

# Analysis of the diaper market



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Baby diaper market has been growing at a nominal rate for some time now. Declining birth rates in the developed world has adversely affected the diaper manufacturers' ability to expand their businesses. As per data provided by Euromonitor International, birth rates among the developed nations have declined by almost 20% during the last 30 years and are now only half the global average.

The global market for diapers was worth \$22. 2 billion, a 2. 9% increase YOY. However, the major markets of Western Europe, the U. S. and Japan posted nominal decline. As a result, companies like Procter & Gamble and Kimberly Clark are relying more on innovation to their rescue. This has also been a major contributor of success for P&G in the past few years.

The new found focus is the developing country markets, from which 40% of global diaper revenue is derived. Markets such as China and Russia are providing brands with excellent opportunities for longer term growth.

It is also worthwhile to notice the trend in the developed markets towards greener products as shown in the chart below

#### Diaper Market in Developing Country

There is huge growth potential for these products in emerging markets such as China, Brazil and India, as these markets are still quite underdeveloped and new. For example, China is world's most rapidly developing nation. While it has taken developed Western economies some time to realise the environmental price of their development this is not the case for today's emerging nations. In this case even the global recession will enable China to

have more time to better make arrangements for considering more sustainable and greener options for its growth.

Middle-class consumers are at the forefront of environmental awareness as the environmental consequences of rapid industrialisation and urbanisation in countries such as China and India are becoming increasingly apparent

Also in countries such as India, the Philippines and Malaysia, levels of consumer awareness regarding hygiene products are very still very low.

### Indian Diaper Market

In 2009, manufacturers have been now more focused on more categories such as disposable nappies/diapers. With the increasing buying power of Indian consumers, companies are looking for options which are more convenient and safe to use for the children. Increase in awareness about hygiene is a big factor for thus development.

Some of the major development last year is as follows:

Procter & Gamble Hygiene & Health Care Ltd introduced Pampers Magic Nickers

Kimberly-Clark Lever Ltd introduced Huggies New Born, a product specifically targeting the mothers of new born babies.

With increasing awareness regarding the advantages of using the use of disposable nappies/diapers over cloth substitutes, Indian parents are now spending more on purchasing such products which in turn led to an increase in sales value for the manufacturers. Convenience has been one of the

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driving factors in this change. Even in tier 2 towns and cities, parents are willing to spend money on disposable nappies/diapers to use when the baby is taken out of the home, for added convenience.

Also as babies get older, some young mothers look to go back to work. This encouraged the use of nappies/diapers, as they are more convenient, and they do not need to spend time washing cloth nappies. Also, as babies become more active, and nappies are a more comfortable and hygienic alternative to cloth nappies. However currently the majority of the sales is restricted to customers in urban India. So the penetration rate of disposable nappies/diapers has been increasing, as more young parents are finding it convenient to switch from cloth nappies to disposable nappies.

Sales of disposable pants remained negligible in India in 2009. Procter & Gamble Hygiene & Health Care Ltd introduced Pampers Magic Nickers and Uni-Charm Corp entered India with its brand of Mamy Poko Pants. Disposable pants have seen an increase in activity from the leading brands, but sales have still not become significant.

The main factors that inhibit the growth of this category are as follows:

Cultural factors: Diapers are a relatively new product in India. Indians are not used to this product. Unlike the west, Indian parents tend to use Diaper on babies only during travel to minimize cost. Inside the house the traditional cloth method is still used. However, the potential is high because of the changing psychographics of Indian consumer.

Price: During the time of its launch diapers was priced at a pack of ten where anywhere between Rs 150 – 200 which was perceived to be highly priced. In the last two years, the marketers have tried to reduce the price of diapers to induce more usage. The average prices have come down to Rs 10 per piece however its too costly for everyday usage.

Other Trends: The average age for potty training in India is about two to two and a half. With potty training taking place at such a young age, the use of nappies/diapers is even lower for Indian babies.

Also with the easy availability of cheap domestic help in India, it is convenient for Indian mothers to wash and reuse cloth nappies.

