

Case: Analysis of Marketing Strategy of Glaxo Smith KlineHorlicks

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ABSTRACT

GSK has been introducing new product lines and is doing line-extension to capture larger market share. The paper gives an overview of the marketing strategy of Horlicks. A detailed analysis of different product lines introduced by Horlicks is discussed. Furthermore, marketing campaigns adopted by Horlicks is discussed, and a brief analysis of competitors in malt-drink industry in India is done. With all these data in hand, an overall picture on what went wrong with Horlicks is inferred, and finally suggestions are given at the end on how to have sustained growth for GSK.

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INTRODUCTION

GSK is the leading player in the fast growing domestic malted health drink segment (approx. 70% market share) with brands, such as Horlicks, Boost, Maltova and Viva. Its key brands Horlicks and Boost have shown exciting double-digit sales growth over the past decade. In the Horlicks case, since the core brand is consumed mostly by children (over 80%), most resources are spent on increasing off take or salience. New Horlicks variants is riding high on them other brand to mention a few, have also found a favour with consumers and contributes approximately 20% to Horlicks' top line. Leveraging its strong brand equity, the company has ventured into biscuits, noodles and oats in line with its strategy of developing products in the health and wellness segment. As north and west contribute approximately 15% to sales and likely to reach 20–25% in the next 4 years, GSK is expanding

distribution in north and west where its presence is limited and provides a huge growth opportunity.

Glaxo has launched over a dozen brand extensions in the last 4 years including noodles, biscuits, nutrition bars, flavoured milk and oats, among others. But excluding biscuits and oats, the experience wasn't great. The company has withdrawn four food products and restricted distribution of two others, as they could not connect with the company's scientific credentials. GSK discontinued products such as flavoured milk, Nutri Bar bars and sports drink as the company found it to be commercially unviable. As per analysts, the company's failure to successfully extend its presence to some of these newer niche segments is because of its inability to capitalise on its science credentials in the categories it tapped. In turn, the lack of health link (*Bhushan and Malviya, 2013*) is the reason behind its shelving of four products in new foods category.

Significantly, GSK Consumer has performed well with new products that offered health benefits (*Khicha, 2011*). The company has been doing well in all categories where it is operating as a niche player (*Bhushan and Malviya, 2013*). The company's venture into oats with three variants has proved a success because of its health association. GSK's entry, into the oral care segment, also has been a success (*Bhushan and Malviya, 2013*). Sensodyne toppled competitor Colgate Sensitive in the domestic sensitivity toothpaste market within 2 years of its launch. GSK Consumer has also been successful in protecting its market share in each of the segments where it has leadership position. For instance, in the health food drinks market, the firm has been consolidating its category leadership ahead of rivals – Complan and Bournvita. The company also holds on to its leadership in the over-the-counter antacid market with its Eno brand.

Strength Weakness Opportunity Threats Analysis

Strengths

- Strong global presence
- Market leader in malt-drink segment
- Multiple product lines catering to different age groups in the family

Weakness

- Overdependence on core business. Unrelated diversification was not successful because of the strong association of core brand with health benefits.

Opportunity

- Increasing demand in northern and western part of India which Horlicks has not tapped in the past.
- Can consider entering into health fortifying food products because the brand is strongly associated with healthy drink for a family.

Threats

- Decreasing revenue growth rate
- Many competitors like Complan following Gorilla marketing strategy on Horlicks in media

STRATEGY ADOPTED

Phase 1: Invest in Horlicks and keeping up the promise and enhance the brand image.

Phase 2: Expanding its foot prints into new health drinks (e.g. Junior Horlicks, Women's Horlicks and Horlicks Asha to mention a few).

Phase 3: Expand and enter into new categories like cereals, biscuits, nutri-bar and chill dood to mention a few.

However, there was conflicting opinion regarding line extension within the organisation. Horlicks was positioned as a complete family drink, positioning it to cater to the needs of different age segments. However, when the Junior Horlicks (line extension) was introduced, they felt they are targeting only to children below the age of 3. This in turn brings doubt to the loyal adult customers on the credibility of the health drink and the product positioning associated with Horlicks.

PRODUCT LINES

Chill Dood and Nutri Bar

Nutri Bar, an energy bar launched in 2009, has been withdrawn by GSK as also flavoured milk which was introduced in the market around the same time. The launches of flavoured milk and cereal bars under Horlicks were impulse purchases which is a mismatch with Horlicks' core competence/equity (*Bhushan and Malviya, 2013*). Attempts to stretch the Horlicks brand have been problematic as the taste profile of these products militated against expectations from the brand. Other factors for the failure include the company's impatience with its products. For example,

NutriBar cereal bars was an SEC-A-plus brand, and profits would have taken time to accrue but GSK was not ready to wait, so it failed to gain the market share.

