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## Case Study

# Perfume Branding:

## Strategies for Succeeding in India's Fragrance Market



Source: Titan

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This case study was written by Haiyang Yang, Associate Professor of Marketing at the Johns Hopkins Carey Business School, Johns Hopkins University, and Amitava Chattopadhyay, the GlaxoSmithKline Chaired Professor of Corporate Innovation at INSEAD. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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After examining numerous bottles of imported perfume, executives at Titan Company Limited were challenged to devise a strategy to develop a perfume brand that could break into India's fragrance market. A top Indian firm with leading premium wristwatch and jewellery brands (Xylus and Raga watches and Tanishq jewelry), Titan had no experience in the fragrance category, where international brands reigned supreme.

## The Fragrance Market in India

### India

Located in South Asia, India was the second most populous country in the world in 2013 (see Exhibit 1). With over 1.22 billion people and an annual growth rate of 1.28%, India was set to become the most populous nation soon. 47.1% of the population was below the age of 25. Close to 65% was under 36. The average age of the population was 26.7 years and was expected to remain below 29 in the next decade.<sup>1</sup>

At an average GDP growth rate of 6.4%, the Indian economy had been expanding robustly since the 1990's. The economic expansion was widely anticipated to accelerate to an even higher rate,<sup>2</sup> propelling the nation to become the third largest economy in the world (after the US and China). The economic growth had led to a continuous rise in per capita income (see Exhibit 2). This fuelled a desire for high-quality products across a wide spectrum of consumption categories, including fragrances.

India had been adopting information technologies on a massive scale. According to an estimate by the World Bank,<sup>3</sup> 15.1% of Indians had internet access (many via smartphones). As the costs of internet access and mobile communication were decreasing, internet adoption was predicted to rise significantly in the coming years. While ecommerce had been growing steadily, it only accounted for less than 2% of the transactions in 2013. The overwhelming majority of purchases were still made in bricks-and-mortar shops and malls.

### India's Fragrance Market

The use of fragrances in India can be traced back to Charaka Samhita (चरक संहिता), the first treatise on traditional Indian medicine (written in 100 BC - 300 CE). Traditional aromatic products such as ittar (a type of essential oil) had been widely used since antiquity. By 2013, the majority of Indian consumers used some type of scented products. Many of these were introduced into India by foreign firms, giving products from the West, an advantage of perceived prestige and authenticity. These included personal care products (for skin and hair care) and different types of fragrances: *Perfume Extrait* and *Esprit de Parfum* that contained up to 40% aromatic compounds; *Eau de Parfum* and *Parfum de Toilette* with 10%-20% aromatic compounds; *Eau de Toilette* with 5%-15%; *Eau de Cologne* with 3%-8%; aftershave and deodorant (classified as fragrance products in India) with 1%-3%. The higher the

1 <http://www.censusindia.gov.in>

2 <http://www.oecd.org/economy/india-economic-forecast-summary.htm>

3 <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=IN>

concentration of aromatic compounds, the stronger and longer lasting the scent, and the more costly the fragrance. Aromatic compounds could be manufactured from plant sources (e.g., flower, leaf, roots, tree bark), animal sources (e.g., ambergris, honeycomb, musk), as well as synthetic sources (e.g., petrochemicals). A fragrance product might combine floral, fruity, spicy, sweet, musky, woody, or other aromatic notes, to offer a unique, appealing scent.

Sales of fragrances had more than doubled from Rs. 4 billion in 2007 to Rs. 11 billion in 2012 (average exchange rate in 2012: \$1 = Rs. 55.91). While both premium and mass-market products had grown consistently, premium fragrances experienced higher growth rates (see Exhibit 3). Most of the fragrances sold were consumed by buyers themselves, and about 30% were purchased for gifting. Given the size and expansion of the market, competition among firms, especially international players, was fierce.

Western brands dominated the market in terms of sales value in 2012 (see Exhibit 4). In the premium segment, Bvlgari, Burberry, Calvin Klein, Davidoff, Dior, Hugo Boss, Salvatore Ferragamo and the like controlled the market. In the mass-market segment, brands such as Old Spice (a Procter & Gamble brand marketed by Menezes Cosmetics in India) and Axe (marketed by Hindustan Unilever, the Indian subsidiary of Unilever) were leaders. Both segments were fiercely contested, with Bvlgari and Old Spice leading the respective segment. Premium fragrance products were priced above Rs. 6,000 per 100ml, whereas mass-market ones could be less than Rs. 200 per 100ml (see Exhibit 5). Premium fragrances were exclusively manufactured overseas and imported into India.

