreign majors into the market has reduced Snuggly into a regional player in India. The brand is currently made available only in the southern markets like Tamil Nadu and Kerala, where it is still a major player. Other major brands in the market include Swedish multinational SCA Hygiene’s Libero, Himalaya Diapers and in-house brands of big retailers.

The current market share details are given below as Figure 1.

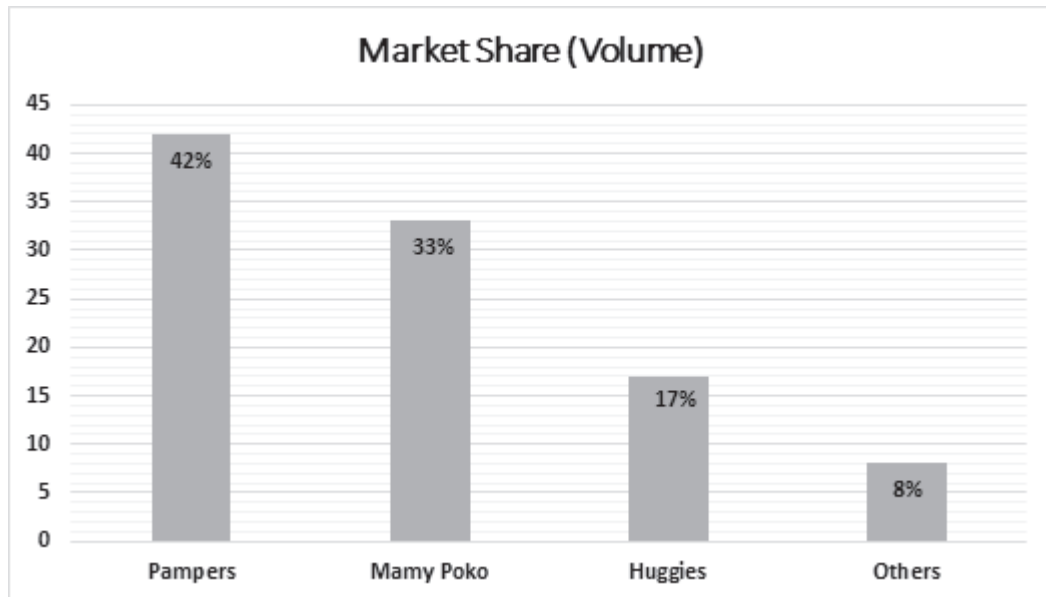


Figure 1 : Current Market Share Details

Source: Economic Times, May 27, 2015 Company Details

About Procter & Gamble

Procter & Gamble is a giant in the consumer goods sector. They have operations in more than 80 countries and have made their presence felt in over 180 countries with their 300 plus brands. P&G is the leading maker of household products in US, but they derive more than half of

their revenues from overseas. P&G has classified its Global Business Units (GBU) into four industry-based sectors which are focused on common consumer benefits, share common technologies and face common competitors. They are :

1. Beauty, Hair & Personal Care
2. Baby, Feminine and Family Care
3. Fabric & Home Care
4. Health & Grooming

In the company's beauty care segment, it offers a range of products from deodorants to cosmetics to skin care. The beauty care segment also includes hair care and color products. In the company's baby care segment, it offers diapers pants and baby wipes, which constitutes over 30% global market share. P&G's family care business consists of the bounty paper towel and Charmin toilet paper brands. The company's Fabric Care and Home Care segment consists of a range of fabric care products, including laundry detergents additives and fabric enhancers; home care products, including dishwashing liquids and detergents surface cleaners and air fresheners and batteries. In fabric care, the company holds over 25% global market share. The Company's Grooming segment includes blades, razors and electronic hair removal devices, such as electric razors and epilators. The company holds over 20% of the male shavers market and over 40% of the female epilators market.

P&G was established in India in the year 1964 and it has made its presence felt in multiple product segments in India. P&G's brands in India include Vicks, Ariel, Tide, Whisper, Olay, Gillete, Ambipur, Pampers, Pantene, Oral-B, Head & Shoulders, Wella and Duracell. In the year 2014, the parent company announced a focused portfolio with just seven categories, representing 84% of sales and 85% of profit. The company thus identified top five countries for each category that would deliver 54-98% of its total global profit. Two years ago P&G had planned to expand in India especially in the rural markets but this

decision has been reversed as the parent company has asked its Indian units to focus on existing urban markets that have been traditionally stronger. P&G's Indian business accounts for only 3% of its global sales and negligible profits. Even after its long presence in India, it remains one of P&G's smallest market. With Indian division's profits being so negligible and the fact that P&G has decided not to go ahead with its rural expansion plans in India, there are serious question marks over P&G's ambition in India.

