



Indian Institute of Management Rohtak

Babur Oxylife

On May 29th, 2017, Parul Tyagi, National Parlour Head was staring at the May sales figure for Babur Oxylife. She was dismayed to see \$ 400,000 sales as against the target of \$ 490,000. Tyagi was pacing up and down, partly disappointed, and somewhat confused, on the marketing floor of Babur's iconic Head Quarter (HQ) in Kaushambi, located in the eastern part of India's National Capital Region of Delhi. In her professional career, Tyagi had never missed her monthly targets for two consecutive months.

Two years since being entrusted with the role of 'National Head of the Beauty Parlour Business' apart from managing "Oxylife," Tyagi has been delivering excellent results with the highly profitable Oxylife range of products. In 2011, the brand was born in the beauty parlour channel, and its success there had catapulted it into the densely distributed general trade and other channels as well.

Parul was due to present the annual brand plan of Oxylife for the financial year 17-18 to Mr. Krishna Kumar Chutani, the Executive Director of the Babur's consumer care business within a week. Tyagi knew that "KC Boss" (as he is known) would be expecting to hear her action plan to turn the brand around and meet her June and July targets of \$ 550,000 and \$ 655,000 respectively.

Babur

Babur (Babur India Ltd.) derived from Doktor Burman is one of India's leading fast-moving consumer goods (FMCG) companies listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). It has niche positioning of "Science based Ayurveda" which has made Babur a leading Indian FMCG. It has a market cap of over ₹50,000 crores. Building on a legacy of quality and experience of a hundred and thirty-three years, Babur today, is a very trusted name in India. It has Consumer Care, Foods, and International Business as its three strategic business units (SBUs).

Babur's Indian FMCG business units include consumer care and foods, which operate in product categories like hair care, oral care, health care, skin care, home care and packaged juices (Refer Exhibit 1). It has a vast distribution network, covering over 5.3 million retail outlets with a high penetration in both urban and rural markets.

Babur is one of the leading Ayurvedic companies in the world with a portfolio of over 250 Herbal/Ayurvedic products. It's FMCG portfolio today includes five flagship brands with distinct brand identities -- Babur as the master brand for natural healthcare products, Vatika

The case is written by Mr. Siddharth Kannan, PGP 07, IIM Rohtak and Dr. S. K. Pandey. All characters and numbers in the case are fictitious. Any resemblance with any company or person is merely a coincidence.

for premium personal care, Hajmola for digestives, Real for fruit juices and beverages and Fem for fairness bleaches and skin care products.

Babur's International Business Division (IBD) has a presence in the overseas markets and sells products in over 120 countries across the globe. Babur's brands are popular in the Middle East, SAARC countries, Africa, US, Europe, and Russia. Babur's overseas revenue today accounts for 30% of the total turnover (Refer Exhibit 2).

The 133-year-old Ayurvedic company, promoted by the Burman family, started operating in 1884 as an Ayurvedic medicines company. From its humble beginnings in the by lanes of Kolkata, Babur India Ltd. has come a long way today to become one of the biggest Indian-owned consumer goods companies. Overall, Babur has successfully transformed itself from a family-run business to a professionally managed enterprise.

The shift in consumers towards natural, organic and Ayurvedic products globally and within India signals a positive outlook on Babur's prospects. There are tremendous opportunities across product portfolios in Over the Counter (OTC) products, personal and home care.

Babur's Expanding Skin Care Portfolio

The consumer care business contributes to 54% of consolidated sales (comprising Health, Home, and Personal Care), Foods accounts for 12% and International Business accounts for 30%. Currently, the skin care portfolio contributes 5% of Babur's Indian FMCG business. Babur's focus on skin care deepened in 2008 with its acquisition of a 72% stake in Fem for \$ 42 million (adjusted Nov 2008) to gain a presence in the skin care segment. One of the synergies it received through this acquisition was access to over 26,000 beauty parlours across India thanks to Fem's existing distribution network.

Babur launched the brand OxyLife in 2011 exclusively for the network of professional beauty parlours after extensive in-house R&D (Research and Development) with an oxygen face bleach product. A dedicated professional sales team markets it to leverage the distribution network and the fast growing (25% CAGR) and high margin (30%+ gross contribution) skin care segment.