Fragrance brands advertised at a relatively low intensity (compared to, for example, skincare products), typically via TV commercials, magazine ads, billboards, and large displays at point-of-purchase (see Exhibits 6-8). As consumers spent increasingly more time online, many fragrance brands sought to connect with them through the internet. For example, Old Spice and Axe promoted their brands using social media platforms such as Twitter, Facebook, and YouTube (see Exhibit 9).

Most of the dominant brands had a positioning related to sexuality and sensuality. For example, in the mass-market segment, Old Spice and Axe were both positioned around raw sexual attraction, and used humorous advertising and social media campaigns designed to appeal to the target audience—teenagers and younger men (e.g., high school and college students) who were relatively new to the fragrance category and who had comparatively smaller budgets.

Some premium brands that targeted more mature, affluent consumers also emphasized sex appeal in their positioning. For example, Calvin Klein's Obsession and Davidoff's Cool Water focused on the sensuality of the human body. Some premium brands opted to focus less on sexuality and sensuality. Bvlgari's MAN, for instance, portrayed an image of modern, charismatic, successful Western men; Burberry's Brit depicted an image of upper-class British urbanites; Dior's J'adore exemplified the French ideal of beauty and luxury.

Store-based retailing accounted for 91.6% of fragrance sales in India (see Exhibit 10). More than 58% of fragrance products were sold through department stores, and 21.5% via grocery

retailers such as supermarkets and hypermarkets. At many of these brick-and-mortar distribution outlets, brands typically leased counters or shelves, and had their own “beauty advisors” (sales staff) onsite. Non-store-based retailing had expanded, with direct selling accounting for 6.5% of fragrances sold, and ecommerce 1.9%. Perhaps because many consumers often wanted to test smell fragrance products prior to purchase (particularly for the first purchase), ecommerce-based distribution grew at a much lower pace for fragrances than for other product categories. Another potential reason was thwarted expectations of substantially lower prices for online purchases, as premium brands did not offer reduced prices online due to brand image dilution concerns.

Like in many other emerging economies, there was an unorganized market comprising of unbranded perfume, a “grey market” through which unofficially imported fragrances were sold, and a market for counterfeit fragrance products (consumers who purchased those products often knew that they were buying counterfeits). These three accounted for only a small portion of fragrance sales in India; consumers who made purchases in these markets primarily did so because of low product pricing. However, with rising income levels and a yearning for higher quality goods, many of these consumers were switching to the mainstream market and branded fragrances.

### Consumer Behaviour in the Fragrance Category

While Indian men consumed about half of the fragrance products sold, as women became more financially independent, they were increasingly more willing and able to purchase fragrance products. As such, women were expected to be a key source of growth in the fragrance category in the Indian market. In addition, as consumers from second- and third-tier cities in India became more affluent, they were increasingly willing to spend on fragrances.

When selecting a fragrance product, Indian consumers attached weight to brand reputation as well as country-of-origin. For perfumes of identical quality, well-known brands were evaluated more favourably than lesser-known brands. Those manufactured in the West, particularly European countries like France, were evaluated much more favourably than those manufactured in India. However, for many consumers, especially younger consumers such as college students and those just starting a career, the prices of imported brands were often 2-3 times higher than what they could afford.

Many consumers used different fragrances for different occasions. For parties and ceremonies, they preferred luxury brands with stronger and longer-lasting aromas, to help them stand out and project social status. For everyday use, they often used lower-end fragrances, given the prohibitively high cost of luxury brands and because a milder scent was more suited to daily activities. Many consumers sprayed fragrances onto their clothes as opposed to their skin, because they believed that the chemicals might be harmful, and because the aroma would last longer and could be “re-used” this way. However, consuming fragrances this way could be problematic—fragrances of low quality could stain clothes permanently.

