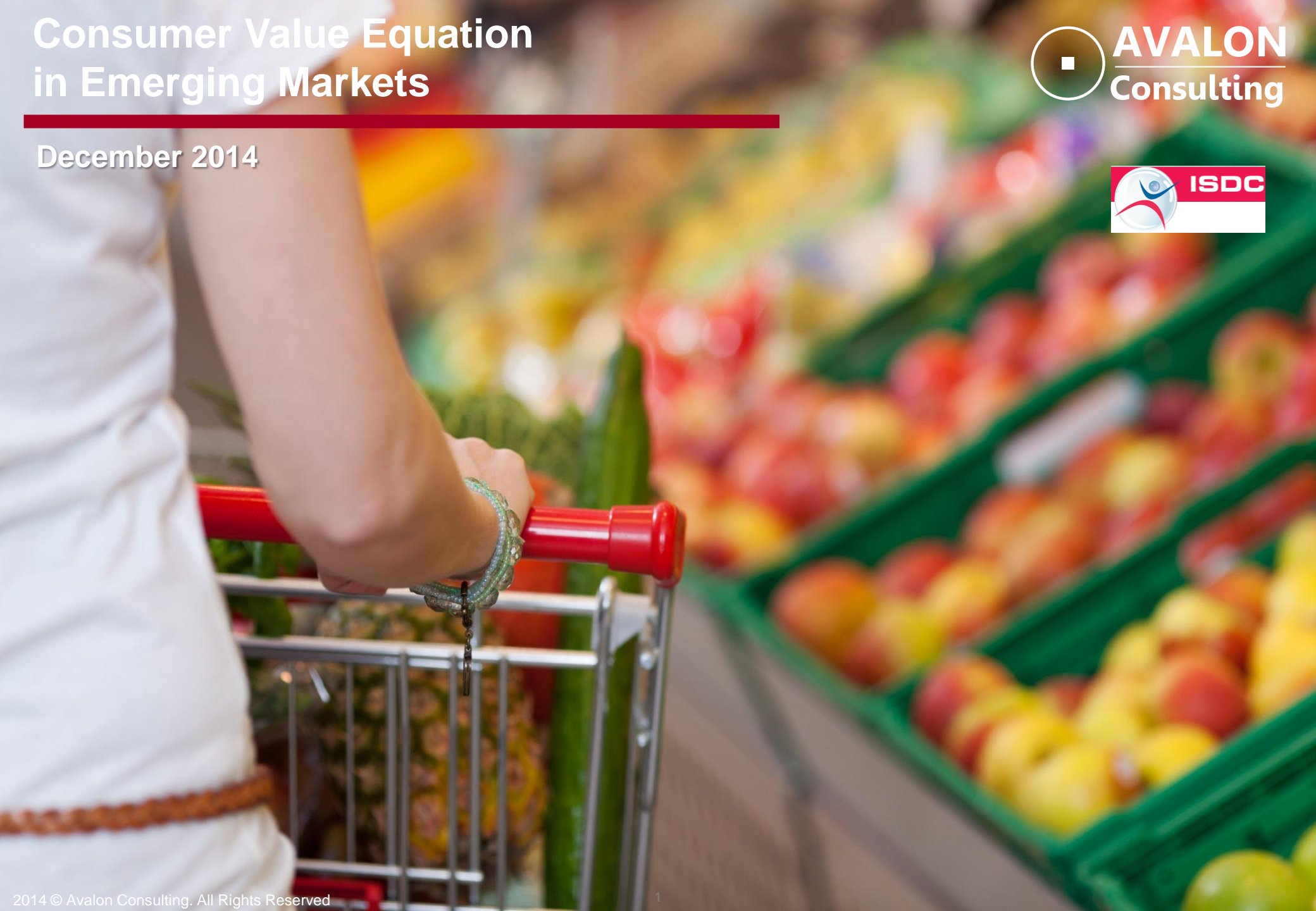


Consumer Value Equation in Emerging Markets



December 2014



Value, a simple equation....

$$\text{Value} = \frac{\text{Benefit}}{\text{Cost}}$$

You deliver value when you the customer perceives better benefit for the cost incurred

In India, the focus of the CPG industry had historically been on reducing “cost” ...



