

MARKET DYNAMICS

Changing consumer behaviour, digital marketing and regulations impacting HPC markets

The Indian home and personal care (HPC) sector is expected to see strong growth in coming years, driven by the growing penetration of products into the underserved rural and semi-rural areas, and the acceleration brought about by digital marketing tools. The rationalisation of the Goods and Services Tax (GST), from a prohibitive 28% to 18%, has come as a welcome relief to the industry, though industry proponents believe the industry deserves a levy of not more than 12% given that the products are not luxuries afforded by just the rich, but necessities that serve customers at all levels of the economic pyramid.

Speaking at the inaugural session of the three-day '5th International Conference on Soaps, Detergents and Cosmetics' held in Goa from December 10-12, 2017, Mr. Sanjay Trivedi, President, Indian Home and Personal Care Industries Association (IHPCIA), noted that the reduction in GST will propel faster growth in the industry, as it will result in lower prices for the consumer.

India-centric product concepts and innovation needed

Mr. Nitin Kunkolienkar, President, Manufacturers' Association for Information Technology (MAIT), who was the Chief Guest at the inaugural ceremony, noted that e-commerce will be a major technological disruption for several industries, as marketing modes will change. "Multinational versus national is a big transformation coming, which will have huge impact on markets," he noted, calling for India-centric product concepts and innovation.

The formalisation of the Regional



Comprehensive Economic Partnership (RCEP), a free trade agreement (FTA) between the ten member states of the ASEAN and the six states with which ASEAN has existing FTAs, including India, which is expected to be signed soon will, he added, challenge several industries, unless domestic industry is facilitated thorough the right policy support.

Changing world & its challenges

The Indian home care market is heavily skewed towards laundry with a 70% share of the overall market, which dominance is expected to remain for the near future.

The Indian laundry market is also dominated by powders & bars for hand-wash, while powders and liquids for machine wash have just 15% share of the overall market.

Ms. Vandana Suri, Hindustan Unilever Ltd., observed that the home care

industry is now operating in a rapidly changing world. Consumer behaviour and regulations are evolving, posing challenges and opportunities for the industry. "We are seeing changes in family structures to more nuclear families, increase in the number of working women, rapid urbanisation and the rise of the millennials, aged between 18 and 35, who purchase and consume differently and have great aspirations," she observed.

Several regulatory changes in India are also impacting the industry. For example, an anti-profiteering body has recently been created to ensure the benefits of lower GST are passed onto customers. New regulations are being put in place that will require the industry to collect post-consumer packaging waste, as part of government initiatives in waste management. Data-driven marketing strategies will also need to accommodate new privacy rules that will soon be in place. As part of efforts

to empower consumers through better awareness, new packaging and labeling requirements are also being put in place, which will require the industry to operate at a higher level of transparency and open itself to greater scrutiny.

High aspirations clash with constraints

According to Ms. Suri, while the aspirations of consumers are high, there are several constraints to meeting them: constraints of space in urban homes; access to hygienic living conditions; and even basic needs like water, electricity and sewage disposal. “The surfaces of homes is changing and so are cleaning needs,” she added. Of particular concern to the home care industry is the lack of access to water, for as much as 54% of Indians who live in water-stressed areas, and the more than 100-mn Indians who live in areas with poor water quality. “Consumers expect brands to play a positive role in relieving the stress on the environment,” she added.

Another significant trend in the home care industry is the need for convenience, which is manifest in the outsourcing of cleaning and laundry to maids and machines. According to Mr. Ian Bell, Head of Home Care, Euro-monitor, automatic washing of laundry is most efficient when it comes to water consumption – an important factor considering water is increasingly becoming a scarce commodity in much of the world. Washing habits in India are notoriously wasteful of water – with about 60-litres of water consumed for washing just 8-kg of fabric.

Appliance manufacturers with good understanding of markets, he added, can provide a big boost to markets, as has been seen recently in Turkey.

Innovative disruption needed

Mr. Bradley Andersen, Technical Head, Procter & Gamble India Ltd., warned that if the industry does not



innovate disruptively, it will become extinct. He pointed to the low level of penetration of several products in the Indian market – 2% for diapers, 40% for sanitary pads in urban pockets etc. – as a pointer to the tremendous growth potential.

