

FMCG giants feel the pinch as regional players' reach widens

By Sagar Malviya, ET Bureau | Last Updated: Nov 16, 2023, 12:39 AM IST

Synopsis

In a notable shift, local and regional firms have made significant inroads, reaching up to 31% more households in key segments like biscuits, soap, washing powder, and detergent during the September quarter. This trend has caught the attention of chief executives at major consumer goods companies, who are now acknowledging the resurgence of smaller brands and its consequential impact on their sales growth.







Representative Image

Mumbai: Local and regional firms have reached up to 31% more households in segments such as biscuit, soap, washing powder and detergent in the September quarter, prompting chief executives at top consumer goods companies to call out the resurgence of smaller brands and its impact on their sales growth.

Local brands' penetration expanded 4% in laundry bars and 13% in washing powder compared to bigger rivals which saw 0-3% growth, according to latest data from market research firm Kantar. Even in the soap category, smaller firms grew 31% while national brands clocked a tepid 2% increase. Biscuits, the biggest packaged food category, also saw regional players growing 22% versus 10% for larger companies.

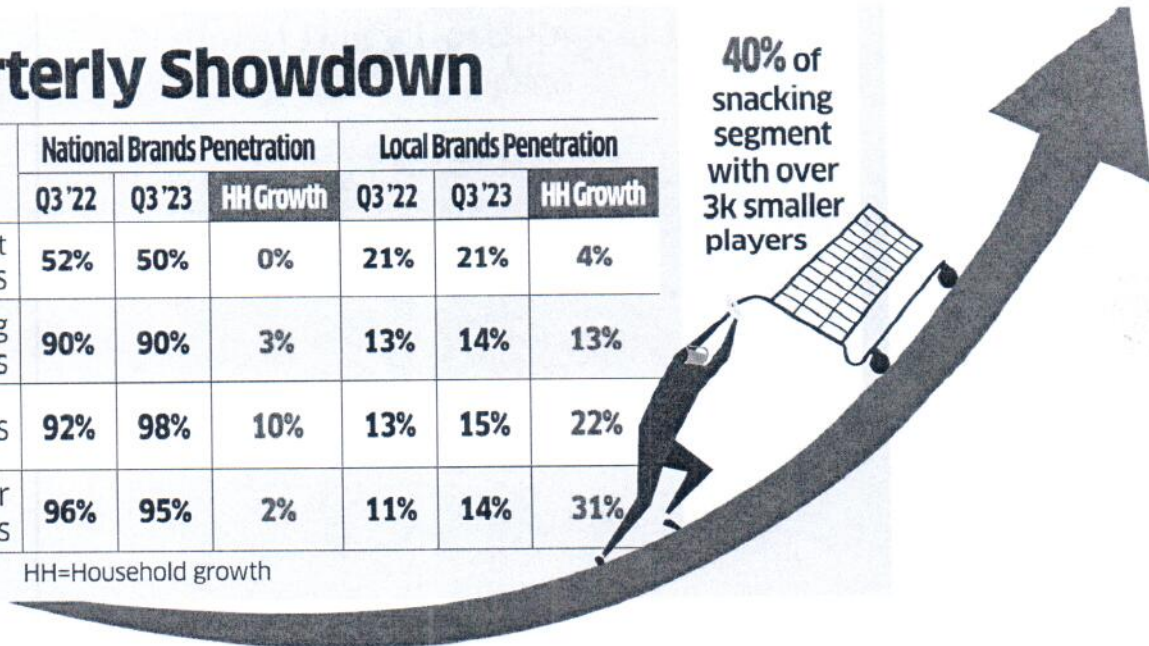
"On one side, you have got the larger players who are obviously much stronger brands, but they are losing out to the smaller players because of the price play and the grams in bags, etc. On the other side, you have got these guys who are throwing money in the market, so we don't want to be caught in this logjam. Only if we find a way to balance and make money out of this, will we move forward," Varun Berry, MD at Britannia, told investors. "Local players have very high margins, very high discounts, etc. So, only if we are able to counter all of those with the mix that we are bringing to the market will we move forward," he added.

Quarterly Showdown

Category	National Brands Penetration			Local Brands Penetration		
	Q3'22	Q3'23	HH Growth	Q3'22	Q3'23	HH Growth
 Detergent Bars	52%	50%	0%	21%	21%	4%
 Washing Powders	90%	90%	3%	13%	14%	13%
 Biscuits	92%	98%	10%	13%	15%	22%
 Bar Soaps	96%	95%	2%	11%	14%	31%

HH=Household growth

40% of snacking segment with over 3k smaller players



Pandemic-led disruptions and subsequent inflation in key raw materials forced many firms to either shut shop or prune operations. But, in the past two quarters, falling commodity prices led smaller regional brands to expand operations and cut product prices. In fact, Unilever last month said it will cut product prices in India in a few categories, such as soaps and laundry, to pass on the benefits of lower commodity prices, boost volumes and compete with local entrants.

"A couple of our categories - fabric cleaning and skin cleansing - are very heavily correlated to the underlying commodity prices and (have seen) local competition re-enter the market. We have to simply adjust pricing there in order to maintain competitiveness and our volume position," chief financial officer Graeme Pitkethly told analysts during the third-quarter earnings call.

For several years, homegrown brands have been stealing market shares from leading consumer product companies, especially in soaps, detergents, hair oil, tea and biscuits. For instance, there are about 2,500 local competitors in the rusk market, while nearly 40% of the snacking segment is controlled by more than 3,000 smaller or regional players.

"Local brands have sizable penetration across the key categories; and barring edible oil and tea, they have managed to either hold on to improve their penetration significantly, like in the case of salty snacks or biscuits," said K. Ramakrishnan, managing director, South Asia, Worldpanel division, Kantar.

Yet, India's biggest consumer products company Hindustan Unilever said it is seeing the resurgence of small and regional brands, many of which had vacated the market during the peak of inflation.