

Nothing Cheap About It



Consumer Electronics
Samsung, Apple, LeEco, Micromax, Intex

Typical positioning:
Most buyers bunched at the bottom end of markets such as mobile phones, with a focus on price and functionality over form and features

Going premium by:
Pushing consumers to shift from feature phones to entry and mid-level gadgets, with the price difference not as steep as previously and growth of mobile internet and commerce

Devices like mobile phones and TVs are becoming a mainstay in people's lives and they are willing to spend a little more to get better performing and looking devices

Atul Jain,
COO - SMART DEVICES, LEECO



In sectors as diverse as consumer electronics, real estate, healthcare, apparel and even sanitaryware, companies are chasing after more discerning consumers

Visitors at Nexa have an average income 80% higher than our existing sales channels

RS Kalsi
EXECUTIVE DIRECTOR,
MARKETING AND SALES,
MARUTI SUZUKI INDIA



Automobiles
Maruti Suzuki, Ford, Royal Enfield

Typical positioning:
A functional object, with focus on metrics such as cost and mileage

Going premium by:
Maruti has launched Nexa, a swish sales and service chain. Ford's EcoSport mini SUV hopes to push hatchback and entry level sedan buyers to spend more. Royal Enfield has overhauled its range of sturdy motorcycles to become more desirable.



Acting Pricey

as prosaic as sanitaryware, companies are chasing after consumers making more discerning choices. "Growing disposable incomes allows companies to consider multiple layers of segmentation beyond the traditional ones of rich, middle class and poor," says Arvind Singhal, chairman and managing director, Technopak, a retail consultancy. "People are increasingly looking for products that are slightly better (activated charcoal in toothpaste, minerals

or dried fruits in breakfast cereal) and companies realise they're willing to pay a premium for them."

For 132-year-old consumer goods company Dabur, this push has come in handy as it recasts and refreshes several brands. It is changing the positioning of Gulabari, from women in the 35-45 age group to one for their teenage daughters. "We wanted to make this the first cosmetic brand for a teenager," says KK Chutani, executive director - consumer care, Dabur.

"Premiumisation of your FMCG purchases is the best way to show you've moved up in life."

Dabur has ridden this wave elsewhere too—from toothpastes to toothbrushes and then value adding in that segment. Or moving Pudin Hara, its digestive, from liquid to capsule and now a recently launched antacid. Honey has moved from the bottle to a squeegee and honey-laced jams. "Premiumising a brand isn't easy," Chutani adds. "If

a brand enjoys trust, then consumers buy into these changes."

It may also not be for everyone. It's hard to get typically tight-fisted Indian consumers to fork out more for a marginal improvement. In mobile phones, LeEco's Jain reckons, the appeal of enhanced hardware is fading: "Consumers will look at cutting edge technology, competitive price and an ecosystem of value adds," he says.

Experts such as Anand Halve, a partner at Chlorophyll, a branding consultancy, believes brands are being compelled to think hard about premiumisation. "Brands which offer only low-end products are realising that they will get squeezed out without premium offerings," he says. "Yet, there are limits beyond which a brand can't be extended." For example, it may be harder to extend a truly mass brand (think Nirma), into a premium one.

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Nothing Cheap...



The best way to deal with that situation is to start from scratch. Nearly three years ago, when India's largest automaker, Maruti Suzuki decided to launch a premium sales and service offering (and vehicles to go with it), it went back to the drawing board. While the company earned its stripes selling millions of budget wheels and backing that up with a reliable service network, its Nexa offering was a break from the past. Styled in stark two-tone colours and peopled by polished staff (who'd actually spent time at luxury hotels observing upscale hospitality), these outlets were designed to stretch Brand Maruti Suzuki in a fresh—and premium—direction.

"We have built a distinct brand identity and attracted a new consumer class to this business. Visitors here have an average income 80% higher than those who visit our existing channels," says RS Kalsi, executive director - marketing and sales, Maruti Suzuki India. New launches seem to suggest Maruti Suzuki has made the crossover; Baleno, its premium



Consumer Goods
HUL, Dabur, ITC

Typical positioning:
Mass market play with commoditised products, especially among bulk purchases by consumers

Going premium by:
Better packaging, adding nutrients, changing target demographic to focus on more spendthrift consumers.