The last decade, he added, has seen the rise of the individual and the fall of the household, and the consumer economy is now transitioning to “networked personal economies.” “Consumers are becoming partners, influencers, investors, suppliers, innovators and backers. Convenience is the new value,” he noted.

In his view, shoppers continue to be value conscious, but the values are changing. “The path to purchase is no longer linear as it used to be wherein one planned a list, went to a shop and did the purchase, and has been replaced by a sea of retail choices.”

‘Brutal obsession with fundamentals’

To win under these dynamics will, according to Mr. Andersen, “require a brutal obsession with fundamentals.”

One of these is simplicity, as reinforced by the surprising finding that

when presented with 25% less choice consumers actually felt they had more choice. Another is the need to grow new categories, as exemplified by P&G’s successful launch of ‘Venus’ hair removal products for women. Companies also need to make their proposition, and reinforce it at stores through touch, feel and expert guidance, so as to provide consumers “a second moment of truth.”

Today’s shopper, he added, also expects more from the company, including a strong commitment to the environment and to the community in which it operates, and is willing to reward companies that demonstrate these values. P&G’s ‘Shiksha’ programme, aimed at education, for example, prompted consumers to buy more. Likewise, the use of recycled beach plastics in its ‘Head and Shoulders’ shampoo range also found consumer resonance.

Omni-channel marketing

The access channels marketers use for HPC products is also changing dramatically. According to Ms. Suri, Internet adoption is on the rise in rural India, driven by smartphones, and a lot of time spent in front of the TV is concurrent with mobiles. “E-commerce is

the new store, but its share is still small as of now. Companies are now exploring omni-channel strategies of marketing,” she observed.

Mr. T.D. Mohan, Joint Managing

PERSONAL CARE

Growth prospects intact despite hiccups due demonetisation and GST

The Indian FMCG market is expected to grow from a size of \$49-bn in 2017 to \$103-bn in 2020, with the rural market growing faster than the urban, though it has faced challenging times of late due the impact of demonetisation and introduction of GST.

According to Dr. Rakesh Sinha, Head Global Supply Chain, Godrej Consumer Products Ltd., India continues to score well on consumer confidence, though in the latest study it has slipped from top-spot after leading for many years. “GDP growth has faced challenges of late, and growth in FMCG has moderated to 8-9% in this fiscal, after reaching a high of 20% in 2008-09.”

Growth in the HPC industry has also moderated – from 6.9% in FY15 to 8.0% in FY16 and to 6.7% in FY17.

While the industry is used to dealing with dips in demand brought about by factors like bad monsoons, mild winters, etc., it now had to deal with several internal factors as well. The introduction of GST, for example, has adversely impacted small regional players, possibly due compliance requirements, and forced them to shut operations for a couple of months. Regulators too are getting stricter. The Advertising Standards Council of India, for instance, is getting strict on product claims and endorsements,

Director, Cavinkare Ltd., observed that “digital is transforming everything that we do.” Tier 2 and Tier 3 cities, according to him, have seen a 30-50% rise in digital transactions, and consumption from these cities will rise from a share

of 20% in 2005 to 40% in 2025. While the number of digital transactions soared to 80-85% in the immediate aftermath of the demonetisation in November 2016, from a 30-35% prior to the measure, its share has now stabilised to 60-65% now.

which will require the industry to put in place robust mechanisms to substantiate claims.

Reigniting growth in rural markets

According to Dr. Sinha, the rural markets still offer significant scope for growth. With two-third of India’s population, it still represents just one-third of demand for HPC products. While rural markets have traditionally been growing one-and-a-half times faster than the urban, of late the demand has come on par with that in urban India. “Industry needs to go back to the drawing boards and ignite growth especially in rural markets,” he added.

Home remedies, which have traditionally been used to treat conditions such as acne, pimples, dry skin etc., especially in rural markets, are a target the industry should aim for. “There is a big opportunity for more efficacious products that give consumers the same level of comfort,” Dr. Sinha observed.

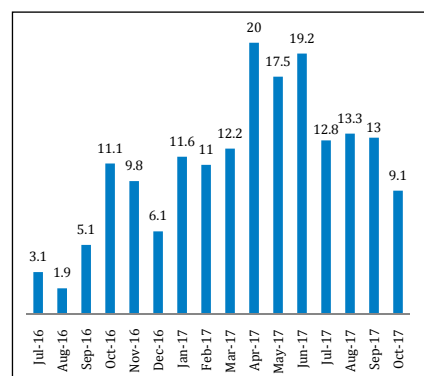


Fig. 1: Headwinds in Indian HPC industry [Month-to-month growth rates, %]

Growth potential of ayurvedic and herbal products: quality systems needed

Dr. Venkatesh Shankar, formerly Head of Research & Development, Patanjali Ayurved Ltd., pointed out that herbal cosmetics are seeing growth of 15-20% year-on-year, much larger than the overall 7-8% growth seen in the overall cosmetics market.

