

Regional Brands Aim High for National Play

But the ambitious journey from one state to a pan-India presence is fraught with risk

Looking Beyond Regional Borders

■ Brand ■ Stronghold ■ New Markets

Wagh Bakri

UP

■ Seven states; tea lounges in metros

Vi-John

North

■ Ramped up fieldforce in South and East
■ Strengthening presence in Maharashtra

SAJ Food

Kolkata

■ Looking at pan-India presence; 1st stop: a factory in Bengaluru to cater to South

Balaji Wafers

Guj

■ Maharashtra, MP and Goa

Cholayil

TN

■ Taken its brands to the North with a factory in Haridwar, besides one in Tada in AP

Mantras for the Regional Warriors

Differentiate to stand out in the clutter in new mkts; me-toos will die a quick death

Create a war-chest before going national; pan-India brand-building is resource-intensive

Earn at least 15% operating margins for a national play

Have state-specific ad, media campaigns, with focused micro-marketing plans

Hire the right people to create strategies & handle promotions



JAYEETA

KALA VIJAYRAGHAVAN
MUMBAI

In the 1990s, a north-based biscuits company, Bakemans Industries, gave industry leaders Britannia and Parle Products sleepless nights with its aggressively-priced offerings in the Marie and Glucose segments. The regional brand with an enviable 13% share, most of it coming out of Uttar Pradesh, was going places – until it decided to go national.

An attempt to carve out a pan-India presence ended in disaster with it plunging into a sea of red. To wipe out its losses, Bakemans raised prices on its home turf, in Uttar Pradesh. That move proved to be the proverbial final nail in the coffin; Bakemans not only failed to become a national player, it lost pole position in the market in which it once ruled the roost. The company was put up for sale, but even the acquisition by a Sri Lankan biscuit player ended calamitously.

The Bakemans debacle serves as a grim reminder for regional brands seeking to go national. “Their ability to grow beyond their home turf is typically stymied not just by capital but also by a difficulty in building the right kind of organisation to create national strategies and more sophisticated brand launch and promotion models that can be sustained,” explains Justin Sargent, managing director, Nielsen India.

Such apparent dangers are not deterring a clutch of regional powerhouses like Ghari detergents in the North, Wagh Bakri tea and Balaji Wafers in the West, SAJ Food Products (which owns Bisk Farm) in the East and Cholayil (which owns brands like Medimix and Cuticura) in the South from looking beyond their backyards.

Consider Wagh Bakri, which rules the roost in Gujarat. Over the past couple of years, the company has forayed into Mumbai and New Delhi with its tea lounges. Says Parag Desai, executive director at Wagh Bakri: “Our strategy is to completely swamp every district in one state in distribution and marketing before moving into another.”

Darshan Patel, a co-founder of Paras Pharma who broke away from his elder brother in 2006 to start up the Vini group four years later, says going national is not an option but a necessity. “If one doesn’t have the resources, build the resources but go national. It is all about taking risks because regional brands cannot grow beyond a point.” However, he does add a rider: “The mantra has to be: differentiate or die,” says Patel who has launched brands like Whitetone face powder, Jinjola talcum powder, 7X itch cream and Quco hair perfume.

The New Delhi-headquartered personal care firm Vi-John is another regional player that is putting up national outposts. Says CEO Vimal Pande: “Our field force in the South and the East is now as strong as it is in

the North. Our presence was weaker in Maharashtra and we are in the process of strengthening it.”

Jyothy Laboratories is a great example of how a single-product (Ujjala liquid fabric whitener) regional marketer went on not just to command a national presence but to acquire a multinational rival – Henkel India, the Indian arm of the German laundry & home care corporation. Post-Henkel, Jyothy today is a multi-brand consumer products company with a pan-India, rural and urban presence.

Ullas Kamath, joint managing director of Jyothi Laboratories, has a few tips for brands seeking to go national. One, go national only if you have a differentiated product; and two, only if the regional brand has operating margins of at least 15%. He advocates a ‘big bang theory when going national.’ “Trial and error cannot work. You cannot sit in Kanpur and understand Karnataka or Kerala,” he adds.

There are those like the Rajkot-headquartered Balaji Wafers that prefer caution to extravagant expansion. Balaji has relied largely on word-of-mouth publicity to capture consumer mind space over the past two decades. Managing director Chandu Virani says, “I do not see the need to be overtly ambitious. We have financial investors chasing us all the time but we do not have the appetite for a grand national plan. It will happen very gradually,” he explains.

Ability to go national is stymied not just by capital but also by a difficulty in building the right kind of organisation to create national strategies

Also being cautious is the ₹500 crore SAJ Food Products. The company, which dominates eastern India with biscuit brand Bisk Farm, is now venturing into other markets, albeit selectively. Says managing director Vijay Kumar Singh: “Each state especially in foods has its own nuances and it is pointless to get into markets where your brand cannot break the clutter and you land up being a me-too.” Brand consultants say entrepreneurs like Virani and Singh have good reason to play it safe.

“It can be a vicious circle of dreaming big without the resources. It makes good business sense to grow state-wise and each state in India is the size of France. So why go on this big expensive ego trip to go national,” asks Sunil Alagh, chairman, SKA Advisors. Alpana Parida, president, DMA Yellow Works, a brand consultancy, says there are not too many regional brands that have a differentiator other than price.

Damodar Mall, foods director at Future Group, says, “Unless one has the right product, adequate production facilities and a supply chain to back a national venture, national food launches can fail miserably.”