

Strategic Management – The Competitive Edge
Professor R Srinivasan
Department of Management Studies
Indian Institute of Science Bangaluru
Lecture 22
Case Study 2

Welcome to this session. In the last class we looked at HMT watches, why HMT watches became a failure in the present liberalized context, we looked at the causes. Now, we look at one more case where a company's strategy has been extremely successful and it is giving the company a distinctive competence in the marketplace. It is holding on for years; the company I am talking of is Gillette India. So, Gillette India is the case which I want to present to you.

So, this is you are seeing a well known cricketer advertising the product here now; started off as a razor company in 1952, in US, it was known as the American Safety Razor company initially then became the Gillette company.

All these cases and many more are available to you in the case studies book. So, after success in the US, King Gillette expanded the company to UK, Denmark, Italy and Canada Gillette expanded ballpoint product line with the razor made in 1979.

Acquired Oral-B labs Inc. in 1984. Acquired Waterman in 1987, launched Sensor Excel in 1992 and then stationary division of the Parker pen holdings. So, if you really see the company has moved to that level. Then if you look at product evolution, back in 1944 itself, it introduced razors for ladies and Papermate acquisition in 1952, Right guard in 1960. Then manufactured hypodermic needles in 1962.

If you look at this razor, the shaving cream came in 1940, stainless steel razor in 1965; acquired Braun AG in 1967; acquired 48 percent stake in SCA DuPont in 1971.

So, many global competitors- Wilkinson, Panasonic, Kodak, Maxwell,etc. If you look at the type of strategies and vision this company looks for diversification, high profit margin, looks for implementation of employee metrics, on the stability side.

Then growth is with respect to branding, R&D, and compete in growing global categories. So, it is not afraid of taking global competition this is the difference that you find with respect to our Indian companies especially the PSUs, which are hesitant to take on the competition or the question that generally is asked is should we be made to compete what could be the answer for that unless and until you compete in this market, you will not know where your product stands

with respect to the other competing products.

So, back to the 70s. In 1970s India had only 2 automobiles, you either had the Ambassador car or the premier Padmini. I remember if you drove the premier Padmini in the 70s or the late 60s to 70s down in a city like Bangalore, there would hardly be few cars going near the corporation. Hardly few people using cars and in fact, at that point of time the police constable used to greet every car owner.

So, no traffic lights nothing and all he used to do a salute to each car owner who passes him. So, now, what is the pride type of situation that you are having in 2020? You see a large number of automobiles now, you do not see the premier Padmini, you do not see the Ambassador car at all on the roads of Bangalore.

So, competition helps you to find for yourself where your product is in the competitive market; where does it stand vis-a-vis the competitors. So, is it able to take on competition or is it not able to withstand this competition, so, many of these companies not able to withstand; gone. So, in fact Premier Padmini at that point of time was a good car.

Now come back to Gillette its strategy in India I am spending some time on this because this is how strategy is really delineated at different levels, a successful company. So, our Indian companies should also be following. There is no point in shying away from all this. You have to take the competition head on and become successful.

So, similarly, when you look to competition, you will find only the deserving companies will stand up in the marketplace, all the other categories will go away. So, you cannot have a reservation saying the product is coming from a developing country, etc.; it is not going to work.

So many times the question is asked to me: how is that Indians are able to do so well in the US, but unfortunately not so well when in India; what is the reason? So, the real catalyst is the environment, which gives them all that Prop. So, you find CEOs of so many companies being Indians, their parents moved in late 1960s and 1970s.

Focused on branding across price lines, brand coverage developed multiple products under the company brand umbrella, focus on volume sales in India. So, here was a huge market-the company focused on volume sales. The core sector was toilet preparations-followed by hefty ad spend policy, longest standing corporates sponsor for FIFA World Cup football. So, there is one more product which is coming out from Gillette that is called a disposable razor presto.

Now, if you do a SWOT analysis for this company, Gillette, under the strengths you can put it as

a market leader with a strong brand image, aggressive advertising, quality and innovation, and portfolio range.

So, a range of products coming out from the company, then the consumer brand, the demand for high quality, new product, new production technology, expansion of production and distribution, coming under opportunities.