Some of the important facts and figures are shown as follows:

## **Godrej Company**

Godrej Consumer Products (GCPL) is deals in manufacturing, marketing, and distributing fast moving consumer goods. The company offers various products such as soaps, toiletries, cosmetics, hair care, household care, fabric care and baby care products. It also markets products under Cinthol, Fairglow, Godrej No 1, Nupur and Ezee brand names. The company primarily operates in India and some overseas market. It is headquartered in Mumbai, India.

The company recorded revenues of INR13, 929. 7 million (\$303. 9 million) in the financial year ended March 2009 (FY2009), an increase of 26. 3% over FY2008. The company's operating profit was INR1, 881. 6 million (\$41. 1 million) in FY2009, a decrease of 4. 8% compared to FY2008. Its net profit

was INR1, 732. 5 million (\$37. 8 million) in FY2009, an increase of 8. 8% over FY2008. (Source : EuroMonitor)

In Diaper segment, Godrej Products Ltd offers Snuggly Dry. This has around 10% market share accounting for the third position in Indian Diaper market. Godrej Consumer Products Ltd regained share in 2009, as the joint venture between Godrej Sara Lee and SCA Hygiene (Godrej SCA Hygiene Ltd) was discontinued. The brand Snuggly Dry is now being marketed and distributed by Godrej Consumer Products Ltd exclusively.

The company has five factories in India, at Baddi, Guwahati, Katha, Malanpur and Sikkim. Apart from Snuggly Dry, all the other products of GCPL are produced in-country. Snuggly Dry was part of the Godrej SCA Hygiene Ltd joint venture, which was imported into India, and after the discontinuation of the joint venture, the brand was distributed by GCPL.

## **Competition**

Huggies (by Kimberly-Clark) is the leader in the Indian market with a value share of 60 % share. Pampers from Procter and Gamble Hygiene and Health Care Ltd. is at number 2 spot followed by Snuggly from Godrej Consumer products Ltd. Wipro Ltd and BellePremier Happy HygieneCare Pvt. Ltd. also have their own brands competing for the market share.

Huggies and Pampers controlled 84% of the market in 2009 according to a Euro monitor International report. These brands have invested heavily in advertising and hence have a dominating market share.

Kimberly Clark launched a new product called Huggies New Born in 2009, which was diaper targeted towards new mothers. The product has been a moderate success as penetration of disposable diapers remains low in India, with mothers often using cloth nappies for young boys.

New brand Mamy Poko Pants has been using extensive television advertising, with its advertisements highlighting the comfort of the products and the ease with which they can be put on a child. In a market in which the leading players advertise a great deal through television, these advertisements will help it to increase its brand presence.

It can be said that the products compete against each other based on the price. Teddy and Wipro are considered as economy brands. Pampers, Huggies and Snuggly have price points in all three price segments.

Disposable pants have a more premium price point within diapers. Pantaloon Retail India Ltd entered this category with the launch of its brand Caremate in 2009. Other private labels have not yet emerged in India.

## **Nappies/Diapers/Pants Retail Company Shares 2005-2009**

% retail value rsp

Company

2005

2006

2007

2008

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2009

Kimberly-Clark Lever Ltd

70.0

68.8

64.1

59.6

60.3

Procter & Gamble Home

15.5

15.3

19.0

24.5

24.7

Products Ltd

Godrej Consumer

8.3

8.9



—

—

8. 3

Products Ltd

Wipro Ltd

3. 5

3. 5

3. 5

3. 3

3. 3

DSG International Ltd

1. 0

1. 0

1. 0

1. 0

1. 0

Pantaloon Retail India

—

—

—

—

0. 3

Ltd

Godrej SCA Hygiene Ltd

—

—

9. 1

9. 3

—

Customers

With the increasing income levels in India, parents are spending more on purchasing disposable diapers instead of reusing cloth nappies at home. In addition, awareness is increasing through the media about the different brands and the benefits of using disposable diapers over cloth versions, manufacturers saw an increase in value sales. Even in smaller towns and cities, parents are willing to spend money on disposable diapers to use when the baby is taken out of the home, for added convenience.

