



*"Even today, we are the largest selling brand (by volume) at salons and barber shops"*

—VIMAL PANDE  
CEO, Vi-John Group

# ON THE RAZOR'S EDGE

*Can Vi-John succeed in its attempt to straddle the mass and premium shaving cream markets?*

Vikas Kumar

Success can sometimes be a close shave, without one realising it. Ask Harshit Kochar, whose family owns the Vi-John brand of personal care and grooming products. He remembers how a few years ago, a dealer came in and congratulated him for Vi-John being rated as India's largest selling shaving cream by volume. It was a research study conducted by a trade magazine and the dealer told him how proud he was to be associated with the company. "At that point, we didn't know how big we had become," says Vi-John MD Kochar, who joined the business in 1998.

At ₹250 crore in sales turnover (FY13), Vi-John's parent company Maja Healthcare is hardly a match for heavyweights such as P&G (Gillette and Old Spice), HUL (Axe) Godrej Consumer Products, Colgate Palmolive and Raymond (Park Avenue). But its mass-oriented philosophy and a celebrity endorsement overdrive in recent years has given this Delhi-based family business a national presence and a doubling of sales volumes in the past three years.

In a country where a shave for men mostly meant using soaps

and shaving rounds for a very long time, Vi-John's shaving cream found prompt acceptance, especially at salons and streetside barbers. "Barbers would use the lowest cost option available, and we were the dominant brand in the category in those days," says Vimal Pande, CEO, Vi-John Group. This sealed its position as a low cost brand over the years, but also kept it small for a very long time.

## FAMILY AFFAIR

The foundation for the business was laid in 1960 by current chair-



man Bhupinder Singh's father Suchet Singh Kochar at their home in Delhi. Making vanishing cream, hair oil, cold creams and talcum powder and other such products, he mostly sold these at the wholesale market at Sadar Bazar nearby, which fed markets all over India. He also set up a stall in Chandni Chowk in front of what is now Shri Ram & Sons, running it for nine years. As business grew, Kochar bought over a factory in GT Karnal Road sometime in 1982. Two years later, the firm began making shaving cream. Kochar named it Vi-John, an oddly English-sounding name whose origins no one in the family is able to explain.

After expanding to eight small-scale units around Delhi, the Kochars began chalking out a larger game plan. The first large factory was rented out in Baddi, HP, in 2005 and a year later, Vi-John had its own factory. Today, its four manufacturing units in Baddi produce the cosmetics range, while the one in Kathua, J&K, makes mosquito coils under the Cobra brand name. With over 700 employees now across its offices in 140 districts, Bhupinder Singh Kochar says one thing hasn't changed: "Even today, our products are in short supply."

Some of that could have to do with its aggressive advertising roll-out, which the company had kept away from for many years. Though advertising had already begun in the early '90s, things changed with the first celebrity endorsement in 2004 by veteran actor Dharmendra for a campaign for Upvan Cool Oil. Aimed at audiences in Bihar and UP, the campaign ran on DD National for some time. Communication stayed regional until May 2009, when actor Bipasha Basu was roped in for Vi-John Feather Touch hair removal cream. It was its first test of how full-scale advertising would work, and a bold step for a

## Frothy growth

*Men's pre-shave market has been clocking 11% CAGR in recent years*

Market size (in ₹ cr)

392

2012

330

2011

273

2010

252

2009

229

2008



Source: Euromonitor Research

company of its stature and size.

"We thought of taking the best celebrities and go all out, rather than in small bursts. This way, reaching out to our target group was much easier," says Pande. What followed was a string of Bollywood endorsements by Shah Rukh Khan, Emraan Hashmi and Sonali Bendre. Signing up Khan was perhaps its most audacious move, but one that paid off well. "There was a two-fold increase in realisations for the company. We became more profit-

mass market," says Pande. This approach means its dominance is built on a consumer base that's highly price-sensitive. "That's not a very sound approach," says Bengaluru-based brand consultant Harish Bijoor. "Shaving cream is also a style statement today. Players who play the cost game will only be 'stepping stone' brands. New consumers will enter the category with them, and move on to upper-end brands." Bijoor says this should be a temporary philosophy if the firm has to move up the value chain in its businesses. "Such brands do more service to the competition than to the consumer," he adds.

