

Arrival of the German Giant at Karachi: Case Study of Henkel

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Abstract

Henkel, the world-renowned brand for cleaning agents wanted to enter into the Pakistan but was reluctant for a full-fledged conquest. It wanted the premier brand to get the wheels rolling for complete marketing strategy. Nevertheless, it is a big question that market has many premium brands available catering the consumer needs and are being marketed rigorously and the Principal Company is not ready to invest in promotion. Companies employ various rigorous methods as well as build relationships to sell products. Therefore, the achievement of goals does not come solely from their own efforts but, especially in the FMCG sector, a huge extent of reliance must be made on the partners and ancillary entities that help spread the products and intermediate the companies with the customers and end users. This study explored if the Principal Company would be able to take part in the race without active marketing with a high competition. The findings of the study suggest that the Principal Company needs to explore the insights of market trends particularly the existing forces and dynamics that define customers' behaviour and the elements can be used to push products in markets.

Keywords: *Henkel, Pakistani Market, Premier Distributors, Products, Target Market*

INTRODUCTION

Henkel is a German chemical giant well known in the consumer and industrial sector across the world. Pakistan is a lucrative market full of effectiveness seeking consumers where Henkel's products can be stated as an excellent fit. However, the company wants to start with a caution given the PEST factors of the country which is why it requires its distributor Premier to do something that can initiate the selling of Henkel's products. Henkel is a well-known and global brand which has many proven brands like Persil, Schwarzkopf, Poly Color, Syoss, Fa, Loctite, Bondriteetc.

Premier Distributors

With its dealing extending over a variety of categories including FMCG, Pharmaceuticals,

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Stationeries, Cosmetics, Toiletries & Crockery, Premier stands to have the highest number of stake holders i.e. 48 principals. The company is working in 24 cities all over Pakistan having 39 branches. There are 13 branches located in Karachi. In 2014, its sales were PKR 23.5 billion approximately. Premier started its business in the year of 1971 by the distribution of English biscuits taken by Ibrahim Qasim and WaliHabib, invested by Mr Ibrahim. The company started by just four distribution vans. In 1975, Premier Distributors was fully incepted while the company also started the concept of order booking in the year of 1977, which helped the company to decrease the fleet of vans. In 1979, the company started distribution for Mitchells and Shield Corporation that was latterly acquired as the sister concern of premier in 1988. From the top seven companies in Pharmaceutical sector in Pakistan excluding Getz, all the six are presently working with Premier. It is an opportunity to have one's own outbound logistics.

Henkel

Founded in 1876 in Aachen, Germany by Fritz Henkel, the company has grown into a multibillion-dollar giant over the course of time and is known the world over for its famous brands such as Schwarzkopf, Persil and Loctite. The business of Henkel can be classified into three categories of Laundry & Home care, Beauty Care and Adhesives (Henkel Laundry & Home Care, 2017). In 2014, it reported a turnover of 16.4 Billion Euros while its operating profit stood at around 2.6 billion Euros (Touboulis & Walker, 2015). Of a total workforce of 50,000 employees, 40,000 are employed outside Germany. Henkel has a huge range of well-known brands of its categories. The Laundry and Home care segment include Persil, Sil, Solvite, Pur, Dac, Pril, Clin, Combat and much more. It's Beauty Care range is dominated by its famous brand of Hair Colours, Schwarzkopf that carries Poly Colour, GlissKur, Taft, Poly Palette, Necta Colour, Perfect Mousse and more (Henkel Laundry & Home Care, 2017).

Its skin care brand Dial has a range extends to Bar Soap, Body wash, Liquid Soap and Handwashes that go by the name of Dial. There is another hair cosmetic range named Syoss. The famous deodorant brand is another feather in its cap. Its huge range of adhesives has three well-known brands namely, Loctite, Bondrite and Technomelt. The philosophy of Henkel revolves around making lives of people better by innovation in chemicals that reflects Fritz Henkel's passion for chemicals even after a century and a half. Its main rivals include Unilever, Procter & Gamble and Reckitt Benckiser in the cleaning segment while in its beauty division, its main competitors are Unilever, Procter and Gamble and L'Oréal (Touboulis & Walker, 2015). In its chemical and adhesive division, its main rivals are main multi national competitors Bostik and H. B. Fuller.