The brand received immediate success owing to its innovative composition and instant fairness results. The product infuses activated oxygen (for oxidising) into the skin along with Aloe Vera, which makes the skin supple and soft, and together they provide an instant radiating glow.

"We have a large dedicated team of 300+ professionals, and we plan to utilize their expertise for making OxyLife available to beauty parlours," Sanjay Singal (Marketing Head, Skin care) had said on Feb 13, 2011.

70% of the OxyLife oxygen bleach brand sales are from the general trade sales channel which includes Kirana stores and grocers, 10% from the Modern Trade channels such as Reliance Fresh, D-Marts, Hypermarkets and the 20% from the beauty parlour channel which include male, female and unisex parlours.

Parul knew that she must utilize her sales network of 30,000 beauty parlours serviced by 300+ sales professionals by piggybacking on the fast-growing professional skin care market

(16.4% CAGR, 2016-2020). She knew that she needs to identify and resolve her problems at the earliest to achieve company's targets.

The Growing Beauty Parlour Business in India

Beauty parlours provide services such as haircuts, shaving, hair colouring, hair straightening, facials, waxing, bleaching, manicures, and pedicures, etc. Various hair care services are available in the market depending on the type of hair and its requirements. Beauty parlours also provide treatments like organic hair glazing treatment for specific hair and scalp-related problems such as hair loss, dandruff, damaged hair, split ends, and itching.

Market Drivers of Growth

Increased Urbanization: According to a survey by UN State of the World Population report in 2007, by 2030, 40.76% of Indians are expected to reside in urban areas from recorded 31.16% in 2011.

Increasing Spending on Beauty: The consumer trend survey by AC Nielsen on vanity and beauty says 45% of urban women visited beauty parlours once a month in 2016 compared to 25% in 2012.

Market Challenges

Lack of Trained Professionals: The attrition rate of servicing staff and trained professionals is 35-40% based on market surveys by the ground sales force.

Fragmented Nature: Only 5-10% of all beauty parlour revenue comes from the organized players like Jawed Habibs, Naturals, Lakme, etc.

Faltering Pricing Model: With increased penetration of high-speed internet, one can replicate the sophisticated professional services at home with step-by-step guidance. This reduced dependency on parlours eats into the share of the market.

Current Market Trends

Enhanced customer interaction: Parlour managers are interacting with the manufacturers and the sales teams through multiple channels- Dedicated smartphone apps, WhatsApp, Facebook, YouTube bloggers apart from traditional telephone calling and doorstep visits.

India's fast-growing ladies' and unisex beauty parlours have attracted top skin and hair care brands across the world like L'Oreal, Wella, TIGI, Cheryl's to set up shop, market and distribute their products. The supply, distribution and sales networks are unique to this channel due to the specialized nature and skill sets of the buyers. These experienced beauty parlour professionals and beauticians, responsible for their client's health, wellness and beauty have a wealth of knowledge.

Sales representatives from various companies visit the parlours monthly raising awareness about their products, scheduling demonstrations and taking orders. Sales representatives then pass the requirements to Babur's distributor in that area that fulfils the same in one or two days. In other beauty parlours, the customer places home delivery orders of monthly product requirements from wholesalers and specialized stores.

Babur has charted future growth plans in skin care category owing to the tremendous projected growth in this segment. Currently, the skin care portfolio is marketed and sold on four sales channels broadly: General Trade, Modern Trade, Institutional sales and Professional sales (Beauty Parlours). The beauty parlour sales channel contributes 20% of the skin care category sales.

Her bosses Aravind Kataria and Mino Phakey had apparently set her mandate:

“To identify the existing problems in the beauty parlour sales network and chart a course and action plan for the sales force in the channel to boost revenues and increase the return on investment on the 300+ sales team”.

Catering to the Decision Makers of Beauty Parlours

The customers or decision makers (DMs) in the beauty parlour channels are either the beauty parlour owners or the managers in consultation with their chief technician. The sales force usually makes the pitch to the decision makers in the presence of staff, and the group dynamic varies from parlour to parlour. Parul, from her market visits, had found out that a standard sales pitch to all parlours was not effective given that there were distinguished customer preferences.

