Case Study: Marketing

Price cuts have enabled FMCG companies like HLL and P&G to increase sales. Volumes of major detergent brands have increased by 15-17 per cent. Analysts in fact expect Surf Excel to be a success story for HLL. The company expects more from the brand this year.

Launching sachets and positioning the brand in the affordable category was necessitated by the presence of a number of highly competitive smaller brands in the market. Henko, Nirma, Ghari Detergents, Friendly Wash and many other smaller brands have challenged the giants by offering a price, which attracted the value conscious Indian consumer. In fact, unbranded players are offering packs, which are twice the size of a branded product with similar or better quality at a cheaper price. Very clearly FMCG majors have to either maintain the plethora of freebees to push the brand or just simply cut prices.

The manufacturers attribute the price drops to internal cost efficiencies especially with the supply chain. Analysts say the FMCG companies will have to drop prices further to get the right value equation in the market. There is no other way to grow. The companies have tried just about easy innovation and relaunch. The fact is there is a market at a price and they cannot afford to overprice their products. The companies are just going to do what Nestle did some time back get the price equation right.

(a). Why have sales volumes of detergents increased?

(b). In view of the fact that unbranded products have posed a challenge to branded

items, do you think branding is useless? Give reasons for your answer.

(c). If FMCG companies will have to reduce prices further does that mean the

pricing decisions taken earlier were faulty?

(d). In addition to price cuts, what other measures should FMCG firms take to

grow in future?