Launch of Henkel-Taping Pakistani Market – A Key Strategy

Henkel decided to enter in Pakistani market where demand is high and the consumer has purchasing power. Nevertheless, they played safe and did not invest in marketing i.e. any promotion on T.V, OOH or any other medium. It is the distribution agency's task to roll the brands and increase their sales. Though Henkel provides good margins on its products but not investing on marketing makes it tough for Premier to off shelf the brand while consumer wants to purchase a brand that they can recall. Many competitor brands in each category are investing huge numbers to promote their brand. Henkel is a world famous chemical and personal care company, wants to sell its dish washing liquid Pril, and range of cleaning chemicals known as Eco 101-toilet cleaner, Dac antiseptic liquid, Dac disinfectant total- surface cleaner and Dac

drain opener (Touboulic & Walker, 2015).

Target Market

The Targeted market for Henkel’s products is urban Pakistanis carrying the following features

- SEC A and B, LSM (living standards mechanics)
- Primary Females 22 to 45, secondary males 22 to 45
- Clifton, DHA, Muhammad Ali Society, PECHS, North Nazimabad in Karachi at launch time

SWOT Analysis

If analysed SWOT for Premier agency the key factors will be as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong relationship with trade because of its old presence in market • Experienced people on board which are making the company a success story 	<ul style="list-style-type: none"> • Principle company is not investing in promotional campaigns • Market Assume products of Principal company as expensive products • No dedicated team in marketing the products due to no allocated budget
Opportunities	Threats
<ul style="list-style-type: none"> • Law and order situation of Pakistan is getting better which gives foreign companies to enter in Pakistani market to cash profits • More incentives are available for premier in dealing imported brands which make Henkel a cash cow for them • Increasing demand for products in these categories in which Henkel is operating make it a viable product • Increase of health care in Pakistani market and awareness of brands can help Premier to understand the distinguishable factors of Henkel products 	<ul style="list-style-type: none"> • Increasing number of competitors in this market

Industry –Dominance of Established Brands

To market a product without the principal doing anything is always a challenge for a brand (Touboulic, 2015). Premier as the top-notch distribution company in Pakistan faced a challenged unique in its own way. It was a double-edged sword. If they were able to overcome the challenge, it would be a breakthrough while the opposite would mean doom (Touboulic & Walker, 2015). It seems less likely that a brand can launch itself on a full basis without strong mass marketing particularly when consumers are brain-shackled by the marketing campaigns

of other brands (West, Ford & Ibrahim, 2015). This is particularly because of the presence of international giants such as Unilever, Reckitt Benckiser and Colgate Palmolive with their established brands and a rock solid brand equity.

COMPETITIVE REVIEW

Toilet Cleaner Category

- Harpic: Reckitt Benckiser is marketing it and they invest a huge amount in marketing and placing the brand in the minds of consumers. They have hired many Actors as brand ambassadors to give more impact to their brand. Harpic has three types i.e. Harpic Active Fresh, Harpic Power Plus, Harpic White & Shine
- Domex: Domex is a Unilever brand available all over Pakistan and worldwide. Domex has four variances including Original, Pine Blast, Pink Power and Lemon Explosion. It is investing a lot in marketing through TVC, billboards and radio.
- Mr Muscle: Mr Muscle is known to be cleaning tough stains. It is known for quick & easy cleaning. It is an imported brand by Johnson family and available in top Karachi's Marts. Its marketing is done on an average level through local media.

Surface cleaner

- Dettol: Always trusted to help in protecting families against germs Dettol Antibacterial Surface Cleaner is suitable for in the kitchen, in the playroom/nursery and on every kind of floor to keep germs away from your family.