Single Use
Packs

Discounts and
Offers

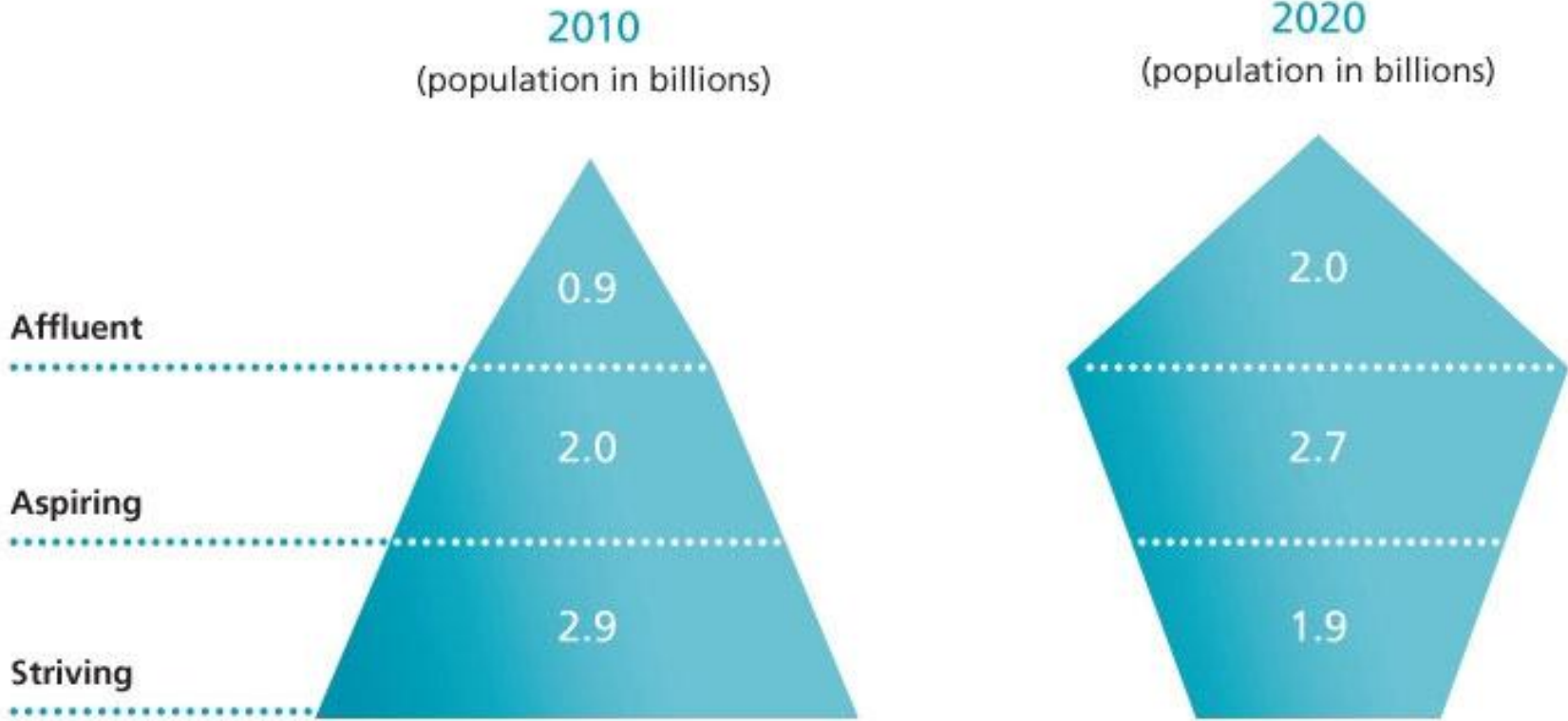
“Trial” Packs
forever

**Low product
penetration
across most
categories**

**Opportunity
in the bottom
of the
pyramid**

But the situation in emerging markets is fast-changing...