## PRICING IT RIGHT?

It's hard to say how long Vi-John's price warrior strategy will continue to pay off. But there's little doubt that rural and small town India is where the next round of growth will come from for most consumer goods companies. From that logic alone, Vi-John appears well-positioned for now. Thanks to its push through the wholesale route for well over four decades, nearly 70% of its sales come from tier 2 and

## BEING A VOLUME PLAYER PUTS PRESSURE ON MARGINS AND ITS ABILITY TO KEEP PRICES LOW, SOMETHING VI-JOHN PRIDES ITSELF ON

able." Since then, the group's advertising spends have been on the rise, with around ₹15 crore spent in FY13 and at least ₹18-20 crore budgeted for FY14.

Being a volume player, this puts pressure on the group's margins and its ability to keep its prices low, something it prides itself on. "We are the lowest priced per gram in the shaving cream segment," says Harshit Kochar. Typically, leading brands of shaving creams retail at ₹50-55 for a 70 gm pack, while Vi-John sells at ₹35 for 125 gm. "Our target group is the

tier 3 markets, says national sales manager Jagdish Malwani. But the bottom of pyramid (BoP) market is one that promises to be crowded and hyper competitive.

Moreover, although it now makes shaving gel and shave foam to serve an emerging demographic — male youth aged 16 years and above, down from 35 years earlier — Vi-John hasn't yet promoted these aggressively, and associations with its past still cling on. "Even today, we are the largest selling brand (by volume) at salons," says Pande. Barbershops or salons are





VISHAL KOUL

**ALL IN THE FAMILY:** Vi-John chairman Bhupinder Singh Kochar (centre) with Harshit, Prateek, Tarun and Achin (L-R) at Chandni Chowk, where it all started

usually serviced by salon wholesalers, who sell products specifically for such outlets. Apart from shaving creams and cosmetic products for use in salons, these wholesalers provide services such as sharpening of scissors and other instruments. Vi-John reaches out to roughly 10,000 of them and to over one lakh salons in the country.

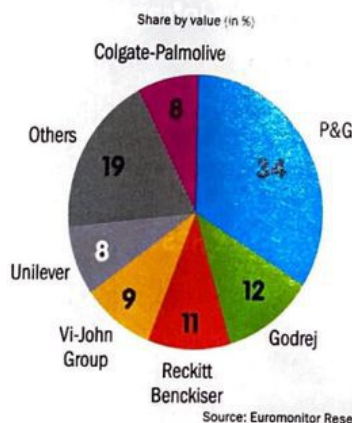
To get ahead in value market share, Vi-John's main challenge now is brand-building and new product development. The family's third generation is mostly in charge now and key roles have been assigned across the group's three business lines — FMCG, real estate (Kochar Infrastructure) and liquor (Arian Breweries & Distilleries). While Tarun Kochar handles exports, liquor and packaging, Achin is in charge of procurement and new product development, with Prateek managing the fragrances R&D. The youngest, Gavin, is currently studying cosmetics chemical engineering at the London College of Fashion. The company has also been picking up senior professionals from across the industry. Pande, who came with experience from stints at Emami, PepsiCo and SC Johnson, was among the brand's first big hires a few years ago, followed

by Malwani, who comes from a similar background in FMCG.

### BRANCHING OUT

Over the past few years, the company has entered into new product categories such as deodorants, shaving foam (launched four months back) and an antiseptic cream introduced in October. "We are the second-largest selling hair removal cream in India and number one in the north," claims Harshit. But even though the product range aimed at female consumers has been steadily expanding, the Vi-John association poses a problem, he admits: "Our brand perception is still largely male."

**Might of its own**  
*Vi-John has managed to capture a sizable market share*



Given that the business grew not so much through a well-crafted strategy but by simply entering new categories to meet demand as and when it arose, this is not surprising. This chaotic approach led to a rather unwieldy product portfolio and a complex structure of brands and sub-brands such as St John's and Archies, which can be confusing. Further, the choice of brand names reflects its low-end appeal. So while its Cobra range of perfumes have names like Cobra True Man, Cobra Real Man and Agent Cobra, deodorants come in Kill Her, Naughty and Juicy variants. Then there are aftershaves and perfumes under the Vi-John brand umbrella as well, with names such as Delicious Night, Embrace and Black Currents. There's even Vi-John toothpaste.