The company claims to optimise its underleveraged brand assets with the launch of Chill Dood and Nutri Bar. But in reality, the extension into flavoured milk and cereal bars can be seen as overextending of brand Horlicks as there was a mismatch with the brands core equity (Pande, 2014).

Horlicks Foodles

GSK ventured into noodles segment as they found that 40% of households are using noodles for breakfast (Bapna and Balakrishnan, 2013). Glaxo claimed to pitch for a healthier option in the instant noodles segment as it came with 'Health Maker' sachet containing essentials of five vitamins. But Horlicks was not associated with noodles category as noodles is perceived to be unhealthy junk food, whereas Horlicks was associated with health and wellness. By associating with this category, Horlicks diluted its core positioning of a health drink. It communicated Foodles as a healthy option despite a common perception of it being an unhealthy category (Abhineet, 2013).

Competition is also an issue in GSK's struggle to establish in biscuits and noodles category where established large players dominate the market. For example, Parle and Britannia together control more than 70% of the segment. And Nestle's Maggi reins over half the noodle market (Bhushan and Malviya, 2013). The other problem is more intrinsic to what Horlicks stands for, that is health, as health has become generic proposition flogged by everyone. Category leader Maggi's tagline says 'taste bhi, health bhi' and by focusing on health, Horlicks is trying to sell fun categories in a serious manner (Bapna and Balakrishnan, 2013).

Horlicks Asha

The company captured most of the markets with new

products targeting different target age segments – Horlicks Lite (elderly people), Junior-Horlicks (children), Mother's Horlicks (lactating mothers), Women's Horlicks (mid-aged women) and Nutri Bar for children and young adults. But when it tried to segment on the basis of income with Asha targeting BoP customers, the product was not well received as the cheaper pricing of the product signalled poor quality. The extension also caused a potential dilution effect to the parent brand of Horlicks (Pande, 2014).

Nutri Bic

GSK tried to get into the confectionery space with cream biscuits without any success. Horlicks is now focusing on the high function space with nutritional biscuits. The company is operating in a smaller health-oriented space, and for Horlicks, this entry is successful. The foray into food contributes to around 10% of Horlicks' share, and biscuits still lead in the extension. It's focusing on nutritional and digestive biscuits, as a healthy snacking option which is in sync with the Horlicks brands 'Health and wellness' association (Gupta, 2014). The company succeeded in this category also by using a suggestive brand name which helped the consumer to link the 'nutrition' associations with the brand (Gupta, 2014).

Horlicks Oats

Horlicks was a late entrant in the oats market which was packed with established players like Quaker, Saffola, Britannia and Kellogg's (Bapna and Balakrishnan, 2013). GSK launched various flavours after the initial success in the 600 crores oats market. Though when the company launched masala flavour, there were apprehensions on whether the masala association could lead to equity dilution. But unlike extensions like noodles and biscuits, which are not a consumption item on the breakfast table, the entry into oats fitted with the Horlicks core brand as both are breakfast items which are consumed with milk.

Suggestive brand name of Horlicks oats helped in creating positive associations to the mother brand of

Horlicks and product category oats. The successful introduction of oats helped Horlicks to improve its perceived quality as both the brand (Horlicks) and the product category (Oats) had positive attributes associated with it and this helped family branding strategy and raised the salience of brand Horlicks (*Khicha, 2011*).

Women's Horlicks

GSK Consumer Healthcare's Women's Horlicks is the company's fastest growing product (*Pinto, 2014*) with sales topping Rs. 100 crores in 2013. This was introduced in 2008 and has seen a growth of 60–65% YoY growth over the period. This indicates positive changes in consumer demographics as women are not just focused on health of their families, but are taking care of themselves too. The company conducted quick bone density tests at modern trade stores and other such areas targeting women to educate them on their nutritional requirements.

Consumers are continuing to buy the food that complements the way they want to live their lives. The reason for women to participate in health and wellness is to acquire 'the good life'. This also means that women consumers are wanting to be healthy so they can enjoy life. It proves that freedom from illness, once a strong motivator, is now also a necessary and expected condition of modern life.

Sensodyne

Sensodyne was brought to Indian consumers by GSK as they correctly determined that tooth sensitivity is a growing occurrence amongst Indians, and the awareness and solution around the issue was poor.

They rightly launched campaigns to create awareness as this is the first time a tooth paste was launched for sensitivity and creating awareness/educating consumers is the first step to do when brands plan to create new segment. The company's marketing plan also included an outreach to Dentists and Dental Colleges to create advocates for the brand.

As Healthcare category is all about science, GSK approached it differently. GSK sent its sales people to rural medical practitioners and made them aware of its products as they identified that a recommendation coming in from a local village doctor becomes more credible.