Despite this, he added, India still

Indian personal care market: Top-five categories

[Rs. Crore]

	2011	2012	2013	2014	2015	2016
Bath and shower	12,200	14,080	15,980	18,120	19,640	20,910
Hair care	11,660	13,320	15,040	16,550	17,910	19,280
Oral care	5,840	6,840	8,050	9,390	10,330	11,290
Skin care	5,430	6,420	7,540	8,610	9,650	10,620
Men’s grooming	4,130	4,980	5,840	6,770	7,550	8,330
Total	39,260	45,640	52,450	59,440	65,080	70,430

Source: Euromonitor

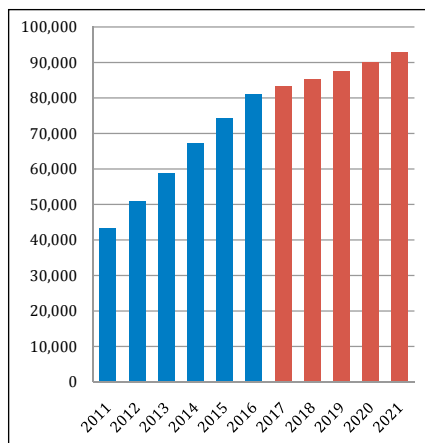


Fig. 2: Indian beauty and personal care markets [Rs. Crore]

Data from 2017 are estimates/forecasts
Source: Euromonitor

accounts for just 2.5% of the global market for herbal products, compared to China's 13% share. "The World Health Organisation (WHO) expects the market as a whole to expand from \$62-bn now to about \$5 trillion by 2050," he noted.

While India's market for herbal

RAW MATERIALS

Synthetic alcohols emerge as cost leaders to challenge oleochemicals

Mr. Norman Ellard, IP Specialities Asia Pte Ltd. (Singapore), highlighted the challenges facing the oleochemical industry, which supplies key raw materials required by the HPC industries.

According to him, coconut oil was the original C12/C14 feedstock, which gave way to palm kernel oil (PKO), once the latter came to be abundantly produced in South East Asia. At the same time, the availability of synthetic branched alcohols, first from Shell, was a game-changing step thanks to the great value proposition it offered to detergent producers.

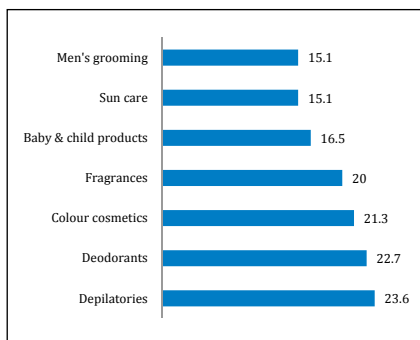


Fig. 3: Fastest growing categories in Indian beauty and personal care market (as per CAGR), 2011-2016

Source: Euromonitor

products is estimated at Rs. 5,000-crore, and is growing at a CAGR of 14%, more than 60% of herbs are exported in their crude form for value-added processing elsewhere in the world, and just 30% is converted to finished products and exported. "There are more than 9,500 manufacturing units making herbal extracts, and 8,000 have a turnover of less than Rs. 1-crore. Most have no quality standards and internal standards by procurers prevail," Dr. Shankar observed.



The availability of natural fatty alcohols – the key raw material for surfactants – has, according to Mr. Ellard, expanded significantly due to the ready availability of manufacturing technology, and the industry is today focussed on serving the needs of a few

"Generation and documentation of scientific information can help increase global opportunities. Industrialisation of evidence-based Ayurveda is gaining ground and classical formulas are losing ground," he added. "Change is inevitable, but tradition is the identity for this industry."