Some of this is being streamlined and simplified, says Dibyendu Chakraborty, founder of Archimedes Consultants, who is working on the packaging and communication aspects of its newly launched antiseptic cream, Boro Shield. "They have an uncanny sense of business and understand the importance of building brands," he says.

In 2006, a rethink was done and a sales system was put in place to focus on direct distribution. "We started moving away from our dependence on wholesalers," says Pande. In 2011, the company rolled out its national rural expansion plan. "We started creating a network in rural areas, appointing super stockists and distributors for towns of over 5,000 population," says Pande. The sales force was ramped up to 250 and has grown to over 600 now, which includes direct or company sales force and indirect or those employed by distribu-



## Working up a lather

*Vi-John continues to dominate the men's pre-shave market in volume terms, but ranks second in the hair removal segment*



tors. This has helped the company reach out to 3,500 FMCG distributors with direct coverage in 3 lakh outlets and an overall retail presence in around 1.5 million outlets.

### FULL STEAM AHEAD

Traditionally, Vi-John has enjoyed immense popularity in the northern states of UP, Rajasthan and Bihar, with 40% of sales coming from these regions. Pande says the focus is now to ramp up direct presence in markets in the south and west, where it has been weak so far. Contribution from the north is already down to 35% and could come down further as other regions grow. "The south has been a low-hanging fruit," says Pande.

To improve its urban reach, Vi-John began tapping modern trade less than a year ago. Apart from reaching out to urban consumers through leading retail chains such as Auchan and Easy Day, the company has also added to its urban wholesale distribution network through Best Price Modern Wholesale, Metro Cash & Carry, Carrefour Wholesale and Reliance Cash & Carry. While these mainly cater to city retailers, Pande says some of the supply spills over into rural markets as well.

Yet, growth comes with its own set of problems for every firm. "A company like us has to fight on two fronts — the organised and the unorganised players," he says. "Small manufacturers try and sell

at a price advantage. This is specifically an issue in rural markets," says Pande. And in what could be a sign that the firm has made it big, fake products with similar looking or sounding names such as V-John and Bi-John often crop up in up-country markets.

Sticking to its lowest price-per-gram position therefore has been a tough call in recent years. "Even for the first few years after we began to advertise, we didn't raise prices," says Harshit Kochar. For a self-funded business that has

## FAKES WITH SIMILAR SOUNDING NAMES FLOODING UP-COUNTRY MARKETS MEANS VI-JOHN HAS TO FIGHT BOTH ORGANISED AND UNORGANISED PLAYERS

grown to 700-odd employees across its plants and 140 sales offices, this is a feat that could either be considered remarkable or merely fortuitous. However, Pande offers an explanation: "We have good sourcing skills and we keep our costs under control."

One major cost area was trade margins. These are being brought down gradually every year. Earlier, wholesale margins used to be at 10%, with an additional cash discount of 2%. Now, that's down to 7%. Retail margins stood at a massive 30-40% and have been brought down to 25%, though fragrances and deodorants still work on 35-40% margins, in line with the category's norms.

New products are also helping shore up the company's topline. Deodorants are among the fastest-growing categories in personal care and the Cobra brand is marking its presence there as well. The revenue logic is clear. "A 125 gm pack of shaving cream lasts up to four months, whereas a deodorant can of 150 ml could be used up in just 15 days. So usage is faster and volumes will be more from this category," explains Pande. Share of shaving cream is 33% in the group's portfolio, but Pande says newer categories like deodorants and antiseptic cream, which it launched with actress Minishha Lamba as the endorser, will bring its contribution down.

It is also discovering demand in the most unlikely places. Thanks to its wholesale approach over the years, Vi-John's products now command a loyal following in select markets. For instance, its Saffron Green fairness cream is already selling briskly in Tamil Nadu.

It's a similar case with the Cobra deodorant range in Kerala. "We just have to feed the demand," says Pande. Three months ago, the group began regional advertising in the southern states and in West Bengal. Overall revenues are expected to touch ₹300 crore this year, says Pande, adding that the plank will remain largely the same. "BoP consumers will always be a larger audience for us." There was news of ICICI Venture picking up a stake in the firm last year, but Pande is dismissive. "They came to us, but we were not interested," he says. "We are looking to buy brands. Maybe then we'll seek funding." For now, Vi-John seems to be working up a good lather. ☞