Success Story of Nirma

In the early 1970s, when Nirma washing powder was introduced in the low-income market, Hindustan Lever Limited (HLL) reacted in a way typical of many multinational companies. Senior executives were dismissive of the new product: "That is not our market", "We need not be concerned." But very soon, Nirma's success in the detergents market convinced HLL that it really needed to take a closer look at the low-income market.

Starting as a one-product one-man outfit in 1969, Nirma became a Rs 17 billion company within three decades. The company had multi-locational manufacturing facilities, and a broad product portfolio under an umbrella brand – Nirma. The company's mission to provide, "Better Products, Better Value, Better Living" contributed a great deal to its success. Nirma successfully countered competition from HLL and carved a niche for itself in the lower-end of the detergents and toilet soap market.

The brand name became almost synonymous with low-priced detergents and toilet soaps. However, Nirma realized that it would have to launch products for the upper end of the market to retain its middle class consumers who would graduate to the upper end.

The company launched toilet soaps for the premium segment. However, analysts felt that Nirma would not be able to repeat its success story in the premium segment. In 2000, Nirma had a 15% share in the toilet soap segment and more than 30% share in the detergent market. Aided by growth in volumes and commissioning of backward integration projects, Nirma's turnover for the year ended March 2000 increased by 17% over the previous fiscal, to Rs. 17.17 bn.

A HUMBLE BEGINNING

In 1969, Karsanbhai Patel, a chemist at the Gujarat Government's Department of Mining and Geology manufactured phosphate free Synthetic Detergent Powder, and started selling it locally. The new yellow powder was priced at Rs. 3.50 per kg, at a time when HLL's Surf was priced at Rs 15. Soon, there was a huge demand for Nirma in Kishnapur (Gujarat), Patel's hometown.

He started packing the formulation in a 10x12ft room in his house. Patel named the powder as Nirma, after his daughter Nirupama. Patel was able to sell about 15-20 packets a day on his way to the office on bicycle, some 15 km away. Thus began the great journey.

By 1985, Nirma washing powder had become one of the most popular detergent brands in many parts of the country. By 1999, Nirma was a major consumer brand – offering a range of detergents, soaps and personal care products. In keeping with its philosophy of providing quality products at the best possible prices, Nirma brought in the latest technology for its manufacturing facilities at six places in India. Nirma's success in the highly competitive soaps and detergents market was attributed to its brand promotion efforts, which was complemented by its distribution, reaches and market penetration. Nirma's network consisted of about 400 distributors and over 2 million retail outlets across the country. This huge network enabled Nirma to make its products available to the smallest village.
After establishing itself in India, Nirma expanded to markets abroad in 1999. Its first foray was into Bangladesh, through a joint venture – Commerce Overseas Limited. Within a year, the brand became the leader in the detergent market in Bangladesh. The company also planned to enter other regions like the Middle East, China, Russia, Africa and other Asian countries.

THE ROAD TO SUCCESS

The use of detergent powder was pioneered in India by HLL's Surf in 1959. But by the 1970s, Nirma dominated the detergent powder market, simply by making the product available at an affordable price. In 1990, Nirma entered the Indian toilet soaps market with its Nirma Beauty soap. By 1999, Nirma became India's second largest manufacturer of toilet soaps by acquiring a 15% share of the 5,30,000 tonnes per annum toilet soap market. Though way behind HLL’s share of 65%, Nirma's performance was remarkable as compared to Godrej, which had a share of 8% (Refer Figure I). By 1999-2000, Nirma had also garnered a 38% share of India's 2.4 million tonnes detergents market. HLL's share was 31% for the same period (Refer Figure II).

• Higher Costs – NO

Within a short span, Nirma had completely rewritten the rules of the game, by offering good quality products at an unbeatably low price. Nirma's success was attributed to its focus on cost effectiveness. From the very beginning, Patel had focussed on selling high-value products at the lowest possible price. The company endeavored to keep improving quality while cutting costs.

To keep production costs at a minimum, Nirma sought captive production plants for raw materials. This led to the backward integration programme, as a part of which, two state-of-the-art plants were established at Baroda and Bhavnagar, which became operational in 2000. This resulted in a decline in raw-material costs

The two new plants were completed ahead of schedule and at a much lower cost than estimated. The second phase of the Baroda plant was completed six months ahead of schedule and at a cost of Rs.2.5 bn as against the original estimated cost of Rs. 2.8 bn. The Bhavnagar plant was completed in a record time of two years at a cost of Rs.9.85 bn as against the original estimated cost of Rs. 10.36 bn. The staff strength at this plant was a low 500. In contrast, Tata's Chemical's plant, which was about twice the capacity, employed 10 times the number of people? The Baroda plant produced 65000 tpa of N-Paraffin for Linear Alkyl Benzene (LAB) and Synthetic detergents. The technology for this plant was sourced from UOP Inter Americana, USA.

The Bhavnagar plant could produce 4,20,000 tpa of soda ash. The Akzo Dry Lime technology used in this plant was sourced from Akzo Nobel Engineering, Holland. The plant had 108 km of salt bunds, which would help it to produce vacuum iodised salt in the future.
Said Patel, "We have a capacity of producing three lakh tonnes of pure salt. No one, except Tata Salt, has a similar plant in the country." Nirma also curtailed its costs of distribution by eliminating intermediaries.

