Strategies of Nirma To Become Goliath

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INTRODUCTION

In India, people have been exposed to a variety of brands but Indian brands face a lot of threat from global players. The foremost reason is not studying the business environment before rolling out the product. In this situation, global players swallow the Indian brands as they are well -managed. Indian brands require vigour at one end of the spectrum while knowledge of environment at the other. Strategies play an important role in success and failure of brands. A good strategy may help in achieving success. There are many successful Indian brands which have emerged strong in fighting the global brands. These are Amul Butter, Asian Paints, Godrej Locks, Onida TV, Parle G. biscuits, Titan watches, Raymond Suitings, Nirma detergent powder, Bajaj Auto, Wills, Bombay Dyeing, India Today, Parachute Hair Oil, Reliance, Taj Group of Hotels, Videocon, Rasna, Tata Salt, Tata Tea etc.

DETERGENT POWDER SECTOR

The first companies who sold detergent powder in India were Swastik and HUL. In 1956-57, Swastik produced a white powder called Det and was successful in eastern India while HUL's Surf became the national market leader with dominant positions in the West, North and South. HUL worked very hard to create a market for detergent powder. Salesmen toured the villages in vans and told the advantages of Surf over other soaps. During 1960-65, the total volume of detergent manufactured in India grew from 1600 to 8000 tons. In 1966, another manufacturer, the Tata Oil Mills Company (TOMCO) entered the market with the brand name, Magic and in 1973, it launched Tata's Tej and in 1976-77, it came with OK. Nirma entered the market in 1969.

During this period, there was worldwide increase in the prices of crude oil and it led to an increase in the prices of raw material and consequently, the selling price of detergent shot up.This created an opportunity for local players of crude detergents to produce low priced, low quality products based on cheap raw materials. After 1974, a host of new competitors diversified from laundry soaps into detergent powders. Karnataka soaps, a state owned enterprise launched a powder called Point in 1975 and Godrej, a local private sector company produced Key in 1977, while Detergent India Limited came out with Sixer in 1978.

STRATEGIES FOLLOWED BY NIRMA

OPERATIONAL STRATEGIES

Economy of scale is the mainstay strategy used by Nirma. Mass production helped it in achieving economy of scale. Mr. Patel created the market for Nirma and converted non-users into users. When more and more new entrants entered into the market, then for survival, a new strategy was required and it came in the form of backward integration. To produce a detergent; Alpha Olephin Sulphonates, Linear Alkyl Benzene and Soda Ash are used as raw materials. Nirma started producing them and this strategy helped Nirma to cut down their raw material cost by 15%. This profit was given to customers by offering quality products at prices that were lower than other competitors. Moreover, for delivering raw materials to the detergent manufacturing units, Mr. Karshanbhai Patel purchased eighty trucks. It helped him to reduce cost and ensure a smooth supply of raw material without interruption.

Patel used an innovative production system that was based on labour intensive technology. The ingredients were simply dumped on floor and mixed by hand. Therefore, he enjoyed all the cost benefit of using no electricity and until 1985; he enjoyed the 15 percent excise benefit that used to be given to small-scale producers for not using any power. When production of Nirma detergent was in its nascent stages, Mr. Patel himself used to fill the detergent in polythene and staple it. Later on, when the production increased, he had his own small- scale packaging material unit and acquired a printing press. This packaging and printing press helped him in reducing cost further.

In Nirma's operation system, there was no space for any holiday for smooth production. Working hours for workforce were from 8 a.m. to 6 p.m. with no interruption for Sunday or other holidays. When Nirma's sales started increasing, he opened two further facilities at Rakhilal in 1973 and at Vatwa in 1976, and moreover, he added four sheds at Ramol. In FY97, Nirma group restructured its operations and merged four companies, namely Nilinta Chemicals Ltd, Nirma Detergents Limited, Nirma Soaps and Detergents Limited and Shiva Soaps and Detergents Limited, with its flagship Nirma Limited. Patel didn't follow a fixed set of business rules, but built an operation that was easily adapted to changing market circumstances. This strategy made their operations flexible

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to adapt to new changes according to a situation. When small-scale producers were given 15 percent excise benefit for not using power, he didn't use electricity but when this benefit was removed, he used machines for the mixing part of production.

The gist of Patel's operational strategies is "consider all the available alternatives in the market and use the best for optimum outcome and then incorporate changes in the selected alternative according to the changing environment."