According to Mr. T.D. Mohan, Joint Managing Director, Cavinkare Ltd., in the shampoo market, for instance, herbal/natural is a fast growing category, and nearly every major company has a position here. Other sub-segments that pose significant growth opportunities are products that arrest hair fall and/or promote hair growth. While typical consumption frequency of a shampoo is once a week, in China it is twice a week – indicative of the growth possibilities that still exist in the Indian market. "Premiumisation, which aims to do more with less, is another approach that companies are taking for growth," he noted.

large customers. While global capacity for fatty alcohols is about 4-mtpa, annual demand is only around 3-mt.

While synthetic alcohols have once again emerged as cost leaders, this industry is constrained to expand due to the high capital costs needed to build these plants, the long investment times and the lack of access to technology outside of a handful of producers.

Cost is king

While some customers will prefer to use natural fatty alcohols over synthetics, Mr. Ellard cautioned that "sustainability is more about how we make and use



products, rather than origin.” The key issue in choosing one over the other will be cost.

On surfactants, Mr. Ellard cautioned against throwing out old, effective molecules, in favour of new ones. “Doing more with less will be important to the future. New technology washing machines will be the norm,” Mr. Ellard added.

Palm oil industry – 100% sustainable oil in Malaysia by 2020

Dr. Yusof Basiron, Malaysian Palm Oil Council, noted that palm oil is a versatile and stable oil with several uses – food and non-food – including for making oleochemicals, and as a source of renewable energy in the form of biodiesel.

The Malaysian palm oil industry, he added, is a significant contributor to socio-economic development of Malaysia and serves as a model for other developing countries in eradicating poverty.

The industry has a strong commitment to sustainable farming and aims to produce 100% sustainable palm oil by 2020, he noted, adding that market price signals should support such initiatives. “As of August 2017, there is 50% excess of certified oil produced and this is being sold as normal palm oil. The Malaysian palm oil industry is ahead of the curve

in terms of supply, but customers do not seem to be ready,” he added.

Palm oil, he reiterated, is not the driver for deforestation, increased carbon dioxide emissions and global warming, but plays a vital role in addressing the food security challenges of several countries, including India.

Oleochemicals – well placed to contribute to meeting sustainability goals

Mr. G. Chandrashekhar, an expert on commodities formerly with the *Hindu Businessline*, noted that the oleochemicals industry is well placed to contribute to meeting several of the sustainability goals outlined by the United Nations.

In his estimate, the global palm oil inventory is set to rise by about 4-mt in 2018 from 2017 levels, to touch 70-mt. “Production will exceed demand by 2-mt, though there is slow progress on production of sustainably produced palm oil,” he noted.

Mr. Chandrashekhar also drew attention to the campaign for palm oil-free certification in Europe and its likely impact on markets.

Unsustainable consumption – a middle class problem

Mr. Joe Phelan, World Business

Council for Sustainable Development, pointed out that 60-80% of environmental impacts are led by home-based consumption. While the average material consumption for an average European is 29,000-kg/year, the planet can sustainably produce only 8,000-kg.

Unsustainable consumption, he added, is a middle class problem: across the globe the middle class enjoys similar consumption patterns. While an average Indian consumes 8,408-kg/year of materials, this figure is expected to rise to 14,324-kg/year by 2030 in a business-as-usual scenario – again truly unsustainable.

He called for a mindset change when it comes to sustainable living. It cannot be about living large, driving solo, slicing it thick, pouring it on, throwing it away, or getting it fast. “Sustainability cannot be about less, it has to be about living better. Most people don’t want to buy sustainability – they think it is about less, and they aspire to more. But today there are also a significant number of people aspiring to be better.”

Brands, he noted, should not be selling sustainability, but promoting new emerging aspirations.

NOVEL ACTIVES

Demand for alternate surfactants curbed by availability & performance limitations

Mr. Mohamad Hafiz Bin Jamaluddin, Marketing Director, Lion Eco Chemical (Malaysia), made a strong pitch for the incorporation of methyl ester sulphonates (MES) in detergent formulations.

MES is now available from a few producers as a powder with 75-85% active matter content, which are suitable for post-addition to powders, as well as flakes with 90% active matter content, and suitable for liquids.

According to Mr. Jamaluddin, MES has several advantages including high detergency in low concentrations, good anti-soil redeposition properties, and fast degradation in wastewater treatment plants under aerobic conditions. "In powder detergents MES can enable a reduction in the surfactant loading from 15% to 13%, as also a reduction in the sodium tripolyphosphate loading from 4% to 2%. Detergency is comparable, if not significantly better, which becomes marked in water with high hardness," he added.