This has made India's nascent baby care market transforming into world's fastest growing baby market. A vast population of population in age group 0-  
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4 years is a boon to the market. Aggressive marketing strategies and consumer acceptance of branded premium baby care products (especially in baby food and skin care segments) will enable the industry to register a CAGR of more than 11% during 2010-2013.

The major market players have used television based advertising to their full advantage and have raised the awareness of Baby care. With the increased awareness and increasing purchasing power, customers are fast shifting from cloth nappies to baby diapers.

The Decision makers in this market are parents with mother being the dominant decision maker.

The market has used extensive retail channels with super markets, traditional grocery stores etc. This use of extensive channels has also resulted in the increasing demand.

The rapid development of modern retail infrastructure is luring consumers for convenient shopping experience and transforming into high retail spending. Baby care companies are optimally utilizing this trend and executing strong product positioning strategies to maximize their market returns

According to our new research report Indian Baby Care Market Analysis, the Indian baby care market has substantially grown over the past few years and caught the attention of international players. It showed impressive performance last year (2009), which indicates to the nonexistence of economic slowdown effects. Aggressive marketing strategies and consumer

acceptance of branded premium baby care products (especially in baby food and skin care segments) will enable the industry to register a CAGR of more than 12% during 2010-2013.

There is relatively large and untapped market in rural areas. This market is anticipated to witness concrete market developments which will also give impetus to the baby care market.

## **Collaborators**

Most diaper brands in India are imported and so is the case with Snuggly. The production for Snuggly is carried out by a Chinese manufacturer.

BroadVision, Inc. announced that Godrej Group of India has successfully implemented two new sales portals for its business and consumer channels.

The new portals, built using BroadVision's multi-channel sales portal and content solution, have streamlined and enhanced customer service for two Godrej Group subsidiaries-Godrej Industries Limited (GIL), which provides industrial supplies to businesses, and Godrej Consumer Products Limited, a manufacturer of consumer products

A Mahendran, MD of Godrej Consumer products, confirmed the launch of ' Operation Big C'. With its ' Operation Big C, the company is looking at building a distribution network of over 1 lakh chemists by re-branding them, bundling products and offering discounts. The revenue model will be on the lines of ' Operation Big B', with chemist shops being offered higher margins.

In his own words " We are looking at revamping our distribution network and at re-staging of brands. Our initiatives will result into a sea-change in

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distribution process. We are eyeing a growth rate of more than 20% in our personal and household product category. “ However, only dealer push is not enough, consumer pull is important too,” adds Mahendran cautiously.

The initiative is expected to push OTC (Over the Counter) brands like Snuggly, Hair Dye, Vigil, Cinthol etc.

According to the company’s analyst and investor meet report, rural distribution is essential for a sound growth. In 2009, reach in rural areas has increased by 40-50% in terms of small towns and villages. Rural now measures about quarter of GCPL’s sales. It accounts for 45% of the growth. Going forward it is expected to be a continuous growth driver.

## **Context**

Social/Cultural:

In India the diaper is met with disgust by rich and poor, old and young alike. When the larger majority of parents, grandparents and even babysitters are willing and able to care for babies without them, diapers end up being marketed only as a status symbol.

This product comes with a feeling of “ detached” baby care (or “ training”) which dominated “ modern” Western societies in the post-War era. A generation later, these have come under attack in the West and are reaching markets elsewhere. Early weaning, from breast and bed, undermines intuitive family practices. Perhaps a small number of Indian parents give formula milk and use diaper for their babies. The diapers are heralded as an advancement from the modern West.

Rash is considered to be one of the ills of diapers. In India not many people tolerate rash. Seeing a rash developing elderly insist that baby go bare-bottomed, and preferably stay that way. While in the early months diaper-free life created more laundry, it had benefits beyond rash-proofing

Another stereotype associated is that “ Diapers are for strangers and strange places”. Reactions like, “ ayyo, poor baby, remove that diaper!” .