MARKETING CAMPAIGNS

As a part of CSR activity, Horlicks have Bollywood actress Vidya Balan for the campaign – Ahaar Abhiyaan which addresses the problem of malnutrition of children by spreading awareness on child nutrition and care. Since Horlicks has positioned itself as a nutritional supplement for physical and mental growth of children, there exists a perfect match between the case and the product positioning. This further fortifies a positive brand image.

COMPETITOR ANALYSIS

India is the largest market globally in malt-based drink market globally accounting for 22% of the global sales. This industry is classified into white beverages (65%) and brown beverages (35%). Also malt drink is mostly consumed by children below the age of 15 years.

Horlicks

- 51% market share
- **Positioning:** Nutritional supplement for physical and mental growth of children.
- **Target segment:** Children and mother, adults

Boost

- 12% market share
- **Positioning:** Energy drink. HFD proven to improve stamina by three times.
- **Target segment:** Active children and adults looking for energy drink.

Complan

- 23 vital nutrients
- 13.9% market share

- **Positioning:** Help kids grow twice taller in comparison to other malt drinks.
- **Target segment:** Children of age group 5–15 years of age.

Bournvita

- 16.2% of market share
- **Positioning:** Enable kids grow faster and enhance goodness of milk utilising its calcium.
- **Target segment:** Children of 5–15 years of age.

So Horlicks is the only malt drink having its presence in adult segment which is untapped, and hence Horlicks has a first mover advantage, and this segment is having high growth prospect which is evident from the increasing demand for Horlicks women and Horlicks light though they have a smaller base.

Inference

The strong brand name associated with Horlicks was both an advantage and disadvantage. Because of the strong brand image, it could capitalise the benefit of it for a longer period and could extend the product line to variations of Horlicks and was getting good revenue.

However, the brand Horlicks was related to more of malt/health drink, and the introduction of new product (unrelated) lines was not well accepted by the consumers and was not successful in noncore products (sales from noncore products merely being 6.5% of total revenue).

Among the noncore line extensions of Horlicks, Horlicks oats is a product line performing better than other extensions. This can be attributed to the nutritive value associated with oats which falls in sync with the core product health benefits. However, it does not have a good market share because of the high competition from several established players.

Though Foodles was introduced as a healthier supplement of noodles with the nutritive taste maker,

it was not well accepted by the customers because people consume snacks and junk food for taste purpose and not for general health. Horlicks failed in assessing the people's sentiment in this segment. However, looking at the increasing trends in health consciousness among people, there is a potential for Horlicks to capitalise this segment. However, they were early in entering this segment and hence it was not successful.

This is a classic example of a company which fails to diversify into unrelated business units at the right time. Many companies would like to milk as much revenue as possible when the business is attaining maturity and are driven by mostly short-term revenue gains being myopic to long-term growth and sustained sales growth. Since Horlicks didn't diversify to the unrelated product lines at the right time, they were not successful in the communication strategy

Hence, Horlicks teaches a good lesson on what product lines to extend and when to enter different market segments and product lines.

Suggestion

- GSK is fixated with serious health attributes – which is right for their core malt drink. But in snacking the consumer in India is not ready yet. They can spin-off for a sub-brand, since the Horlicks brand is so strongly associated with health.
- GSK has maintained its positioning of offering nutritious and healthy products which is completely in sync with the growing trend of health consciousness. Health and wellness is becoming the focus of market players in the food and beverages sector, and the company is well placed to take advantage of the same.
- As consumer preference is shifting to healthy food, GSK is positioned well to take the advantage. An effective way to do this is to serve up wellness lifestyles, rather than merely sell healthier products.

- The company should not enter with Horlicks brand into categories which can create dissonance among consumers. They should instead enter with different/new brand names.
- By staying relevant to consumers in terms of addressing specific needs, GSK can give consumers less chance to avoid their products as they base their products on science.
- For risk mitigation, Horlicks can consider doing market research entering a few market segments like baby food/milk substitutes.
- Ready-to-drink segment is yet to take off in India, so when the market is mature for the category and the consumer is ready for the products, they should launch products by extending the Horlicks brand. However, the product should be within the 'health' attribute. GSK should learn from its lesson to see that the product does not get into any quality issues. They also need to make the product more appealing for kids by still sending the necessary communication to mothers.
- Horlicks can consider entering milk supplements for children, which is nutritious and fall in line with their Unique Selling Proposition. However, there is a risk of product cannibalisation in doing this (Junior Horlicks). So proper research on this line can be made.
- Horlicks can consider doing market research on the potential for nutritious chocolates targeting kids (80% of Horlicks sales falls under this segment). Also parents are becoming more health conscious towards their children. So this segment seems to have a good prospect. So they can consider entering this market segment at the right time.

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