HUMAN RESOURCE STRATEGIES

In Nirma, the detergent powder was manually packed into polythene bags and stapled together. It could create chemical reactions; therefore, workers were changed after every three months. Employees were hired through job contractors on contract basis. There was no dissatisfaction among work force regarding contract job, as there was clarity in job policy. Workforce was paid Rs. 85 per ton for mixing the raw material which was then filled in bags of one kg. each. After this, 1000 bags of 1 kg. each were kept in a sack. Salary was based on performance; therefore the work force could earn more by doing more work. Similarly, targets were decided for stockists. To work with Nirma, stockists were supposed to achieve minimum sales of 80-100 tons per month. The system was based on advance payment by demand draft. There was a penalty of 15 paise per bag as interest charged for agents if they delayed in making payment till due date. Earning was based on performance and it helped in reducing the supervision cost.

Patel used centralized decision-making. His headquarters remained in Ahmedabad and all the decisions like, administration, production, dealing with dealers and raw material purchases were taken by him. This helped him in having control on each and everything and this reduced ambiguities of employees related to their roles. Mr. Patel motivated stockists in such a way that despite the low margin on the sale of Nirma, they were satisfied. In addition to this, they were motivated to sell more volumes to gain more profit. According to one of the stockists of Nirma, "we were paupers and Karsanbhai made us what we are. We shall be with him as long as we live. After all, the worst that can happen is that we will be as poor as when we started". This statement is self explanatory about the motivational skills of Karshanbhai Patel.

A clear mission provides a clear picture regarding what is to be offered to customers. "To provide better products, better value and better living to customers", helped in giving a clear picture about Nirma's offering. From time to time, Nirma reiterated its mission to cultivate employees' mindset routed to cost consciousness. Nirma's model was based on a cheap product offering with quality to customers. This cost conscious mindset was ingrained in each and every stakeholder of Nirma. All the suppliers, distributors and the workforce tried their best to be cost conscious and slash costs from every corner. All the employees were very clear about objectives that they were supposed to achieve. Those objectives could be fulfilled with support of other members. This clear thinking created a teamwork environment in Nirma and helped in synergy.

FINANCIAL STRATEGIES

Nirma tried to reduce the cost on every platform, wherever it performed. For packaging, it acquired Kisan industries at Moriya, near Ahmedabad in 2000. This strategy helped Nirma in reducing cost and improving quality. Subsequently, Nirma acquired Saurashtra Chemicals' Porbandar unit and Core Healthcare's IV fluids business in 2005 and 2006 respectively.

MARKETING STRATEGIES

Karsanbhai Patel's opportunity identification and exploitation capabilities made a revolution in the detergent powder market. Nirma changed the washing habits of ladies. Earlier, they used to use soda ash to wash clothes. This inexpensive product from Nirma attracted them as it contained 65% of soda ash. In addition to this, non-users of detergent powder were converted into loyal users by demonstrating the benefits of Nirma. When Nirma entered the market, it used focused marketing strategy and carved a niche in the lower end market. It achieved competitive advantage through lower cost. Focused strategy helped Nirma to concentrate on its core competency - value for money.

When the company's growth was satisfactory in detergent segment, it tested the related business of soaps and other personal care products. Related diversification offered advantages of efficient transfer of key skills and technological expertise. Same brand name reduced the cost of branding. The main products of Nirma under consumer products are soaps, detergent, washing powder, salt, dish bars and toothpaste while its industrial products are LAB (Linear Alkyl Benzene), AOS (Alfa Olefin Sulfonate), Sulfuric Acid, Glycerin and Soda Ash. Mr. Patel introduced a second washing powder, Milan in the market. This brand was introduced as a cushion for Nirma. Its prices were lower than Nirma to protect it from other small-scale detergent powder providers.

Nirma gave emphasis on market research. It had knowledge of consumer preferences. When it launched soaps in the market, it used pink colour soap for the north and green for the south. Nirma's mission was to provide inexpensive products without compromising on quality. To achieve cost leadership, different strategies like backward integration, low-cost labour, labour intensive technology, effective supply chain management etc. were used. Nirma used low pricing strategy to penetrate into market. It created a niche in lower end market by selling Nirma at a cost of Rs. 3 that was unbeatable by competitors. The whole philosophy of Nirma was based on low priced product. In 1977, its cost was Rs. 4.35 per kg., lower than any other detergent. HUL was not in a condition to challenge the core competency of Nirma.