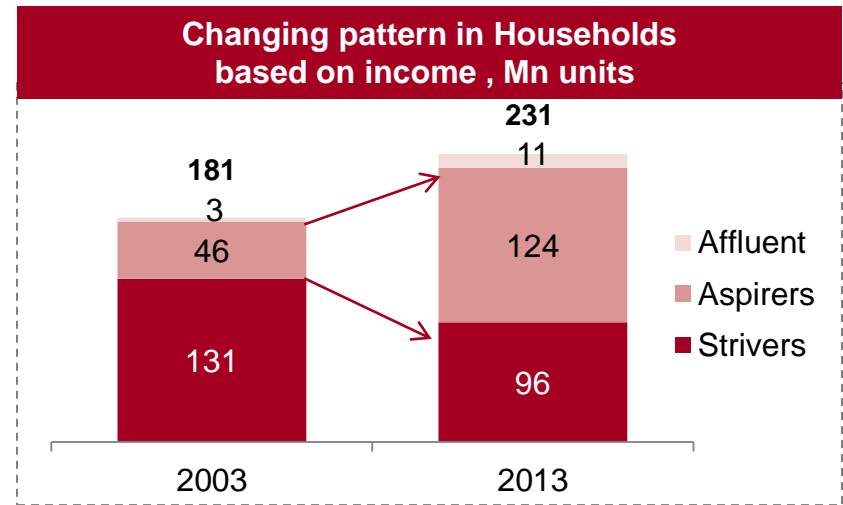
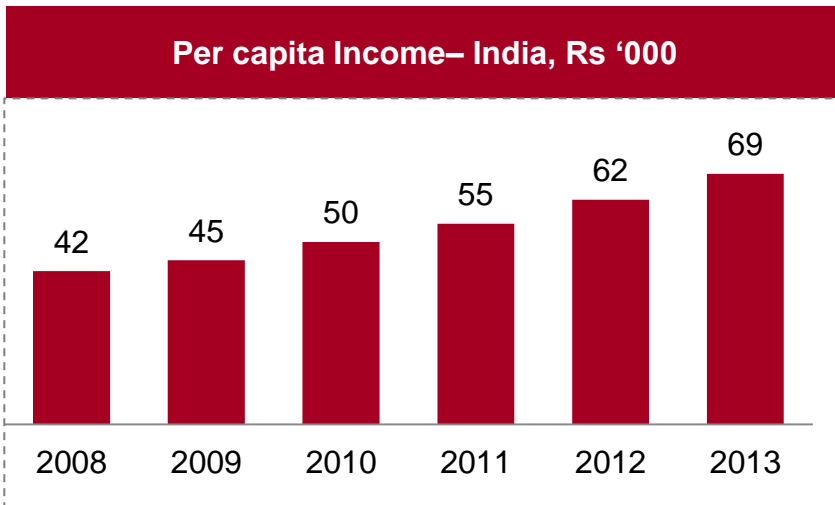
Population (billions) in developing and emerging markets



Source: Unilever

In India too, the rising income levels is leading to a rise in the “aspiring” and “affluent” population

Household Income, in Rs ‘000



The situation warrants....



Source: Unilever

The next question....

How to discover “Benefit”?

The answer could lie in the consumer megatrends in emerging markets...

Consumer Megatrends in Emerging Markets



1. Indulgence



2. Convenience



3. Customer Networking



4. Health Consciousness



5. Environmental Consciousness



6. Fear of Missing Out

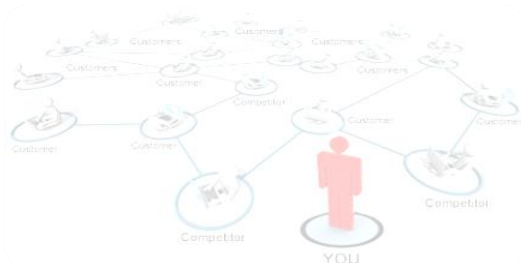
Roadmap



1. Indulgence



2. Convenience



3. Customer Networking



4. Health Consciousness



5. Environmental Consciousness



6. Fear of Missing Out

The indulgent customer is seeking more features... Eg. in Hair care....

Key Takeaways

“...is one of the best shampoos in its league. It moisturizes hair so well, and the fragrance is lovely”

“i had to change my shampoos one to other coz if one gave shine it made hair weak and thin. if i opted for the other it made my scalp itchy and dry”



“...because it reduces hair fall, strengthens hairs, reduces dandruff, increases hair density, no need to use a conditioner after shampoo because it has its inbuilt conditioner”

Note: The data is collected from social media sites from the last 6 months with a base of >70,000 verbatim

... similarly in skin care...