However, several concerns with MES have limited its acceptability in the detergent industry. For one it cannot be used in toilet bars due the high pH. Furthermore, stability concerns have limited use in liquid detergents, and its palm odour needs to be compensated by greater incorporation of fragrances, which adds to costs.

Winning strategies in HPC

Dr. Ashim Dutta, Vice President, R&D, India Glycols Ltd., dwelt on winning strategies in the HPC sector. "Key innovations that are needed are alternate, low-foam actives, hardness resistant compositions and better

biodegradability of ingredients," he noted.

Possible options include the partial replacement of LABS with MES in powders, bars and liquids; or with non-ionics for bars and liquids. "Major savings can be brought through formulation of concentrates, gels and soluble sachets," he added.

In the personal care market, Dr. Dutta spoke on the rapidly growing market for naturals, with the highest growth seen in toothpastes (20%), followed by hair oil (5%). The success of Patanjali, according to him, lies in their ability to leverage this trend and offer a basket of differentiated products in every category – as ayurvedic versions of the best brands in the business. "Pricing of the products were kept low – at least 20% below existing brands," he added.

"Product differentiation is the key to success, and can be achieved by several ways including through a careful selection of ingredients."

Green surfactants – some innovations

Dr. Nirmal Koshti, Head, Innovative Process, Galaxy Surfactants Ltd., gave highlights of the innovations carried out in the area of 'green' surfactants and actives for personal care.

Galaxy has innovated a sustainable, 'green' process for a range of amino acid based surfactants that uses a biodegradable catalyst in a route that has 100% atom economy and generates no waste. "The process can be used for the entire family of amino acid surfac-

tants including glycinate, sarcosinate, taurate, lysinate etc., and starts with corresponding fatty acid, which is first converted to the fatty acid chloride," Dr. Koshti observed.

Galaxy has introduced 'Galsoft GLI 21' – a combination of cocoyl glutamate and cocoyl isethionate – as a primary surfactant for cleansing formulations at skin pH, which it claims works better than comparable products in the market. The surfactant system can be used for in preservative-free, mild, skin pH, transparent formulations for clear body cleansers, baby cleansers, feminine hygiene products, etc.

Among other actives, Galaxy is now offering biodegradable chelating agents as substitutes for EDTA, as well as combinations for tackling the dwindling options for safe preservatives.

Direct conversion of vegetable oils to surfactants

Dr. George Smith, Research Fellow, Huntsman Corporation, dwelt on the development of novel surfactants based on vegetable oils. According to him, the detergent industry is on the forefront of the 'green' movement and there is growing demand for more sustainable



The Indian home and personal care industry

Mr. Nadir Godrej, Managing Director, Godrej Industries Ltd., delivered his address as Chief Guest in his typical poetic style.

Excerpts:

India's economy is on the rise
And we can usually claim the prize
Of the fastest growing large economy
Something we hope to always see.
The Rupee is strong, inflation's falling.
Though there's temporary stalling
Due to the shocks that we saw.
Demonetisation was one such flaw.
Through GST, we surely need,
It was brought in with undue speed
With several slabs and many rates.
Some smaller firms are in dire straits.
Now sin goods have the highest rate
The rate is set at twenty eight.
But no one thought it very fair
That cleansing products appeared there.
No one could think it is a win
If virtue's lumped along with sin.
The government then did relent
And the GST council gave assent,
Reducing the rate to eighteen now.
One would still wonder exactly how
Appliances were not removed.
Soon this should be approved.
Of course these products should be seen
As vital for making India clean.
Swachh Bharat can't go anywhere
Without our products being there.
The growth should now accelerate
With the lower GST rate.
It's in the realm of possibility



That double digits is what we'll see
It we focus on affordability,
Innovation and sustainability.
Although there are many sources
We are running out of resources
Our industry most surely ought to
Concentrate on saving water.
Recycling of water in production
Then rinsing-water reduction.
And if we want to be extreme
Very easily, it would seem
Waterless washing could have new
meaning
With good affordable dry cleaning.
Dry shampoos have seen the light
of day
Dry body washes are on the way.
Concentrates help us be green
As many benefits are seen.
This is a case of less is more.
Many costs are saved for sure.
And in my considered estimation
Both packaging and transportation
And as you can readily tell,
Production and energy costs as well.
And plastics now are a no-no.
There are two ways we can go.
Biodegradable is one way
The only other way to play