Broadly the DMs were either price sensitive or were looking for customer experience and support. The other aspect to DMs were their deal making orientation. Some were looking for a salesperson-customer relationship, and the rest were purely business oriented.

The type of DMs varies with the area the parlour operates, cost of services offered in the parlour and innate nature of the DM. In one of her visits in the upmarket Banjara Hills area in Hyderabad, Parul noticed that the DM was enquiring about the latest discount scheme offering on Oxy bleach and lost interest as soon as no new plan was on offer. One of them even said, "We are not interested in buying products which are inferior, and as such, please do not disturb us by trying to sell it to us."

In the suburban Old city area of Hyderabad, the DMs were devoting attention and time to understand the entire sales pitch and had many follow up questions. "Madam, although Babur OxyLife is our first choice, we get products which we can use for more customers and generate additional revenue especially from VLCC and Nature's in the wholesale market."

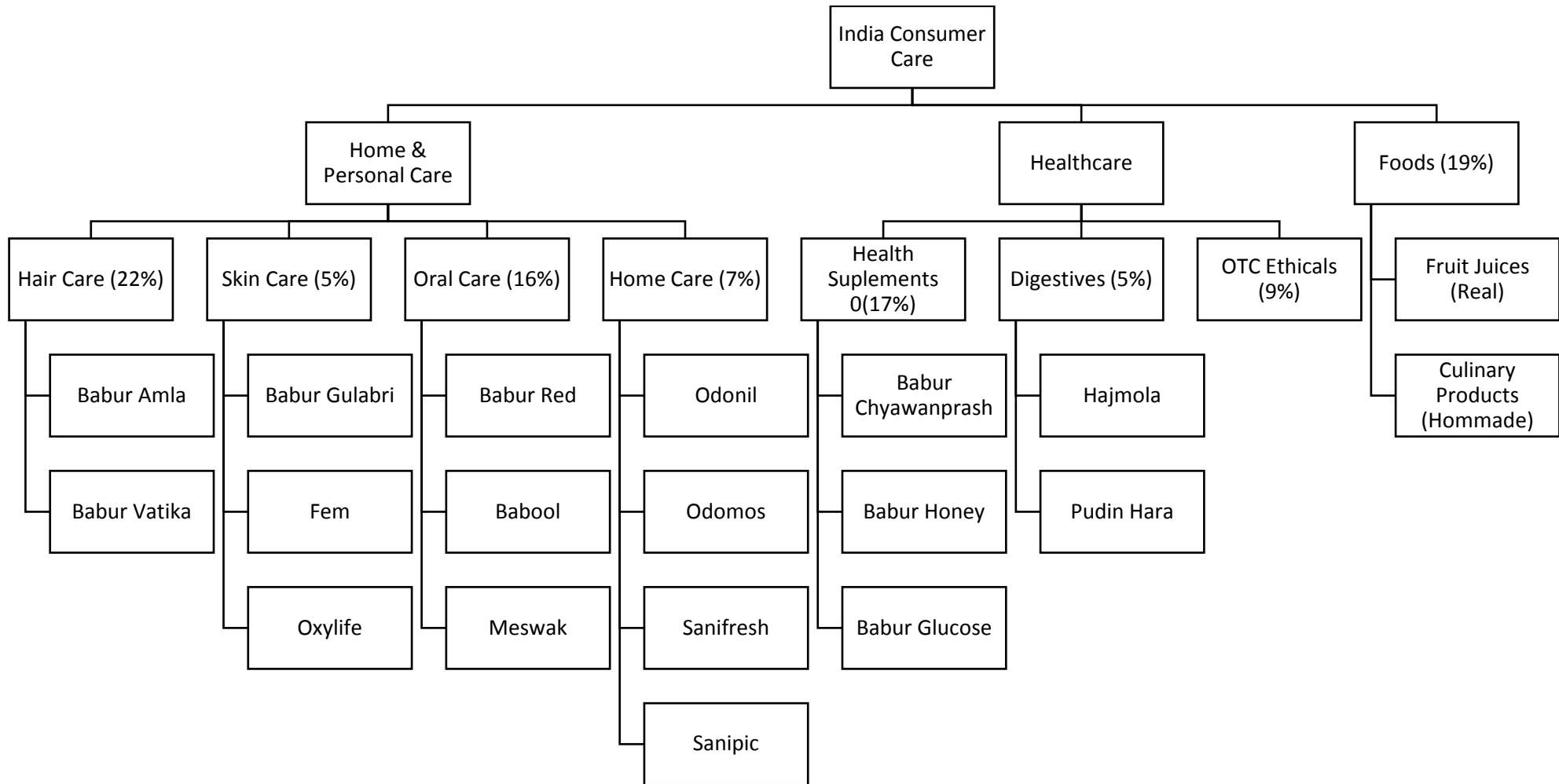
In other regular beauty parlours, the DM's looked-for business support to enhance their services. Parul recalled a very motivated DM saying, "Madam, please provide us with honey, orange peel extracts and some facial towels to add to the service. We are not aware of the latest trends." Parul knew that her competitors were responsive in adapting to these changing and fragmented patterns of demands due to their smaller size compared to Babur. Professional skin care constituted their core operations. It was clear to Parul that she required a thorough analysis of DMs to achieve her mandate.

