

Headline: Africa – GCPL’s new growth frontier

Description: Indian FMCG company Godrej Consumer Products pushes into Africa’s personal care products market

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Indian consumer products company Godrej has been pushing into Africa’s hair care market with four acquisitions in the last five years, putting it in a strategic position to compete with major western companies.

Selling hair colourants, hair extensions and soaps in Africa through brands such as Inecto, Renew, Tura and Darling, Godrej is banking on Africa’s fast growing demand for cosmetics and other personal care products, and is moving towards becoming an established multinational. “Africa has one of the fastest growing consumer markets in the world with a young population,” said Omar Momin, Executive Vice President, Mergers & Acquisitions and Business Development for Godrej Consumer Products. “As incomes increase, consumers will seek new and exciting products and [as a result] new categories will emerge.”

Being an Indian company operating in Africa is not a disadvantage for Godrej, a Mumbai based group, which had total annual sales of US\$3.3bn in the financial year ending March 2013, including \$1bn for Godrej Consumer Products, its personal care products arm. “We know how to operate in developing markets,” Momin told SPC, emphasising that there were some similarities in culture, consumer behaviour, regulatory environment, retail and distribution networks. Africa’s large population and income levels also reflect those found in India and other developing countries, and the presence of sizable ethnic Indian communities in some African countries also helps the company build trade relationships, he said.

Furthermore, according to Momin, sub-Saharan Africa’s investment climate is also improving as political stability and governance solidifies in many of its countries.

In the last few years, Godrej’s pan-Africa personal care product business has grown by 15% annually and Momin expects similar growth in the future. “New distribution channels like direct selling will improve availability and provide opportunities for driving penetration and increasing consumption,” he said.

South Africa currently accounts for 35% of Godrej’s personal care product Africa sales, followed by Kenya (31%), Nigeria (27%) and Mozambique (7%).

The company's Africa ventures started in 2006 with the acquisition of South African hair colour company Rapidol and its brand Inecto, a market leader in 11 African countries.

This was followed by the acquisition of the South African Kinky brand in 2008, which marked Godrej's entry into the estimated \$1.5bn African hair extensions business. Godrej considers it to be a niche category in Africa, with little presence of multinational companies.

In 2010-2011, Godrej further consolidated its position in the hair extension business by acquiring a majority stake in Darling Group Holdings. The 30-year old company sells its Darling and Amigos brand in 14 African countries, and the acquisition turned out to be a major success for Godrej as the segment accounted for \$80m in sales in 2012.

"We buy synthetic fibres from far-eastern countries and convert them into hair extensions in Africa," said Momin. More than 90% of the African hair extensions industry, which includes braids, weaves, extensions and wigs, is based on synthetic fibres while the rest is made up of human hair, he added.

The hair colourants marketed by Godrej in Africa are not very different from those sold in India but, according to Momin, the formulation is customised for African hair and local preferences. "We do not take Indian consumer products to Africa," he said. "We try to be as sensitive [to local needs] as possible."

However, Godrej has also taken its Indian Renew brand to market hair colourants and creams in Africa, which is said to be doing well among white African consumers.

Godrej has also used its Indian expertise by using henna to manufacture hair colourant products for the African market. Sold under the Inecto brand, the product was developed in Africa with henna imported from India. Momin told SPC: "Consumers find henna attractive, as it is a natural ingredient with conditioning and colouring properties." However, not all henna products by Godrej are available in Africa. In India, pure henna leaf powder is commonly used for hair colouring but, according to Momin, there is no market for this product among its African customers.

In 2010, Godrej also bought Nigeria's Tura brand, although this remains a very small part of the company's overall Africa business.

According to Momin, using local personal care brands to expand sales in Africa is a smart move. Markets are served by both local and foreign brands, but the most successful ones do not operate as foreign labels. Even Godrej designed products display a local brand on the front of their packs and it is only on the back that it says 'a Godrej group company'.

Competition is especially intense in the South African market, said Momin, where almost all the multinational brands market their products and Godrej considers SoftSheen-Carson's Dark and Lovely as its main competitor in hair colouring products.

Godrej's African experience builds on good practice it has generated from pushing into other export markets around the world; 40% of its revenue comes from foreign countries. However, Momin says that Africa remains a very important part of the company's total operations, contributing to more than 30% of its international revenue. "Godrej's strong foundation in the region will yield tremendous dividends in the coming decade in this new frontier of growth," he said.