Pampers- STP & 4P's

The marketers of a baby diaper have always tried to target the parents who buy product for their babies. They try to gain a mindshare of the parents by advertising through TV, print media and online channels. Pampers has segmented the market in several ways. They have segmented the market geographically as urban and rural markets. Pampers have concentrated more on the urban than the rural customers. Pampers has further segmented the market based on income and development stages of the babies and life-stage of people. Pampers offers four product variants under the names Baby Dry Pants, Active Baby, New Baby and Dry Baby. Each of them emphasizes on different product features like dryness, softness and comfort. While New Baby is targeted exclusively at new borns, other products are available for babies (6-12 months), toddlers (13-23 months) and pre-schoolers (24+ months).

All the four products offered under the brand Pampers are marketed primarily on their dryness feature and stress on features like comfort and softness on the babies' skin. The Baby Dry Pants is a simple pull-up diaper while others are conventional diapers. Pampers are available in different pack sizes ranging from smaller packs of seven to jumbo packs which has 88 diapers. The price of the diapers varies based on the diaper size and the quantity. While a small sized pack with nine diapers costs Rs.99, a set of extra-large ones with seven diapers costs Rs.130. Pampers is available in most retail shops in urban and semi-urban areas making use of the distribution clout that P&G

has built up over the years. Additionally they sell Pampers through pharmaceutical shops and online in India through their own website and all other major e-commerce websites. These e-commerce websites offer more discounts than the normal retailers especially on bigger package sizes.

Pampers offer products in four different sizes i.e., XL, Large, Medium and Small. The sizes are based on the baby's weight rather than age. XL sized diapers can be used for babies of weight 12+ Kg, Large for babies with weight between 9-14 kg, Medium for 7-12 kg and Small for babies with weight up to 8 kg. Pampers offers package size anywhere between 2 to 90. The pack size of two diapers was introduced by Pampers in 2006 which was aimed at increasing the trial rate. These small sized packs of 2 and 5 diapers are available and are priced at Rs.30 and Rs. 65 respectively.

The product details are as given below

Product	Features	Sizes Offered	Package Size	Price
Baby Dry Pants	Pull up, dry and healthy skin, 12 hours protection	XL, Large, Medium and Small	Multiple (ranging from packs of 2 to 66 pieces)	Rs. 690 for Small sized diapers containing 46 pieces
Active Baby	Tape diapers, Extra dry layer protection for playful babies, 12 hours protection	XL, Large, Medium and Small	Multiple (ranging from 2 to 90 pieces)	Rs. 599 for Small sized diapers containing 46 pieces
New Baby	Tape diapers, Extra dry layer protection, flexible waist, 12 hours protection	Small only	Multiple (ranging from 2 to 66 pieces)	Rs. 236 for Small sized diapers containing 24 pieces
Dry baby	Tape diapers, 10 hours protection	XL, Large, Medium and Small	Multiple (ranging from 2 to 50 pieces)	Rs. 458 for Small sized diapers containing 50 pieces)

Along with these 4 products, Pampers are planning to launch their premium level diaper pants in October, 2015. The product is named as Premium Care Pants and is priced considerable higher than the other products. A 50 piece-pack of Premium Care Pants is priced at Rs.770. This new product claims to be as soft as a cloth and has been launched to overcome the apprehensions of mothers who resort to using cloth nappies for extra care. Another significant new feature added to this product is the change indicator, which indicates wetness and will change colour from Yellow to Blue. P&G expects to increase the frequency of diaper usage considerably through this feature. Further, the new product will be offered in all the four sizes and will be sold in multiple pack sizes through their distribution network.

All of P&G's promotions and advertisements are based on intense consumer research, it is same in the case of Pampers. They have transformed their website into a complete guide for a woman during pregnancy period. They offer advice on various issues like pregnancy announcement, week by week caring during pregnancy period, tips for naming the baby, preparation for delivery, post-pregnancy changes in woman, caring for the new-born, its nutrition, diapering and more until the child reaches its pre-school stage. They also try and connect with their targeted audience through social media. All these activities are aimed at engaging the recent-mothers and to-be-mothers and there by gaining their mindshare. The TV advertisements for Pampers have always contained demonstrations on how Pampers manages to keep the babies' skin drier than other diapers. Recently Pampers roped in Genelia D'Souza, a Bollywood celebrity who gave birth to her child. She appeared in several events organized by Pampers where she endorsed Pampers as the brand she chooses for her baby. Besides this, Pampers has also supported UNICEF from the year 2006 in their fight against new born tetanus all over the world which has helped them gain the goodwill of thousands of mothers in the developing nations.

Pampers: The Road Ahead

P & G has recently announced global strategy, to prune its multiple product lines and to shed at least 100 brands in the next two years in order to concentrate only on its top performing brands. (P&G's Plan, 2014). The new global strategy and its decision not to expand rurally in India has created a lot of uncertainty for Pampers' growth prospects. With its new global consolidation decision and the receding market share of Pampers in India, will it lead to conflicts and bigger headaches. If it wants to return to its pomp, P&G and Pampers must get its act together fast.

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