## Titan's Entry into the Perfume Category

### Titan Company Limited

Titan Company Limited was a subsidiary of the Tata Group, the largest India-headquartered global conglomerate, with \$97 billion in revenues in 2012-13 and a wide spectrum of major brands such as Jaguar, Land Rover, Taj Hotel, and Tetley Tea. Founded in 1984, Titan had a market capitalization of over \$3.3 billion and annual revenues of over \$1.7 billion in 2013. It was the largest manufacturer of timepieces in India (the fifth largest in the world) with a comprehensive portfolio of premium, masstige, and mass-market brands such as Xyllys, Titan Raga, Titan Edge, and Sonata. Of every five watches sold in India, three were from Titan's portfolio. Titan watches had also entered 32 foreign markets, with over 150 million pieces sold worldwide. It owned India's largest distribution chain for timepieces—the World of Titan—with 370 stores in over 130 cities in India.

Titan was also the largest firm in the jewellery category in India and had developed a portfolio of highly successful brands such as Tanishq, Goldplus, and Zoya. Its brand Tanishq was the best-selling jewellery brand in India—sales were three times those of its nearest competitor and was the leading Indian premium brand in the jewellery category (see Exhibit 11). Titan was also in the eyewear business. It marketed eyeglass frames via licensed foreign brands such as Levi's, Esprit, Hugo Boss, as well as through in-house brands such as Titan, Eye+ and Dash.<sup>4</sup>

Titan's long-term goal was to become the leading company in fashion-related industries in India, and it thus set its sight on the fragrance category. Executives at Titan must now come up with a strategy to launch a fragrance brand in a category where major foreign brands had reigned supreme for decades.

### Strategic Decision-Making

#### Choosing a Target Segment and Positioning

Given the market situation, which consumer segment(s) should the new fragrance brand target? Should it target teenagers, young professionals, and/or more affluent and mature individuals? Should the brand focus on women, men, or both genders? Why?

How should the brand be positioned? Should it be a luxury brand, mass market brand, or something else? Why? What should the brand represent? Should it represent (1) the new, cutting-edge, modern India, (2) India's rich history, tradition and heritage, (3) an international image that epitomized sensuality and sexuality, (4) an international, upper-class Western lifestyle, or (5) something else? Why?

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4 Titan also had a precision engineering division that manufactured components for firms like 3M, Aston Martin, Bosch, Ford, Honeywell, and Siemens.



## Choosing a Brand Name

“Skinn” was suggested as a tentative name for the brand. Does this fit with the brand’s positioning and will the name resonate with target consumers? Why?

Even if “Skinn” is selected, should the new brand’s association with the Titan group be made known to consumers? Should a (1) sub-brand strategy (e.g., “Titan Skinn”) that prominently highlights Titan, (2) endorsed-brand strategy (e.g., “Skinn by Titan”) that signals some connection, or (3) an independent brand strategy (e.g., “Skinn” with no mention of Titan) be used? Why?

Relatedly, instead of linking it to “Titan,” should the new fragrance brand be linked to one of the brands in Titan’s existing portfolio (for example, Tanishq)? Why?

## Product Development and Manufacturing

When making decisions regarding product development, should the brand focus on strong perfumes such as Perfume Extrait or Esprit de Parfum? Or milder ones such as Eau de Parfum or Parfum de Toilette? Or lighter ones such as Eau de Toilette or Eau de Cologne? Or deodorant? Why?

Should the brand develop its products in India, or rely on expertise overseas? How about packaging design? Why?

Should Titan manufacture and package the products in India or overseas? Why?

## Pricing and Distribution

How should the products be priced and distributed? Should the new product be priced to compete with luxury imports, appeal to the masses, or somewhere in the middle? Given the available distribution channels, which one(s) should be leveraged to distribute the fragrance products? For example, Titan could distribute the perfume through its nation-wide chain World of Titan, but is it an ideal distribution outlet for perfume products?