Obviously there is the environmental angle, to problem of disposables in general, not merely diapers. the plastic pouches? Some people ask “ What would happen to our sewers and canals if everyone used diapers? “

Technology:

Companies are innovating in this field and are bringing in new products to rope in customer confidence and increase their market shares. Huggies Dry Diaper currently manufactured in India is a product specifically designed for new users in new markets. The product relies on high technology super absorbent materials (SAM) to deliver super dryness to the user which results in “ dry and healthy “ skin. SAM can absorb up to 100 times their weight. “ High leg cut design is another innovation for hot climate from Kimberly-Clarke.

The industry is a high capital industry and hence employs lot of cost. This is one of the reasons that Godrej diapers are not manufactured in India but imported from China.

## **MARKETING STRATEGIES**

The below graph shows the number of new born babies born per inhabitants, though the number of new-born babies are decreasing but still the market is huge. Diaper is competing with the traditional way of using Clothes which has the advantages of reuse, inexpensive and to a certain extent healthier for the babies. Healthier in the sense, diapers used to cause rashes while clothes didn't. Diapers have the advantage of convenience and cleanliness.

In order to increase the market share for Godrej diapers we intend to implement a progressive marketing strategy. In terms of marketing we intend that our name and products are marketed on an extensive basis to ensure that customers are aware of our existence. In price, we intend to offer reasonable and competitive prices in comparison to other competitors and we need to be able to sustain that.

## **SEGMENTATION PROFILES**

Dividing a market in to distinct groups of buyers with different needs, characteristics, or behaviour who might require separate product or marketing mixes.

We can segment the market for the diaper market based on the disposable income of the parents. Regular use of disposable nappies/diapers remains more restricted to parents in urban India. Based on the stage of the new-born baby , the number of diaper to be used per month can be found Godrej should launch the diaper in three segments Premature when the baby is less than 6 months , New born when the baby is less than 2 year and Mini pack when the baby is 2-4 year.

We can segment the market based on the Tier-1, Tier-2 cities. The disposable income of the parents has been increasing not just in Metro cities but also in tier-1 and tier-2 cities as well.

But we find that number of working mother is less in these cities when compared to metropolitan cities. So the diaper usage will be less when compared to metropolitan cities. So we need to use a push marketing strategy for this segment of population without altering the pricing mix.

Indian State wise Disposable Diaper usage in the year 2006

India: DisposableDiapersin2006, US\$mIn

City

World Rank

US million \$

%Country

%Region

%World

Maharashtra

16

214. 2

17. 25



2. 82

0. 9

UP

26

147. 09

11. 84

1. 93

0. 62

WB

42

99. 24

7. 99

1. 31

0. 42

AP

46

95. 33

7. 68

1. 25

0. 4

TN

52

85. 63

6. 89

1. 13

0. 36

Gujarat

59

77. 42

6. 23

1. 02

0. 32

MP

61

77. 25

6. 22

1. 02

0. 32

Karnataka

68

70. 15

5. 65

0. 92

0. 29

Bihar

69

69. 99

5. 64

0. 92

0. 29

Rajasthan

98

54.74

4.41

0.72

0.23

Punjab

101

54.4

4.38

0.72

0.23

Haryana

133

39.07

3.15

0.51

0.16

Kerala

142

36. 41

2. 93

0. 48

0. 15

Orissa

164

31

2. 5

0. 41

0. 13

Union Territories

170

28. 63

2. 31

0. 38

0. 12

Others

61. 36

4. 94

0. 81

0. 26

Total

1241. 9

100

16. 33

5. 2

Disposable Diaper usage in India when compared to Globe

Disposable Diapers(US\$mn): India2003-2011

Year

India

%of Region

% of Globe

2003

1, 225. 93

16. 36%

5. 25%

2004

1, 207. 04

16. 33%

5. 21%

2005

1, 197. 37

16. 31%

5. 18%

2006

1, 241. 90

16. 33%

5. 20%

2007

1, 297. 50

16. 36%

5. 24%

2008

1, 355. 59

16. 38%

5. 27%

2009

1, 416. 29

16. 40%

5. 30%

2010

1, 479. 70

16. 41%

5. 33%

2011

1, 545. 94

16. 43%



5. 36%

## **TARGET SEGMENT**

Demographic Distribution

AGE GROUPS

PERSONS

MALES

FEMALES

6 years and Below

163, 819, 614

84, 999, 203

78, 820, 411

RURAL-URBAN POPULATION DISTRIBUTION

POPULATION

PERCENTAGE

RURAL

742, 490, 639

72. 2

URBAN

286, 119, 689

27. 8

Percentage of Children below 6yrs to total rural/urban population

RURAL

URBAN

Number of children(0-6 yrs)

117, 950, 122

45869491

Percentage of Population

15. 8

16

The target market will obviously be mothers to be and current mothers.