Would be recycling all we use
This might seem like bad news
If selfishly we elect
To individually collect
But instead if we select
To collectively collect
Then the costs could be reduced.
More plastics or fuel could be
produced.
Now Climate Change comes to mind
In spite of evidence we still find
Denyers including President Trump.
He'll change his mind for he's
no Chump.
Ivanka, Dear, please set him straight.
The planet can't afford to wait
If indeed there is a price
And we need to sacrifice.
But don't you think it would be great
If all of us could innovate
With green energy as the cheaper route
And thus no reason to pollute.
In India solar PV's cheap.
Further benefits we can reap
As newer technologies come along.
Broad spectrum solar's coming on
strong.
More energy from much less land.
And other technologies are at hand,
As costs come down let's invest.
Green energy is now the best
For planet and for bottom line.
Don't you think that is fine
That doing good can actually pay,
So making it the better way.
By being green we will both gain
And ensure that we sustain.

surfactants. Ethoxylation of vegetable oils, instead of fatty alcohols derived therefrom, offers a simpler route to surfactants, but faces several challenges. Direct ethoxylation yields a mixture of mono-, di- and tri-acyl ethoxylated glycerides and glycerine ethoxylates. The reaction mixture also contains several hundred parts per million of 1,4-dioxane, an undesired impurity.

Huntsman has developed a novel alkaline-earth-based catalyst that enables direct insertion of ethylene oxide (EO) molecules into vegetable oils for the production of sustainably derived non-ionic surfactants. The company has made these vegetable oil ethoxylates using a variety of feedstock and these have been shown to be good foam stabilisers, giving thick luxurious lather in personal care formulations, as also show good detergency. They are good primary emulsifiers with excellent

sensorial properties, according to Dr. Smith.

When castor oil is used as a feedstock, the new route helps to keep both the hydroxyl group intact and the levels of 1,4-dioxane low, and yields an ethoxylate that has several applications including as dispersants.

Huntsman has also developed a process to make nonionic surfactants by low temperature transesterification of algae-derived oil. The process is fast and produces only trace amounts of dioxane and residual EO. The products are light coloured, low viscosity liquids with no gel phase upon dilution in water. Surface properties and detergency looks similar to conventional natural alcohol ethoxylates.

Tailored enzyme cocktails for Indian conditions

Ms. Julie Melbaek, Head – Re-

gional Marketing, Novozymes South Asia Pvt. Ltd., dwelt on the use of enzymes and bio-actives in detergents. She pointed out that engineered solutions developed in Europe are being optimised for Indian conditions to develop enzyme cocktails that can handle the horror of stains that are common here. “The aim is to deliver them at a consumer affordable level.”

Safety concerns limiting options in personal care

Mr. Ramesh Suriyanarayan, an industry expert, observed that safety concerns have limited the range of actives now available to the personal care industry, and this trend is expected to continue. While there is pressure to not carry out animal tests to prove the safety of ingredients, using cell lines to carry out such assessments still requires a lot of work.

UNIT DOSING

Is India's detergents market ready for pods?

Dr. Yash Parulekar, Senior Manager, Global Product Strategy and Stewardship, Monosol, highlighted the developments in water-soluble films that have driven the development of detergent pods as single dose delivery systems for washing. The product has seen enthusiastic response from customers in several markets where it has been introduced so far and has garnered 17% market share in the US in just five years thanks to its benefits of consumer convenience and precise dosing.

The packaging has now evolved to permit multi-component design, wherein disparate ingredients are kept isolated from each other and release their contents at appropriate times in the wash cycle. “Some in Europe have powders and liquids in separate compartments,” Dr. Parulekar noted.



'Indian market ready'

According to him, the Indian market is ready to take on this novel product as several factors are in favour: ban on multi-layer packaging; space constraints in urban homes; stressed water availability; greater number of women in the workforce and hence demand for more convenient products etc.

He observed that the market in China went from liquids to unit dosage very rapidly, with 5% of the market moving in less than three months after introduction.

Monosol, he added, offers more than 60 different types of films suited to detergent formulations, and is now working on delivering even personal care products through its technologies.

“Indian companies looking to introduce detergent pods would do well to first try out toll manufacturing arrangements, and look to make their own investments in the capital equipment needed at a stage when the market is more developed and confidence is greater,” he added.