Dishwashing

- Max: Max Ultra and lemon Max are brands of Colgate. They have four powerful variances of max which are now market leader in Pakistani dishwashing industry
- VIM: Vim is a Unilever brand. It was created in 1885. Vim is still innovating in the market and using the natural ingredients like Lemon to create unbeatable results among the competition. Vim is available in soap as well as liquid (West, Ford & Ibrahim, 2015).

Vim is the original hand dishwashing brand and later advanced in the whole category. Vim is now available as a complete range of hand dishwashing category – including bars, powders and liquids that satisfy every need of different consumers. They are investing heavily in brand building through TVC, billboards and coming up with different exciting co-brandings and discounts (See exhibit 1 for comparative prices).

MARKET ANALYSIS

A research conducted by student research team for Premier made a market operation where 87 key retail outlets across Karachi were visited without any paper or pen hitting the shopkeeper of something fishy and rather only make mental notes. Areas that were covered in this survey were:

- Clifton
- DHA (all phases)
- PECHS

- Muhammad Ali Society
- Gulshan-e-Iqbal
- Muhammad Ali Society
- Bahadurabad
- Gulistan-e-Johar
- North Nazimabad

Table 1 shows a landscape of the brand’s presence in x out of 87 retail outlets as a shop. This was the foundation stone for the intensive research later to be carried out just to find an answer to the one question that Premier faced. This diagnostic helped Premier gain an insight of where a turnover existed in Mini Pakistan (West, Ford & Ibrahim, 2015).

Table 1: Landscape of the Brands Presence

	Vim Active Gel*	Dettol Surface Cleaner	Max Liquid	Max Surface Cleaner	Har- pic	Do- mex	Pril Liquid	Dac Disin- fectant	Dac Anti Septic Cleaner	Dac Drain Opener
Total Shops- Brand Available	81	82	86	84	78	68	17	12	7	6
Availability percentage	93.1	94.25	98.85	96.55	89.66	78.16	19.54	13.79	8.05	6.9

(See exhibit 2 for an area wise break up)

This insight delivered Premier a few valuable points to begin their research to craft a strategy to push the Henkel range in the market and excavate their battleground for initiating the strategy (Park, Rajagopa Dillon & DeSarbo, 2016).

- In DHA and Clifton Henkel products were in some shops which show that there is demand indicating that it should be made in all the other shops too. For that BTL activities should be done in such areas.
- North and Clifton & DHA are two areas where we see better percentages in terms of availability as compared to other areas for Henkel’s products especially for Pril which show that the product is in running condition and indicates that there is relatively a higher level of awareness for Pril as compared to other areas. This means that if a push strategy comprises of a guerrilla marketing activity, these areas (or one of them) can be looked as the initial battlegrounds.

Deeper In the Ocean

The student team carried out an expansive research study that already kicked off by the market diagnostics and having yielded the position of the supply side, the next move was to gain what was in the Target Market’s head.

A sample size 500 was set, broken into 125 mall-intercept surveys that were to be filled outside Key retail outlets, LMTs and IMTs for the key consumer experience just after the buying process. Other 375 questionnaires were targeted to door-to-door survey or questionnaire filled

based on PR. The target audience was both male and female, preferably females, belonging to SEC A and B. DHA, Clifton, Gulshan, Johar, Nazimabad, PECHS, Bahadurbad, and Muhammad Ali society was targeted for the questionnaire to be filled (Park, Rajagopa Dillon & DeSarbo, 2016). The main idea was to extract out buying frequency, decision criteria, the likeliness of co-branding, spending, impressions of imported products and awareness of Henkel brands. (The graphical results of variables researched in consumer survey are presented in exhibit 3).

The Light at the End of the Tunnel

The research opened several knots in the mind and yielded in the following key ideas that Premier could build their strategy on.