The product went directly from the factory to the distributor. Hiren K Patel (Hiren), CMD, Nirma Consumer Care Ltd. explained, "An order is placed and the truck leaves straightaway. It is like a current account. We send the stock, they send the money." The company maintained depots in states like Andhra Pradesh, Tamil Nadu and southern Karnataka, as getting stocks to these areas was sometimes difficult. In states like Uttar Pradesh and Madhya Pradesh, stocks were delivered directly from the plants. In March 2000, in a further cost reduction exercise, Nirma opted for in-house printing and packaging by acquiring Kisan Industries at Moriya, near Ahmedabad. Nirma hoped this would improve the quality of its packaging.

• Brand Wars – YES

Nirma also had innovative marketing strategies. In the mid-nineties, Nirma successfully extended its brand to other product categories like premium detergents (Nirma Super Washing Powder and Detergent Cake), premium toilet soaps (Nirma Premium, Nima Sandal, Nirma Lime Fresh). It followed its original marketing and pricing strategies in the economy segment as well as in the premium segment. In 2000, the company entered the hair care market with Nirma Shikakai, Nirma Beauty Shampoo, and Nirma Toothpaste. Unlike detergents, soaps were a personal-care product. Many customers had deep psychological bonds with their soap brands. Moreover, the market was segmented by HLL by price, by scent appeal, and by brand personality.

So, Nirma positioned Nirma Bath against Lifebuoy, Nirma Beauty Soap against Lux6, Nima Rose against Breeze, and Nima Lime against Jai Lime8. Explaining how Nirma hoped to win this game, playing by HLL's rules, Hiren said, "World-wide, there are only four or five platforms – floral, beauty, health, freshness – which account for most of the soaps sold." Nirma produced high-fatty-matter soaps with the right scents, and priced them much lower than other brands. This created the 'sub-premium' segment. Nirma also mastered the game of managing the geographical diversity of consumer preferences.

For instance, the North preferred pinks soaps and while the South preferred green ones. Sandal soaps were more popular in the South. Initially, the advertising spend of the company was very low, as compared to other FMCG companies. Nirma spent only 1.25-2% of its turnover on advertising as compared to the normal 6-10%.

For endorsing soaps, the company used starlets like Sangeeta Bijlani, Sonali Bendre, and Riya Sen, who were relatively unknown at that time. The advertisement messages were also very simple and focused on the benefit of the product. Nirma always preferred to place the product on the shelves first, receive feedback, and then create an enduring ad campaign.

While introducing toilet soaps and detergents in the premium segment, Nirma relied on its time-tested weapon – Price. The company planned to concentrate on volumes in these segments as well. But there was a change in the margins given to retailers. Unlike the economy products,
where the cost benefits were passed on to the consumers, Nirma passed on this benefit to the retailers. It gave them huge margins. For instance, for Nirma premium soap, it offered 52% and for Nirma shampoo, it offered an unbelievable margin of 140%. Analysts were sceptical about Nirma’s chances of success in the premium segment of the soaps market.

Unlike detergents, the soaps and shampoo market was highly fragmented. There were about 15-20 brands, and it was difficult for any soap to get a sizable market share. Moreover, this market was less price sensitive. So, it was difficult for any company to sustain itself on price alone. Analysts felt that it would take years to change Nirma's brand image. According to a survey conducted by Samsika Marketing Consultants, Nirma's marketing firm, Nirma was considered to be a cheap brand. Many people were almost ashamed to admit that they were using it.

To shed this image, in the late nineties, Nirma released corporate advertisements worth Rs 10 bn throughout India. Analysts felt that the fast growing shampoo market was a better bet than the premium soaps market. In India, only 30% of the population used shampoos and more than 70% of this group was in the urban areas. However, according to some analysts, though the perceived potential of the rural market was very high, in actual practice, it was difficult to persuade rural folk to use shampoos. Another problem Nirma faced was that of inadequate infrastructure. Though it had a strong presence in the smaller towns and villages, it lacked the network necessary for penetrating urban areas. Thus, Nirma's entry into premium soaps and shampoos seemed to have failed.

THE ROAD AHEAD

Though Nirma was better known as a producer of low-cost economy range of products, it was successful in the middle- and up-market segments. But at the same time, competition was also increasing. While HLL continued to be a major competition, P&G and Henkel SPIC also adopted aggressive measures. Players from unorganized sector were also adding to the competition in the detergents and washing powder industry. However, Patel was confident of tackling the competition. He said, "We hold the price line and the satisfied consumer naturally reverts to us." In the past three decades, the brand had grown in value and volume on the basis of his success formula: "A customer does not look for one-time frills or feel-good factors. Rather, the householder wants a long term solution to his or her needs." What remained to be seen was whether Nirma's cost-focused model would be a success in the long run.

Questions

1. Analyze the case study based on marketing strategy adopted by Nirma.

2. According to you what may be the reason for the success of these strategies.