Nirma's distribution started on a bicycle and graduated to vans and trucks. Truck suppliers were negotiated for daily basis for supply of detergent to gain significant cost advantages when the market price was low. After business expansion, stockists were required for satisfying growing demand of Nirma detergent powder. Earlier, Mr. Patel used all family members and close business associates as stockists and later on people from outside the family were introduced into the system. To avoid central sales tax charges in other states, the stockists were appointed as commission agents.

Regarding availability of products to consumers, Mr. Patel's strategy was that the product should be within the reach of customers. So he concentrated on widening his distribution network and Nirma began to enter into small towns. When Nirma procured packaging material from outside vendors, then it incurred high costs and delivery was also not at the right time. After having their own packaging unit, Nirma was able to slash the cost by 40 percent. Similarly, production of raw materials helped it in cutting prices and in ensuring smooth delivery of raw material. In addition to this, cost saving was entertained by flat distribution system. Nirma was directly connected to distributors without any agents in between.

The brand name Nirma was synonymous with low-priced detergents. Nirma was successful in delivering its mission to customers through its strong brand but research showed that the middle class was not using Nirma. Nirma wanted to tap the middle class as well. Now Nirma was left with two options. One was to create a new brand and second was to change the mindset of people by advertising. Nirma was convinced with umbrella branding because of fear of high cost involved in developing a new brand. So it decided to change the mindset of people through celebrities. Actresses Sonali Bendre, Riya Sen and Manisha Koirala endorsed Nirma soaps on the television screen. As compared to competitors, Nirma didn't spend much money for promotion. In the initial years, a packet of Nirma showed a lady washing a cloth but it didn't create any differentiation from other small-scale sector units. In 1973, Mr.Patel featured his daughter on the pack. Their first advertisement was, **"Dudh si safedi Nirma se aaye, rangin kapda bhi khil khil jaye".** According to Mr. Patel, "We advertise only after we have launched a product. Nothing can be more irritating for a customer than to see a product advertised, and then find it has not reached his grocer. Advertising just tells people that a product is available". They didn't rely on trade schemes. After a stiff competition in the market, it was necessary to come up with some promotional schemes. In 1974 and 1976, he announced prize draws of Rs. 30,000 and Rs. 50,000. The Nirma calendar was launched in 1980, the year of Moscow Olympics. His advertising expenditure was about 2 mn, 4.5 mn and 20 mn in 1980, 1983 and 1985 respectively. The catchy jingle, "Nirma washes clothes white as milk" was punctuated in every program of radio and it helped in brand recall.

Nirma defeated HUL and other detergent players just because they were not in a condition to challenge Nirma's core competency.

GLOBAL STRATEGIES

After having wider experience in India, Nirma expanded its business to Bangladesh, through a joint venture; Commerce Overseas Limited in 1999. Within a year, it became a leading brand in Bangladesh as well. According to Business India, December 16, 2007 issue, Nirma is acquiring the US based Searles Valley Mineras Operations Inc. and Searles Valley Minerals Inc. at an estimated $200 million in an all cash deal. Following this acquisition, Nirma will find a place in the top 10 global soda ash manufacturers. This is Nirma's first overseas acquisition.

CONCLUSION

A brand will continuously spin in the market if it can satisfy the following criteria:

The brand must be relevant to a latent need of the consumer. The brand's longevity will be determined by whether it is currently relevant in fulfilling a deeper consumer need and by its ability to continue to meet that evolving latent desire of the consumer. Constant, creative and proactive Research & Development will keep the brand contemporary and youthful even if it's a hundred years old. A breakaway marketing strategy that takes a

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translates into establishing rapport with clients and providing great customer service. This perhaps is the reason why many women tend to launch businesses that are client based or service-oriented. Globally, women are enhancing, directing, and changing the face of how business is done today. Ultimately, female business owners must be recognized for who they are, what they do and how significantly they impact the world's global economy.

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thoughtful and diligent leap is crucial to sustain a brand non-stop for the long term. At the implementation stage, the creative execution must be provoking and reflect the values associated with the brand. A brand is a brand as long as it connects with the consumer, remains relevant & excites her, it doesn't matter whether it's Indian or not.

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