Key Takeaways

“...cucumber is a natural and gentle way to treat sun burn”

“Its gives me glowing pimple free oil free skin...its just amazing”



“Hi I am 30 years old. there are many black spots of pimple in my face,pls advice me which product of your company I have to use to remove my spots. my skin is oily.”

“Aloe vera helps to remove dead cells and replenishes it with new ones”

Note: The data is collected from social media sites from the last 6 months with a base of >70,000 verbatim

Indulgence is leading to development of new product lines across categories...

Consumer Megatrends in Emerging Markets

<p>Increase in number of products / person</p>	 <p>Oil / Soap</p>	 <p>Shampoo</p>	 <p>Conditioner</p>	 <p>Hair Cream or Gel</p>	 <p>Hair Colour</p>
<p>Increase in products / household</p>	 <p>For babies / toddler</p>	 <p>For handwash</p>	 <p>For body wash</p>		 <p>For cooks / other maids</p>
<p>Increase in usage of branded products by BOP</p>		 <p>For 50 paisa / Rs 1 per pack</p>		 <p>For Rs 3-4 per pack</p>	

Source: Company sites, Avalon Consulting Research and Analysis

Product lines previously considered niche / premium are increasing in penetration...

Consumer Megatrends in Emerging Markets

Products previously considered niche or premium are becoming mainstream



Deodorants



Fabric Softeners



Hair Colours



Mouthwash



Conditioners



Hair Cream or Gel

- The deodorants segment has grown at an attractive CAGR of 26%
- However, it is in its nascent stage in India with only 2-2.5% penetration
- Product offering ranges from affordable brands like Denim, Denver, Lomani (<Rs 300) to high end brands like Davidoff, Hugo Boss, Armani (>Rs 900)
- Similarly there are other product categories waiting in the wings for eg shaving gel or foam
- With increasing household incomes, the penetration for these products will further increase



Rose Water



Face Wash



Shaving Gel / Foam



Sunscreen Lotion



Fabric Starch



Anti Aging Cream

Roadmap



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The consumer today values convenience owing to many factors

Consumer Megatrends in Emerging Markets

Nuclear Families



Working couples



Longer Commute



Change in Lifestyle

Consequently, consumers are increasingly preferring products in forms and packaging that are more convenient to use and save time

Consumer Megatrends in Emerging Markets

Convenient to use forms of products are being preferred



Liquid Soaps



Body Wash / Gels



Hand Sanitizers



Liquid Utensil Cleaners

- Smaller packs makes it convenient for people who are constantly on the go as well as attract new customers with affordable price

- Liquid soap has seen a 30% growth in the last 5 years partly owing to increased preference for convenience
- Similarly, Body wash and gels have grown at a CAGR of 15% in recent past

Convenient to use packaging is being preferred



Sachets & Small tube



Bottles with Nozzle



Special Travel Packs



Customers seek convenience not just in product and packaging, but also in transaction...

Consumer Megatrends in Emerging Markets

Traditional cash and carry purchases are being replaced by e-commerce sites which besides providing delivery at doorstep also offer attractive discounts

The screenshot shows the Flipkart website's 'Beauty and Personal Care' section. At the top, there's a search bar and navigation links. Below, a large banner features L'Oréal Paris Hydracare and Garnier products with a '15% OFF' promotion. A sidebar on the left lists categories like Deodorants, Fragrances, and Skin Care. At the bottom, there are 'Speciality Stores' and a 'Jabong.com' banner with a search bar and various offers.

The screenshot shows the Amazon website's 'Personal Care' section. It features a search bar, a list of product categories, and a prominent 'Amazon Exclusive' banner for a Scholl Electronic Foot File. Below the banner, there are 'Shop by Category' tiles for Shaving & Hair Removal, Feminine Hygiene, Oral Hygiene, Deodorants & Antiperspirants, and Foot Care. A 'Snapdeal.com' banner is visible at the bottom of the Amazon page.