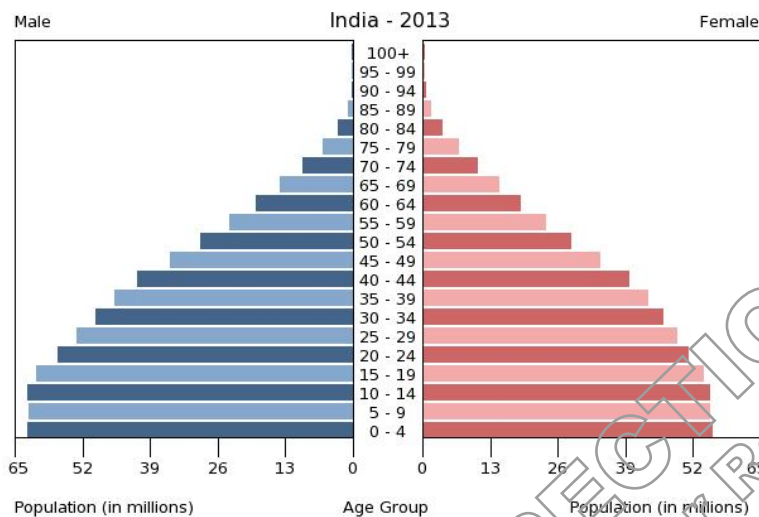
## Advertising and Promotion

How should the brand be advertised and promoted? What should be communicated in the advertising? How much of the advertising and promotion budget should be spent on offline branding activities such as launch events, TV commercials, print ads versus online/mobile activities such as social media marketing?

**Exhibit 1A**  
*Map of India*



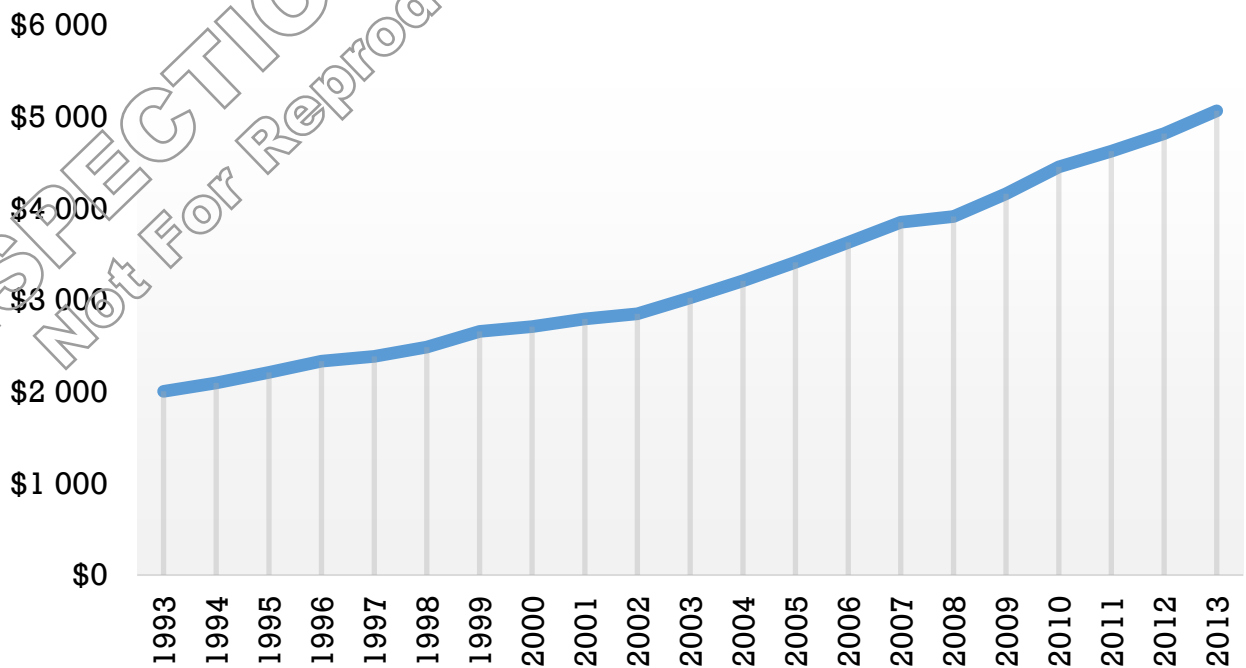
**Exhibit 1B**  
*India's Population Distribution in 2013*



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>

## Exhibit 2

### Per Capita Income Growth in India



Source: The World Bank

Note: GDP per capita based on purchasing power parity (PPP). PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2011 international dollars.