- It is evident that the prime challenge ahead is to spread the awareness of Henkel side by side ensuring its availability.
- Not only a set of strong intense and creative marketing activities is needed but it must also be ensured that as these measures are enforced, the products are also ready to be taken off the shelves as and when a consumer becomes aware of it and seeks it.
- Innovative guerrilla activities that shall create the buzz, as well as the strong association of Henkel's products with the consumers that shall enable the distributor to pull the consumers towards the products, must be come up with.

Positioning Is the Name Of The Game

Positioning is one of the essential ingredients that plays its role in the success of such products (West, 2015) and in a similar type of industries (Park, 2016). In order to ascertain the positioning elements of Pril and Dac, a few grounds must be cleared first. It is well understood from the research that Henkel is in the stage of entering this market. The whole aim of creating the push strategies is to start the rolling of the wheels. Since the aim is to penetrate the market, the positioning must be such that the basic contact is established with the target market (Henkel, 2017).

On the other hand, competition is mature in this market and therefore positioning itself on higher levels where it is playing on values and relationships with the customers having strong brand equity. Instead, customers do not even have their first experiences with Dac and Pril that is why they are needed to be attracted by a benefit that Dac and Pril have the offer of competitors. From the Insights of the market that are obtained through the research, it is derived that customers seek a value for money product and that it must carry effectiveness. The pivotal factor being the price in making purchase decisions, the price benefit that consumer shall get in buying Dac and Pril is what their edge is (Premier Group, 2013). The key reason that initially a higher positioning cannot be applied is that such positioning levels hover around established trust with emotions attached to brands whereas, consumers are yet to be aware of Henkel's Pril and Dac.

The Future: Battle Ground Karachi

Considering the improving law and order conditions and facts before the launch, there is a roll and a shifting trend of the market towards branded liquids from phenyl, acids and bars the future picture. These show how a place in the market for Henkel exists. If it makes

an effort, it can ouster the market mainly with its strengths of price effectiveness and product characteristics. However, there is a list of brands not only marketing activities for awareness and selling sake but also doing the sake of stronger brand equity for the future when competition shall be cut throat. Henkel is miles behind since it needs to make its existence known first- let alone creating a brand equity and a positioning in the consumer minds. The research team yielded them insights on what loose ends prevail in the market yet, Premier is still banging its head on how to take advantage of them and how to get that one shot that shall set their boat on sail especially in the situation when the Principal is not investing anything in marketing its own products. Premier is a distributor and can make the product available on any shelf in Karachi based on its strong trust with the market and its huge and strong network established over a huge span of decades but it lacks the paraphernalia to market and communicates a brand since it's not their cup of tea.

RESEARCH EXHIBITS

Exhibit 1- Comparative Prices

RIVALS					Henkel				
S.No	Brand/Category	Size/Volume (ml)	Price/unit (PKR)	Price/ml (PKR)	S.No	Brand/Category	Size/Volume (ml)	Price/unit (PKR)	Price/ml (PKR)
Surface Cleaner					Surface Cleaner/Disinfectant				
		250	80	0.32					
1	Dettol	500	195	0.39	1	Dac Disinfectant total	1500	385	0.26
		250	75	0.30					
2	Max	500	170	0.34	2	Dac Antiseptic	500	275	0.55
							750	380	0.51
Dishwash Liquid					Dishwash Liquid				
		150	42	0.28					
1	Lemon Max	275	80	0.29					
		475	115	0.24					
2	Max Ultra	500	260	0.52	1	Pril	500	220	0.44
		250	130	0.52					
3	Max Anti Bacterial	475	120	0.25					
4	Vim Active Gel	250	130	0.52					
Toilet Cleaner					Toilet Cleaner/ Drain Opener				
		250	145	0.58					
1	Harpic	500	65	0.13	1	Dac Drain Opener	500	245	0.49
		500	130	0.26					
2	Domex	250	65	0.26	2	Dac Economy	1000	200	0.20