Source: E-commerce sites, Avalon Consulting Research and Analysis

Roadmap



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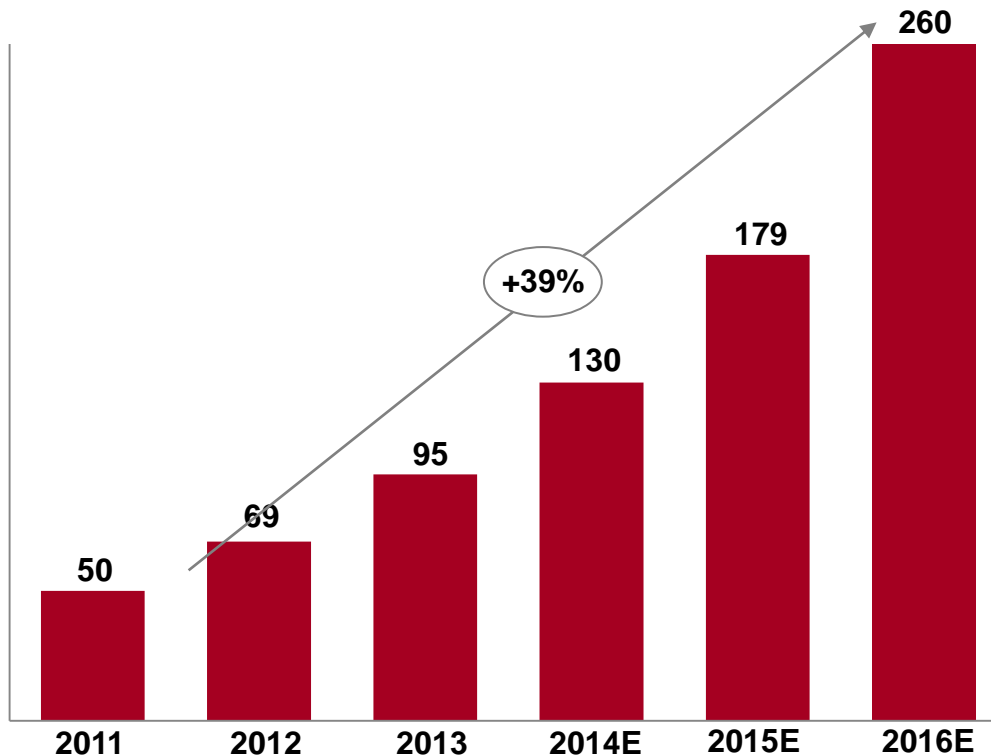


6. Fear of Missing Out

Consumers today are well-connected, and are influencing each other's brand choice

Consumer Megatrends in Emerging Markets

Social Network Users in India (2011-2016E, Mn)



20% of Population

70% of Internet Users

100% of SEC A & B

The impact on Marketing will be HUGE.

Consider this:

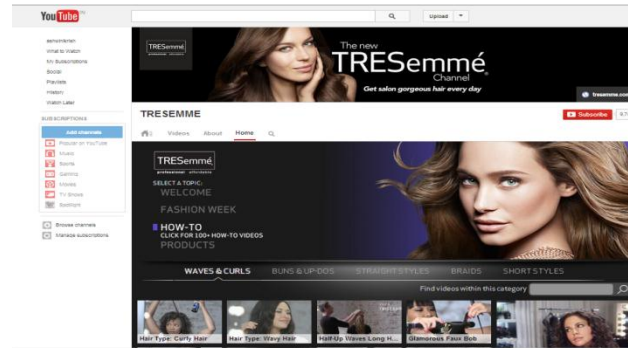
- ***54% of peoples' buying behavior is directly influenced by what others say about a brand***
- ***60% of customers would change their purchase decision in response to negative feedback from within their social network***

Customers find value in connecting with their favourite brands through social media channels...

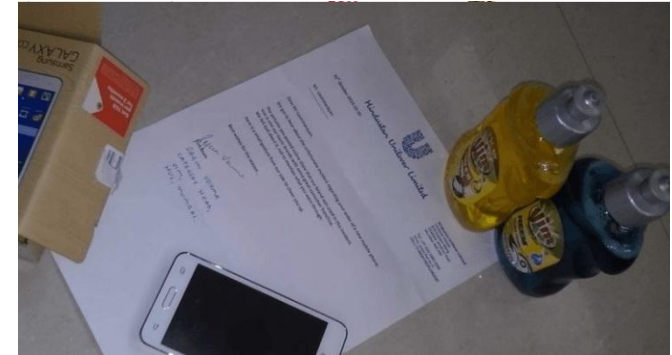
Consumer Megatrends in Emerging Markets



Dove reached out to bloggers through a blogging contest, where they were invited to share stories about beautiful ends to their beautiful braids. A Facebook app 'Never split ever' enabled users to send postcards to their friends, and win exciting prizes