### Exhibit 3A

#### Value of Branded Fragrance Products (Rs. Million) in India 2007-2012\*

Fragrance Type	2007	2008	2009	2010	2011	2012
<b>Premium Fragrances</b>	2,342	2,864	3,417	4,249	5,725	7,348
Premium Men's Fragrances	1,026	1,256	1,490	1,845	2,483	3,156
Premium Women's Fragrances	1,316	1,608	1,927	2,404	3,242	4,192
<b>Mass Fragrances</b>	1,566	1,760	1,971	2,225	2,705	3,208
Mass Men's Fragrances	795	905	1,030	1,187	1,475	1,783
Mass Women's Fragrances	771	855	941	1,037	1,231	1,425
<b>Fragrances</b>	3,908	4,624	5,388	6,474	8,431	10,556

\*Average exchange rate in 2012: \$1 = Rs. 55.91

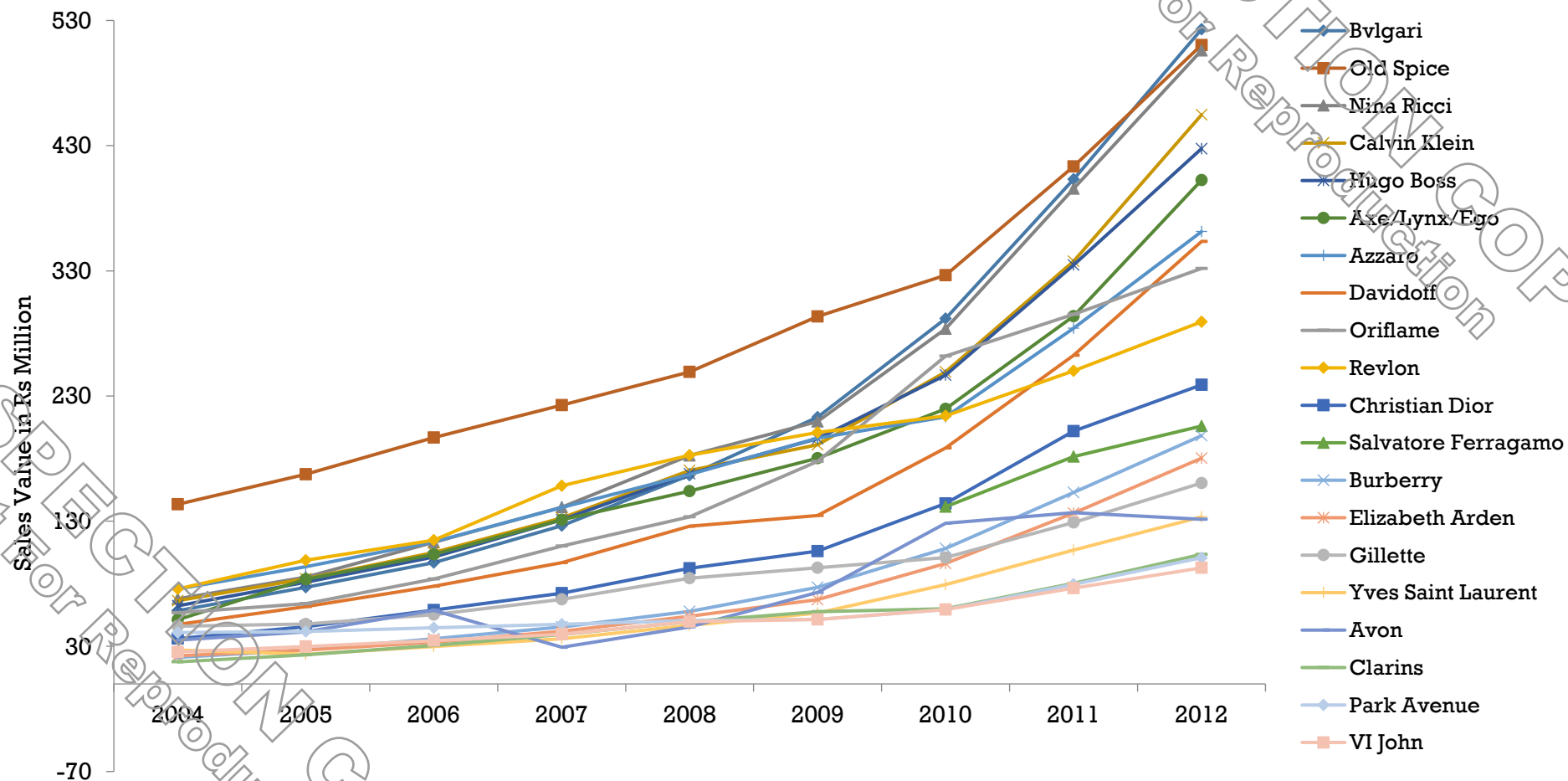
### Exhibit 3B

#### Volume of Branded Fragrance Products (Metric Tons) in India 2007-2012

Fragrance Type	2007	2008	2009	2010	2011	2012
<b>Premium Fragrances</b>	8.7	10.4	12.3	14.7	17.3	20.3
Premium Men's Fragrances	2.1	2.5	2.9	3.4	3.9	4.5
Premium Women's Fragrances	6.6	7.9	9.4	11.3	13.4	15.8
<b>Mass Fragrances</b>	28.5	31.7	34.9	38.4	42.0	45.7
Mass Men's Fragrances	15.2	17.1	19.0	21.2	23.5	25.9
Mass Women's Fragrances	13.3	14.6	15.9	17.2	18.5	19.7
<b>Fragrances</b>	37.2	42.1	47.2	53.1	59.3	66.0

Source: Euromonitor market reports

**Exhibit 4**  
*Top 20 Fragrance Brands (by Sales Value) in the India Market 2004-2012*