Exhibit 2- Market Landscape

Market Landscape For Henkel VS Rival Products

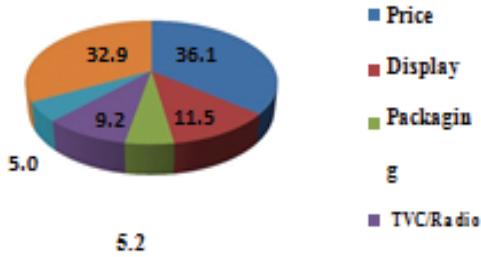
Area	Shops	RIVA						HENK				
		Vim Active Gel*	Dettol Surface Cleaner	Max Liquid	Max Surface Cleaner	Harppic	Domex	Pril Liquid	Dac Disinfectant	Dac Anti Septic Cleaner	Dac Drain Opener	
Clifton and DHA	Number	23	24	24	24	24	20	8	6	2	2	
	Available %	95.8	100	100	100	100	83.3	33.3	25	8.3	8.3	
Johar and Society Area	Number											
	Available %	95.2	90.5	95.2	95.2	57.8	81	9.5	9.5	9.5	0	
Gulshan and FB Area	Number											
	Available %	82.6	87	100	100	39.7	52.2	8.7	8.7	8.7	8.7	
North	Number											
	Available %	100	100	100	89.5	100	00	26.3	10.5	5.3	10.5	
Consolidated	Number											
	Available %	93.1	94.25	98.85	96.55	89.66	78.16	19.54	13.79	8.05	6.9	

Exhibit 3- Consumer Survey results

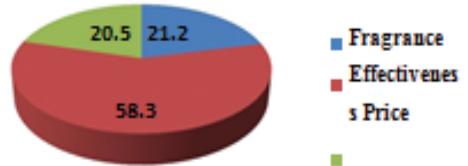
(see the next page)

Exhibit 3- Consumer Survey results

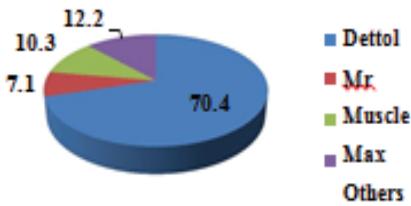
Decision Criteria to buy



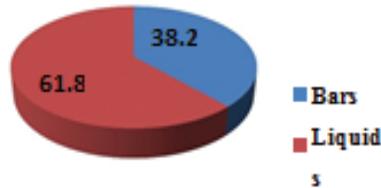
Attracting factor



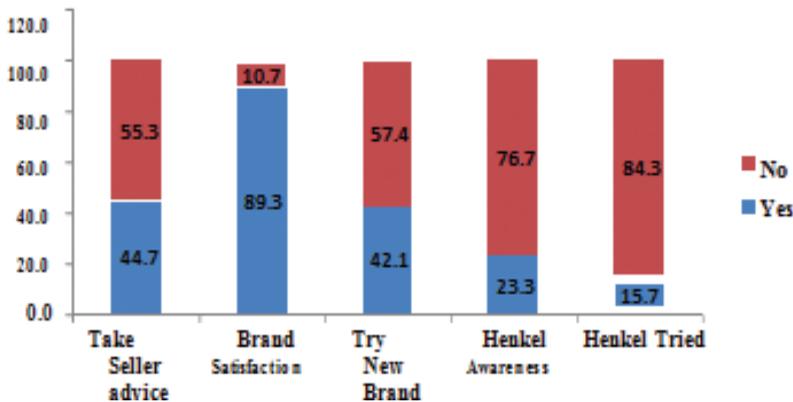
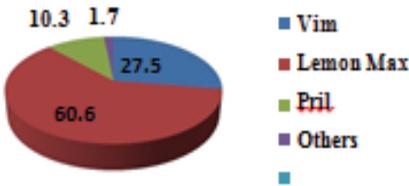
Preferred Surface Cleaner



Bar/Liquid



Dish Washer



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