Premiumisation of FMCG is the best way to show you've moved up in life

KK Chutani
EXECUTIVE DIRECTOR,
CONSUMER CARE, DABUR



Food and Beverage
Hector Beverages (Paper Boat), PepsiCo, Parle

Typical positioning:
Range of me-too offerings, with some brands (Frooti, for instance) becoming synonymous in a price-sensitive market

Going premium by:
Better packaging, positioning product as a premium brand in a cluttered market, focus on natural flavours, higher pricing

"When you set out to create a recipe and want to use the best produce, the word 'no' becomes your best friend. We hear 'no' from farmers, the weather, our product guys, even our consumers sometimes"

Neeraj Kakkar
CEO AND CO-FOUNDER, PAPER BOAT



Sanitaryware
Jaquar Group, Hindware

Typical positioning: Functionality and price taking precedence over any bells and whistles.

Going premium by: Launching products in more colours (who wants all-white anymore?), more features and attracting customers with retail units showing off top-of-the-line concepts

"We believe the bathroom is transforming itself from a functional space to a wellness space and consumers' purchasing patterns are shifting in accordance with this"

Sandeep Shukla
HEAD - MARKETING, JAQUAR GROUP



hatch, has seen its production rise 25% more than initially forecast and S-Cross, a crossover, is the leader in its space. "Consumers are shifting from solely focusing on value for money to styling, technology and futuristic design," Kalsi adds. There are 168 Nexa outlets and the company plans to expand this to 250 by the end of the fiscal.

While Maruti Suzuki is looking to reinvent itself, other brands are looking to upend the market they operate in with premium offerings. "The only beverage products in the market that dominated indigenous drinks were concentrated mixers or (those made by) our trustworthy mothers/dadis," says Neeraj Kakkar, co-founder & CEO, Hector Beverages, which runs the Paper Boat range. We have managed to package authentic recipes in a contemporary and alive design," he adds. Besides home-brewed beverages, analysts say Hector Beverages' Paper Boat is also luring consumers away from drinks offered by older vendors.

"Consumers are always looking to discover and experiment with healthier and less processed options," Kakkar contends. "They're also looking for convenience. Natural packaged products that taste homemade, and something they can directly consume." Over the last six years, Kakkar and his team have devised a range of options—Aamras, Aam panna, Jaljeera—with more in the pipeline.

Some less obvious companies are also taking the same route. For example, Jaquar Group has looked to add fresh energy to the all-white market for bathroom fittings and sanitaryware. "We believe the bathroom is transforming itself from a functional space to a wellness space and consumers' purchasing patterns are shifting in accordance with this," says Sandeep Shukla, head-marketing, Jaquar Group.

Currently, Jaquar sells some 24 million products annually and is using a network of 22 Jaquar Orientation Centres

(and 2100 showrooms being upscaled) to bring in high-end bathroom converts. It's launched some new products too; Showertronics, for example, is a touch-driven shower which uses controls similar to high-end smart phones, while another offering from its Artize range gives users over six showering options. "Consumers are spending a lot more time, and therefore a lot more thought and money on their bathrooms," Shukla contends.

If devising premium wares for products is hard, then services are an even tougher challenge. In healthcare, for instance, certain levels of minimum care need to be provided at hospitals and other locations. It is on top of this, that some chains such as Apollo are building premium service. At many hospitals nationwide, Apollo has set up separate lounges and counters to deal with premium patients.

"We are seeing more discerning customers across our ecosystem," says

Subbiah Vishwanathan, COO of Apollo Hospitals. "We want to provide these patients a premium level of care not dissimilar to a luxury hotel." Apollo's services begin from the time a patient arrives at the hospital, through to in-room services such as familiar newspapers and TV channels, the allotment of a relationship manager for the duration of stay and then handing over after being discharged. For a healthcare services provider, the goal in premiumising is different. "We want to move what is a very transactional service to a more personalised space," he adds.

Finally premiumisation reflects a change in consumer mindsets about value from 'cheapest' to the 'best I can get for my money'. Maybe the question that Maruti built one of its most famous campaigns on will shift from 'Kitna deti hai?' to 'Kya features hain isme?'.

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Quick take

Premium play

- ▶ **DISPOSABLE INCOME** and purchasing options have increased
- ▶ **CONSUMERS ARE** upgrading to higher end products and services
- ▶ **THE OLD ECONOMIC** classification used by brands: poor, middle class and upper class is getting broken down into smaller segments
- ▶ **COMPANIES ARE** retooling older brands, launching new variants and premium ventures are also looking for a share of this consumer's wallet
- ▶ **DESPITE PAYING** premium, Indian consumers demand more from brands if they fork out more