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19 SEP, 2011, 01.01AM IST, SAGAR MALVIYA & RATNA BHUSHAN,ET BUREAU

FMCG companies like Dabur, Godrej, Emami, etc postpone product launches due to cost pressure

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Product Launches Take a Back Seat

PERSONAL CARE

FOOD & BEVERAGES

HOUSEHOLD CARE

41  
2010

31  
2011

24%

37  
2010

21  
2011

43%

5  
2010

2  
2011

60%

Data for Jan-Jun

TOTAL 201083 201154 Decline 35%

Godrej Consumer puts off a few launches planned for this Diwali to early next year

Dabur delays launch of a new range of facial products from Q1 to Q3

Cost to postpone entry into new categories

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Godrej Consumer Products Ltd.

BSE

426.10

NSE

426.80

MUMBAI | New DELHI: Consumer product companies have cut back on product launches this year as they wait for cost pressures to recede before introducing more products and variables.

There have been two product launches per week on an average in the fast-moving consumer goods (FMCG) segment in the first half of the year, down from last year's average of one new product every alternate day, according to data available with market researcher IMRB International. Consumer product companies confirm the slowdown in product launches, but say they will be able to roll out new variants and products within their existing segments in the coming months when input costs are expected to decline, although entry into new categories will be put off to next calendar.

"Some of the more expensive introductions were postponed from the fourth quarter of last fiscal (January-March) to later this fiscal because of high inflationary pressures," says Dabur India Chief Executive Officer Sunil Duggal.

Dabur, maker of Vatika shampoo and Real juice, has delayed launching a new range of facial products from first quarter to third quarter.

Godrej Consumer too has put off launch of a few products in the household insecticide and hair-colour segments from Diwali this year to early next year, say industry insiders close to the company.

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http://economictimes.indiatimes.com/...pany/corporate-trends/fmcg-companies-like-dabur-godrej-emami-etc-postpone-product-launches-due-to-cost-pressure/articleshow/10033731.cms[9/19/2011 10:56:55 AM]

00.06% 00.25	00.11% 00.45
Vol: 2220 shares traded	Vol: 92545 shares traded
<a href="#">Prices</a>   <a href="#">Financials</a>   <a href="#">Company Info</a>   <a href="#">Reports</a>	

Companies clearly want to keep their expenses low in the face of rising input costs and packaging expenses. "There have been petrol price hikes thrice already this year and commodity costs are not going down either. All actions, whether to launch new products or increase ad spends, have been linked to these cost pressures. Hence, companies are getting cautious," says Wipro Consumer Vice-President Anil Chugh.

**Emami** Director Aditya Agarwal says one reason for fewer launches could be a higher base last year. "We would like to consolidate our launches first and get it right before we are ready with new introductions."

According to IMRB data, 54 products and variants were launched between January and June this year as companies delayed big launches to save costs and focus on existing brands. This is 35% less than the same period last year (see table).

IMRB International Group Business Director Manoj Menon says 2010 had started with a positive note after a year-long slowdown in the consumer market following the global economic recession.

All product launches were on hold for a year, and launched in 2010. "In comparison, 2011 is more of cautious spending, especially when the inflation rates are still high," says Menon.

Consumer product companies have been facing relentless rise in the prices of raw materials such as crude, palm oil and milk, and packaging costs.

Prices of crude oil- a key raw material for making laundry, shampoo and household products-were more than 30% higher in the first half of this calendar while palm oil - the main ingredient in soaps - became 37% costlier.

Prices of crude and palm oil have been declining sequentially in the past couple of months, but they have not yet eased the squeeze on companies' margins.

To protect their profitability, companies have been consistently increasing sticker prices, besides reducing packet sizes and cutting costs, in spite of signs of downtrading, or consumers opting for cheaper alternatives.

Just last month, the country's largest consumer products maker, Hindustan Unilever, raised prices of soap brands Rexona, Hamam and Pears by 3-7% and skin cream brand Fair & Lovely by 5%.

Oralcare firm Colgate India too undertook 3-6% price increases across some of its key product packets.

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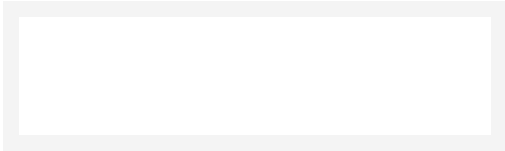
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