Under weaknesses, you have the long development cycles. Many times you test the product over and over again before introducing into the market. So, the second one being the relatively static market growth rate. not always true, but in some sections- yes, high costs of products, expensive brand maintenance.

So, these are some things which you have to put up in the competitive market, you cannot just shy away from spending on branding. Then in the threats, new competitors, increasing buying power, growth in substitutes, electric shaving technology, economic downturn. So, this is affecting even a company like Gillette. So, many countries where its products are sought after, many of them are seeing economic upheavals. We see so many economic upheavals in India's neighbors also now.

Now, if you do a product market portfolio for Gillette's products the market growth on the y- axis the relative market share on the x-axis- you are likely to see where the company finds itself in.

So, blades and razors- you have Duracell giving a tough competition with respect to batteries, the Oral-B with respect to the toothpaste or the dental segment, in toiletries you have Braun Gillette acquired the Braun. So, these are some of the things which are happening in the marketplace.

If you look at the ratios how it is, have deliberately stopped that 2008; in the earlier HMT case we stopped at 2006; only those who are interested you can find out what is happening in 2022. You may not get any reliable figures for HMT in 2022. When you look at Gillette you are likely to get the figures.

So, when you start comparing the present with this some 10, 12 years backwards, you will see what is the type of remarkable changes the company has made. So, if you really see how the return on percentage, capital empowered, per share net earnings, how it has grown, the working capital, net fixed assets, all these things you can see and if you see the revenue and operating income, the growth trends from 1993 to 2003, is plotted.

So, Procter and Gamble acquired Gillette in 2004 for 57 billion dollars, the shave India moment was a resounding success Mach 3 awareness, you say that increased most likely among urban males. So, if you look at the retail sales in India, up to 2011 figures are given here. And if you see how the growth is, it is growing in billions of dollars, right from 2004 down to 2011.

Now, contrast it with the company like HMT a very good product a very good collaborator like citizen and a very strong support base from the government and infact, was the first Indian public sector to face competition in the lathe segment from the 1960s only. But now, you find that watch segment not able to adapt now, not even that the lathe segment is also not able to adapt to this liberalized scenario.

So, this is what really characterizes the market the competitive market, earlier wanted to get into government jobs. Now, what is the trend that you are seeing if you are an enterprising youngster, the present day Indian who would like to come up on his own instead of going for a job; start a small scale unit, move up the ladder, try his luck.

So, the urge for becoming an entrepreneur in the present day Indian youth is strong; that is good for the country also. So, if you become an entrepreneur, you can contribute to the GDP of the country.

So, look at Gillette India market shares by percent, percent retail value for men's grooming 2007 to 2010. In 2010, it had already garnered nearly 32 percent of the market share in India. So, it is a huge percentage.

Then they introduced women's razors called Gillette Venus, all those types of things. So, not very successful, but they have made a presence there. So, battery business was not profitable for them. The result was they took a decision to sell the Duracel plant in Manesar in 2002 only. It was acquired by Procter and Gamble in 2004. Still lagging behind Unilever and Colgate Palmolive. The recession buffeted Gillette's core businesses that is the pricey razors and blades. Gillette's Mach 3 is the market leader in 2021-22 also.

So, this is an example of a case where a company successfully adapted itself to changing markets. So, in the case of HMT, this adapting to change was found wanting; in the case of Gillette, this change was welcomed by the company.

Indian companies also have got to do adapt to this present day scenario; this is where strategy becomes very important. When you look at strategies in the market place, you should also have alternative strategies. So, if strategy 1 fails, pushing strategy number 2, then keep a backup of 1 or 2 more strategies.

So, it is possible with these backups, you will succeed in the marketplace. The book on case studies in marketing gives you many cases and those of you who are interested can try to solve these cases in the way we have discussed; these cases are listed under different heads- Part 1 deals with marketing-11 cases; Part2 : international marketing, 8 cases; Gillette, India comes at page number 161;Part 3-Services Marketing-13 cases Airline cases are given in this part.

Question w.r.t Gillette India are : to what extent the strategy adopted by Gillette India is different from Gillette global; is this strategy sustainable in the long run? it gives you answers taking from Gillette India's global strategy; is similar to that of Gillette world which concentrate on market share and launching new products.

You can give response in the same manner to other questions also.

We will stop here, we will continue in the next class. Thank You.