TRESemme launched an interactive salon through its YouTube channel which feature do-it-yourself videos for the ramp ready hairstyles selected by a user



HUL turned Krishnamurthy's shock into surprise: Having received a Vim bar in a box of Samsung phone from an e-commerce site, HUL sent him a new phone on Diwali with Vim bottles as gift



Most FMCG companies have Facebook pages which allow for consumers to post any complaints regarding quality, availability, pricing or lack of variety. These pages are also used to advertise various promotional events & offerings, achievements etc

Source: Company Website, Avalon Consulting Research and Analysis

Roadmap



1. Indulgence



2. Convenience



3. Customer Networking



**4. Health
Consciousness**



**5. Environmental
Consciousness**



**6. Fear of
Missing Out**

The new breed of health consciousness customers are seeking products with benefits such as anti ageing, fat reduction, natural ingredients etc.

Consumer Megatrends in Emerging Markets



Demand for Personal and Beauty care products with natural ingredients are on the rise



While products like Dabur Meswak and Vicco Vajradanti are aimed at the BOP segment with affordable pricing, products from Kerastase and VLCC target the high income group

Demand for Anti Ageing products is on the rise



An increased focus on looking younger has led to many more brands entering the anti-ageing product category

Source: Company Website, Avalon Consulting Research and Analysis

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Consciousness**



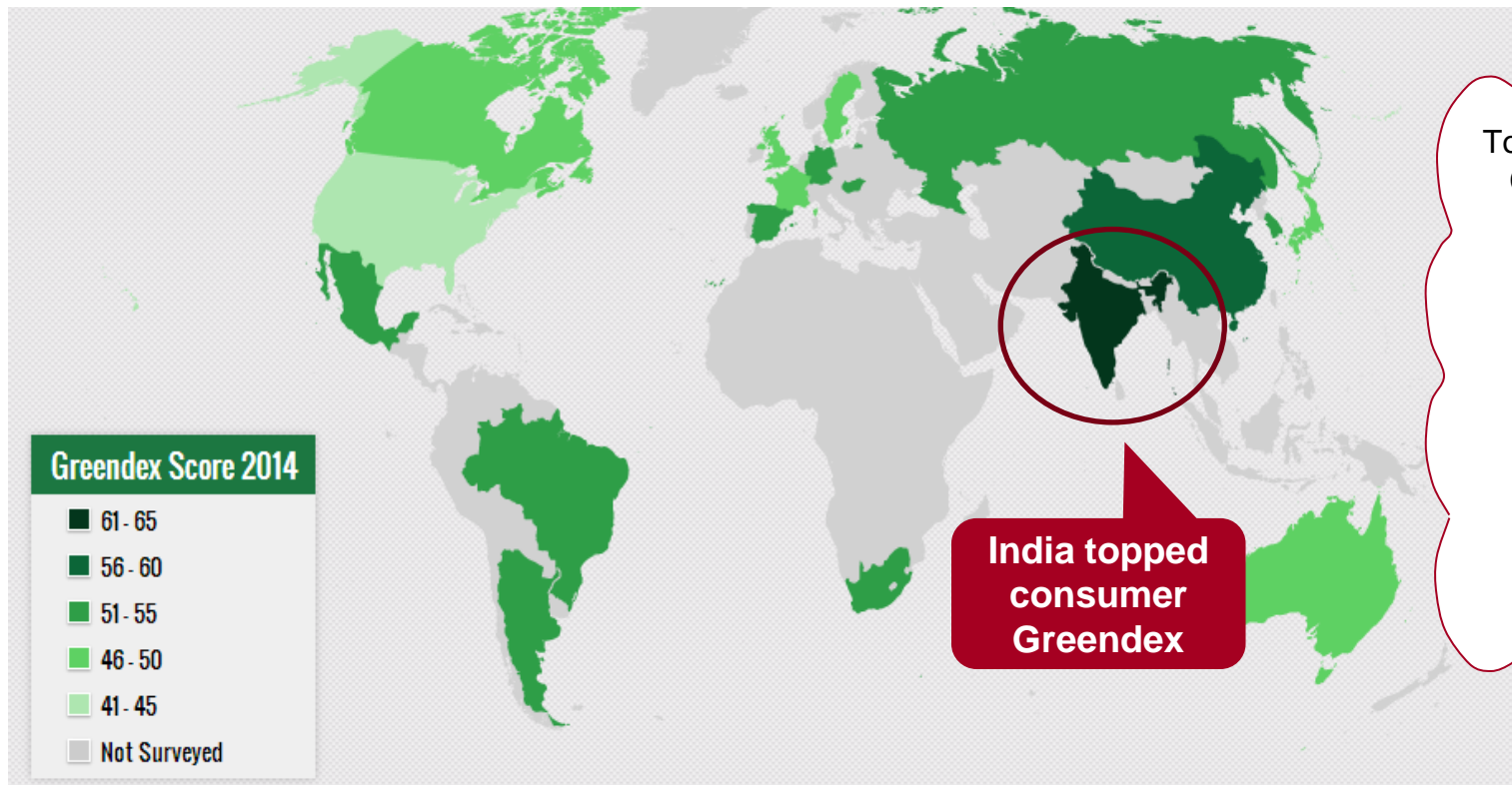
**5. Environmental
Consciousness**



**6. Fear of
Missing Out**

Consumers in emerging economies are environmentally more conscious...