Source: Euromonitor market report

## Exhibit 5

### *Prices of a Sample of Fragrance Products Currently on the Market*

<b>Brand</b>	<b>Volume</b>	<b>Price (Rs)</b>	<b>Rs/100ml</b>
Ferragamo Polo Blue Sport	125 ml	6,600	5,280
Hugo Boss Night	100 ml	6,500	6,500
Azzaro Chrome	200 ml	4,500	2,250
Bulgari Men	100 ml	4,500	4,500
Hugo Boss Energise	125 ml	4,500	3,600
Burberry Brit	100 ml	4,400	4,400
Hugo Boss Pure for Men	75 ml	4,300	5,733
Bulgari Pour Femme	75 ml	4,200	5,600
Davidoff Silver Shadow Attitude	100 ml	4,100	4,100
cK Euphoria	100 ml	4,100	4,100
Burberry Touch	100 ml	4,000	4,000
Incanto Heaven by Salvatore Ferragamo	100 ml	4,000	4,000
cK in 2U Him	100 ml	4,000	4,000
Hugo Boss for Women	90 ml	3,900	4,333
Mont Blanc Legend Black	75 ml	3,900	5,200
Estée Lauder Pleasures	50 ml	3,700	7,400
Azzaro Women Now	80 ml	3,500	4,375
Davidoff Adventure	100 ml	3,400	3,400
cK One	100 ml	2,900	2,900
Davidoff Cool Water for Men	125 ml	1,800	1,440
Davidoff Cool Water for Women	100 ml	1,800	1,800
Charlie Blue by Revlon	100 ml	1,000	1,000
Charlie Red by Revlon	100 ml	1,000	1,000
Adidas Extreme Power	100 ml	500	500
Adidas Ice Dive	100 ml	500	500
Gillette Aftershave	100 ml	350	350
Old Spice Aftershave	150 ml	200	133
Axe Instinct Aftershave	100 ml	160	160
Axe Pulse Aftershave	100 ml	160	160