Conclusion

On 5th June, Parul is scheduled to present her plan to the top management to revitalize and reposition her resources in the beauty parlour channel to reflect the category goals of growing faster than the skin care market nationally. She was aware that, to compete in the professional skin care category with players like Nature's, VLCC, O3+ whose core expertise is in this channel, Babur must transform the deployment of its professional skin care resources. Babur may either gain additional capabilities or modify existing ones to take on competition and fully capitalize on its winning products.

She was mapping the key problems to solve and was trying to figure what she would act on first, to sustain Babur's competitive advantage in this business. What will be the directive to the sales force? Will their engagement levels be altered? How will changes be driven into their relationship building process with their customers?

Exhibit 1 Babur's Product Mix



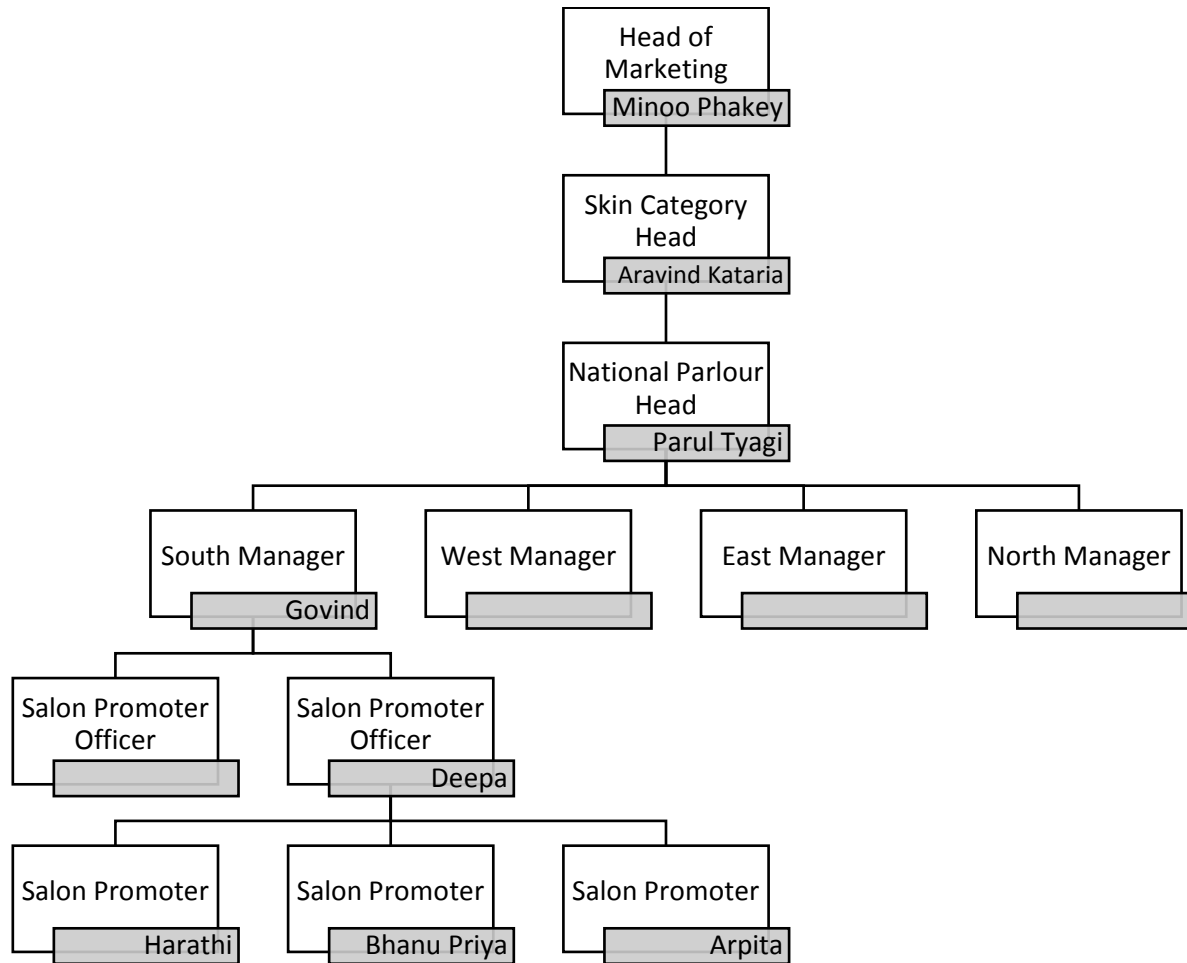
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Exhibit 2 Babur's Domestic and International Sales