National Geographic Greendex Map 2014 (Higher Score Indicates Higher Environment Consciousness)



Top 10 Environment Conscious Consumers are mostly from Emerging Economies:

- #1: India
- #2: China
- #3: South Korea
- #4: Brazil
- #5: Argentina
- #6: Mexico
- #7: Hungary
- #8: Russia
- #9: South Africa
- #10: Germany

Demand for environment friendly products and packaging is on the rise...

Consumer Megatrends in Emerging Markets



Source: Company Website, Avalon Consulting Research and Analysis

Companies are also taking major initiatives to address environmental concerns... this aspect could become a significant positioning platform in the future

Consumer Megatrends in Emerging Markets

Companies are looking at innovative ways to minimize the impact on the environment and lower costs through energy and water conservation as well as reduced use of packaging material.



Unilever

- Reduction in packaging materials of 1,500 tonnes of plastic & 700 tonnes of paper
Launched water saving products like fabric conditioner & foam based hand wash

Re-designed packaging to reduce thickness, thus reducing raw material usage and saving plastic/paper



ITC Limited

97% of raw materials are agri based products grown on long standing farm land or low productivity wastelands

88% biodegradability for shampoos and 85% for shower gel in 2011

L'ORÉAL®

Colgate

With over 75% of their carbon footprint coming from materials purchased from suppliers, Colgate is working with key suppliers to find opportunities for reduction

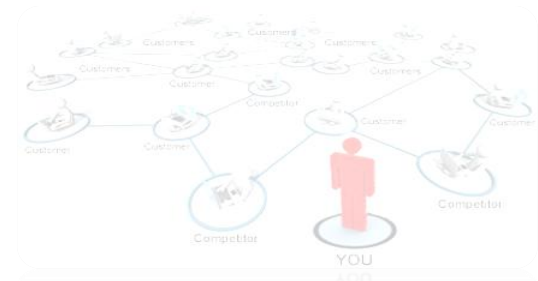
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Impact of Consumer's FOMO is seen in CGP trends such as limited edition products, special edition packaging, customized packaging etc.