Indians are not used to this product. This category is concentrated on urban market. The Indian mother is a cost-conscious woman and would like to recycle most of the products used for her household. The same applies to the products used for her baby too.

Moreover, large population base in 0-4 years and parents increasing preference to spend more on baby products will drive the market to new horizons in near future.

Apart from penetrating deep into urban market, rural market will also provide growth opportunities to companies.

Indian demographic distribution shows that 72 percent of the population live in rural areas while the rest 28 percent live in urban or semi-urban areas. Out of the total population mix both in rural and urban areas approximately 15 -16% population is below 6 years which form the potential market share for the diaper market. With the average purchasing power of the Indian population increasing and the with increased hygiene awareness the rural market is the market of the future.

When the purchasing power parity reaches threshold, India will be the largest customer of diapers within the next 15 years which and is expected to explode in next 3 to 5 years. It has been found that with the present birth rate 24 million babies are born in India every year. If we typically calculate 25% of these infants in the period birth and 24 months use at least 28 diapers a week, theoretically the available market is 8.7 billion pieces per year. It is estimated that the diaper market would grow at a rate of around 5-10%.

This proposed market segmentation will help building strong position in specialized diaper market segments. It will allows Godrej to focus on target customer specific needs. It will help them to understand the customer need and make improvement in marketing mix for each segment. It will help Godrej to compete with Huggies and Pampers brand diapers.

The TV and print media can reach the diaper buyers. These two media forms the potential to create the brand awareness among the buyers through various advertisements and promotional campaigns.

## **POSITIONING**

The Godrej diaper should be positioned as a value-for-money brand, one that

Affordable

Has have high degree of softness

Easy to use

Comfortable and good fit

Made of clean , bacteria free and highly absorbent cotton lap

Environmental friendly and disposable

No irritation to the skin

Faster Absorption

Super Absorbent core which keeps the baby dry for long hours

It should be positioned as a product which is a “ Little bundle of joy”

## **MARKETING MIX**

### **Product**

#### **Design:**

Disposable diaper is made of an absorbent pad sandwiched between two sheets of fabric. The diapers are made by a multi-step process, viz.

The absorbent pad is made and attached to a permeable top sheet and impermeable bottom sheet

The other accessories are then sealed together by application of heat or ultrasonic vibrations.

#### **Features**

The function of the pad is to absorb and retain body fluids, and the non-woven

fabric gives the diaper a comfortable shape and prevents leakage. The main features of diapers would include:

Absorb body fluid.

Retain body fluid inside the absorbent core.

Isolate wetness from the baby's skin.

Isolate other excretion from baby's environment (clothes, bed, etc).

#### **Varieties**

The following major varieties of diapers and tissue hygiene products are predominantly present in the Indian market

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Regular diapers

New born nappies

Disposable pants

Adult diapers

Junior diapers

Godrej primarily focuses on regular diapers, junior diapers and new born nappies. The company markets a narrow portfolio of products within retail tissue and hygiene. It has only two brands, Snuggly Dry and Protekt, but there are some variations in terms of fragrances under the Protekt brand umbrella.

Most of the diaper brands continue to be imported, including Snuggly. Godrej is currently outsourcing its diapers from a Chinese company and will continue to do so until the volumes pick up.

## **Price**

Godrej has positioned its brands Snuggly Dry and Protekt in the standard price segment in the market. A regular Godrej diaper pack of 6 costs Rs. 50. Currently, the Snuggly brand of diapers has a retail price of Rs 85 for a pack of 10. Smaller pack sizes have also been introduced and there are more product innovations being considered within the diaper category in the area of nappy pads – much along the same lines of its competitor Huggies from Kimberly Clark, which has also introduced nappy pads. However, the current prices are a result of 2% price hike in March 2010, by Godrej.