Year	2014-15	2015-16	2016-17
Domestic Business	4688	5423	5382
International Business	2387	2446	2319

Sales in Rs. Crores

Exhibit 3 Organizational Structure of Beauty Parlour Channel



Source: Company Records

Exhibit 3 Babur's Professional Skin Care Portfolio

Type	Product	SKU (gms)	MRP	Margin to Parlour	Price to Parlour	Contribution to Skin Care Sales
Bleach	Oxylife Natural Radiance	310	\$ 6.11	5.5%	\$ 5.77	33.9%
Bleach	Oxylife Natural Radiance	126	\$ 3.60	16.7%	\$ 3.00	3.5%
Bleach	Oxy Crème plus Crème	280	\$ 7.83	8.3%	\$ 7.13	1.0%
Bleach	Oxylife Men's Bleach	150	\$ 2.35	15.0%	\$ 1.79	7.3%
Bleach	Fem Fairness Naturals Gold	314	\$ 3.45	15.0%	\$ 2.75	13.2%
Bleach	Fem Fairness Naturals Saffron	314	\$ 2.98	15.0%	\$ 2.37	18.6%
Bleach	Fem Fairness Diamond	354	\$ 5.87	15.0%	\$ 4.47	4.5%
Bleach	Fem Turmeric Herbal	360	\$ 4.31	15.0%	\$ 3.43	2.4%
Bleach	Fem Turmeric Body	1kg	\$ 8.60	15.0%	\$ 4.99	3.0%
Facial	Oxylife Facial Kit	285	\$ 18.80	25.0%	\$ 10.03	2.6%
Facial	Fem Gold Facial Kit	310	\$ 14.88	25.0%	\$ 7.94	1.5%
Facial	Oxylife Men Prowhite	245	\$ 23.50	25.0%	\$ 15.67	1.1%
Facial	Oxylife Prowhite Facial Kit	270	\$ 28.20	25.0%	\$ 18.80	1.5%
Facial	Oxylife Proyouth Facial Kit	285	\$ 23.50	25.0%	\$ 15.67	2.0%
De Tan	Oxylife De-tan system	400	\$ 14.10	25.0%	\$ 9.40	3.0%
Soap	Fem Soft Handz Soap Blossom	5 litre	\$ 11.59	15.0%	\$ 10.08	1.0%

Source:

Company

Records

Exhibit 4 Types of Decision Makers: Market Study Results of 225 DMs in Hyderabad

	Up Market	Mid Market	SubUrban Markets
Want to improve services	8%	28%	29%
Only require discounts	39%	14%	5%
Want to upgrade parlours	10%	38%	25%
Want higher number of uses	2%	15%	38%
Willing to pay premium for tailored service	41%	5%	3%
Total	100%	100%	100%

Source: Market Study by Company