Consumer Megatrends in Emerging Markets



Axe Googly: Special Edition during ICC Cricket World Cup in 2011



Future Group launched an exclusive range of personal care products for ICC World cup 2011



Maybelline launched the Instaglam Festive Firecrackers Box during Diwali 2014 which sold makeup essentials worth Rs 1249 at a special pricing of Rs 999



Head and Shoulders launched an exclusive range of shampoos during the FIFA World Cup 2014



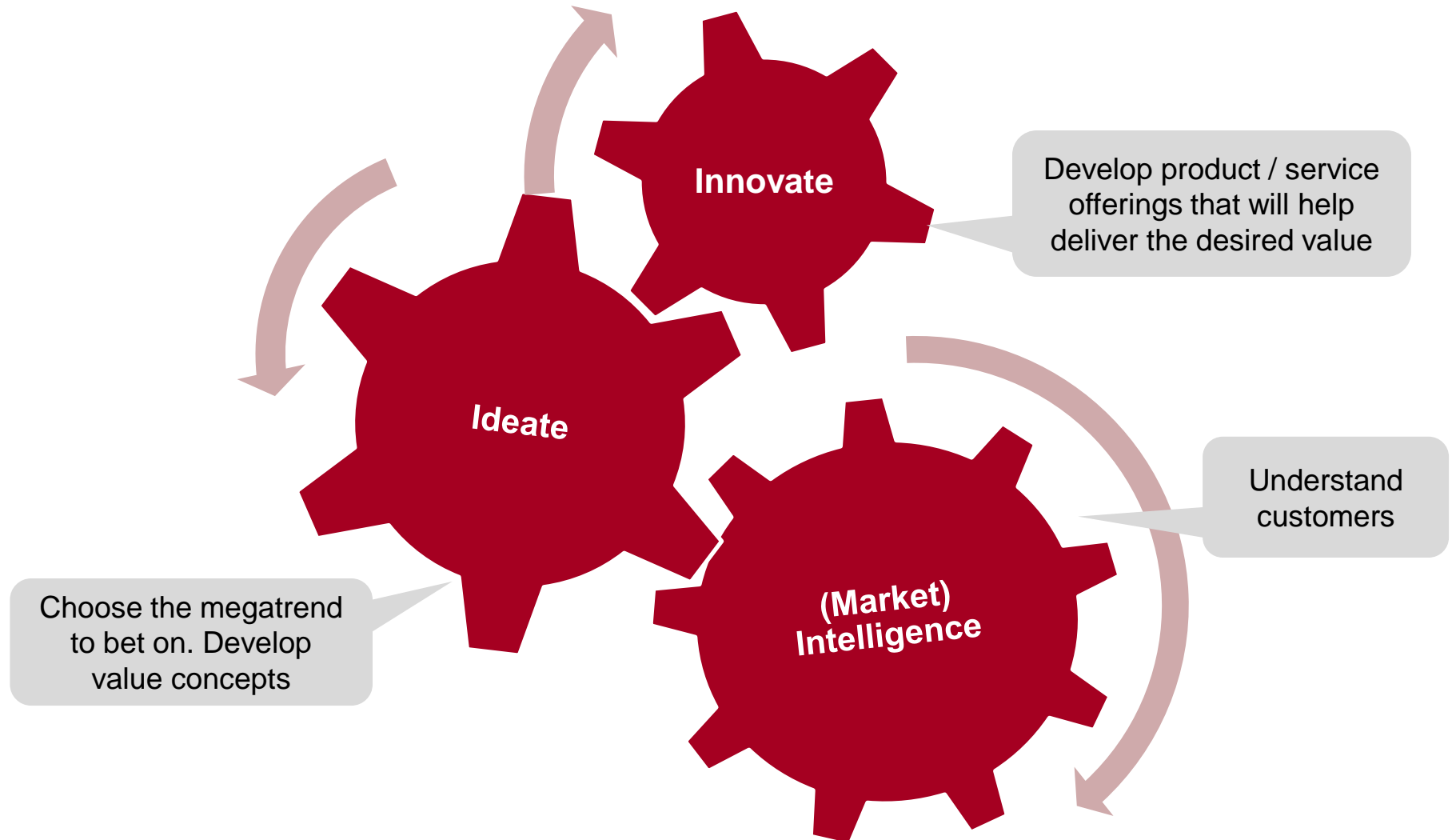
Body Shop's Special Edition Blueberry line was launched in April 2014

- Special Edition products offered at lower pricing are aimed at reaching out to a larger group of new consumers for trial
- Products like Body Shop's Special Edition Blueberry target the affluent and middle class consumer

That brings us to the last question....

**What approach to use
to develop customer
value proposition?**

The 3 I's for delivering value in the FMCG industry





**Focus on Benefits – The
New Mantra for Delivering
Customer Value**

Thank You.