In the retail tissue and hygiene market in India, Godrej diapers held just above 2% value share and were ranked 6 in 2009. Within nappies/diapers/pants, the company held a share of 8%, and was in third position after Procter & Gamble Hygiene & Health Care Ltd and Kimberly-Clark Lever Ltd.

## **Promotion**

Being the first brand of diapers in the country, Snuggly enjoys high-brand loyalty as one of the three leading players in the Indian baby diaper market. Godrej benefits from the brand loyalty which Snuggly commands in the consumers' mind.

The following table shows the ranking of nappies and hygiene products in the sales of Godrej in 2009.

Product type

Value share

Rank

Nappies/diapers/pants

8. 3%

3

Tissue and hygiene

2. 2%

5

## **Advertising**

Diaper ads typically are earnest, fawning over babies and remaining steadfastly euphemistic about function, typically pouring blue liquid into diapers to demonstrate absorbency.

The major two brands focus on heavy marketing and advertisement in mass media and television. This has led them to capture around 90% of the market share.

A commercial titled SNUGGY HAPPY BABY CONTEST was done by Madison Media advertising agency for GODREJ diapers. The campaign was moderately successful and helped Godrej to keep its 10% market share.

## **Place**

The company has national coverage through wide marketing and distribution channels. Supermarkets and malls, especially BIG BAZAR and Reliance Fresh have considerable self coverage of Godrej Diapers, though majority of the hygiene shelf space is still taken up by the two major players.

## **Channels**

OTC Sales: Godrej intends to push various OTC (over-the-counter) products and brands and the primary inclusion in this category is Snuggly diapers. It feels that coupled with a consumer pull strategy through the marketing campaign SNUGGY HAPPY BABY CONTEST, this aggressive dealer push strategy will help it to gain sales.



Operation BIG C: Godrej looks at revamping distribution network and re-staging of brands. As a part of Operation BIG C, it intends to use the Chemist network in the country as a retail outlet for Snuggly diapers. The chemist margin for Godrej Diaper sales has consequently been kept higher. Following the success of Operation B, which involved the saloons of the country for Godrej Beauty product outlets, Godrej hopes to achieve as high as 20% market share through Operation BIG C.

## **Financial Projections**

The baby diaper market in India is fairly underdeveloped and is approximately Rs 4479. 8 million.

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews,

Euromonitor International estimates

The overall growth of the market is projected to be around 15% per annum.

Retail Sales of Nappies/Diapers/Pants by Subsector: % Value Growth 2004-2009

% current value growth

2008/09

2004-09 CAGR

Junior

15. 9

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17. 6

New Born

15. 6

13. 7

Standard

15. 4

17. 4

Nappies/Diapers/Pants

15. 6

16. 9

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews,

Euromonitor International estimates

The current share of Godrej diapers under the brand name of Snuggly diaper is approx 8% of the overall share. That means the market share of Snuggly diaper is approximately Rs 371 million.

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews,

Euromonitor International estimates

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Nappies/Diapers/Pants Retail Company Shares 2005-2009

**% retail value**

**2005**

**2006**

**2007**

**2008**

Kimberly-Clark

70

68.8

64.1

59.6

Procter & Gamble

15.5

15.3

19

24.5

Godrej Consumer Products

8.3

8.9

—

—

Wipro

3.5

3.5

3.5

3.3

DSG

1

1

1

1

Pantaloon

—

—

—

—

Godrej SCA Hygiene

–

–

9. 1

9. 3

Others

1. 7

2. 6

3. 3

2. 3

Total

100

100

100

100

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews,

Euromonitor International estimates

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

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## **Financial projections of Snuggly diaper:**

Below are the financial projections for Snuggly diaper to attain a growth of 10% in the coming quarter Q2 Jul – Sep 2010

Sr. No

Particulars

Details

Comments

1