Source: Euromonitor market report

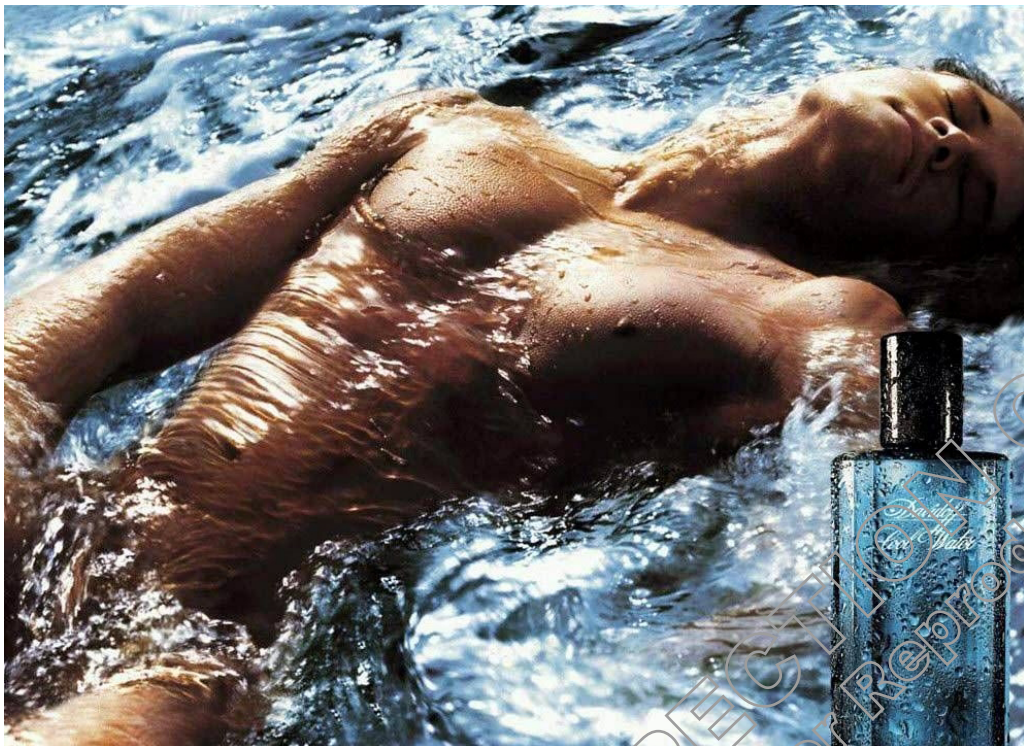
**Exhibit 6**  
*Sample Ads*



Source: Dior



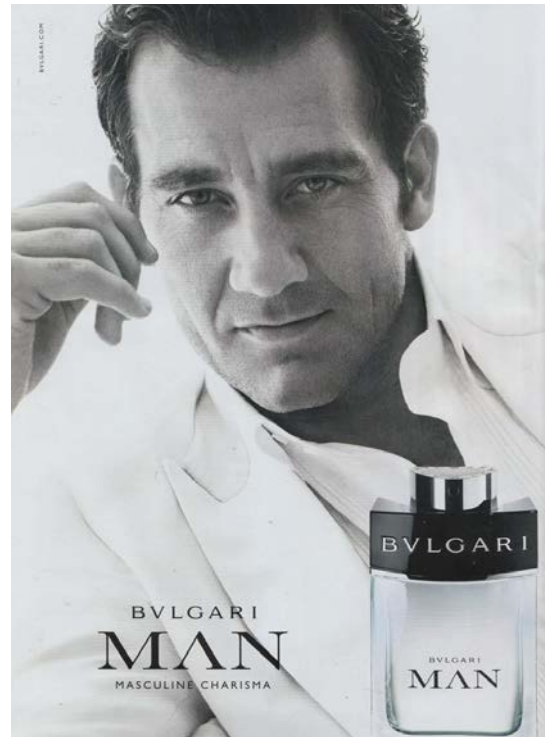
**Exhibit 7**  
*Sample Ads*



Source: Davidoff



**Exhibit 8**  
*Sample Ads*



Source: Bvlgari

## Exhibit 9

### Screenshots of Commercials



Sources: <http://www.theaxeeffect.co.in> and <http://www.oldspice.in>

**Exhibit 10**  
*Distribution Channels (% of Total Distribution)*

Distribution Channel	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Store-Based Retailing</b>	<b>95.4</b>	<b>95.5</b>	<b>95.4</b>	<b>95.5</b>	<b>95.0</b>	<b>94.0</b>	<b>92.6</b>	<b>92.5</b>	<b>91.6</b>
Grocery Retailers	25.7	26.0	26.5	26.7	26.5	25.5	23.2	22.1	21.5
Hypermarkets/Supermarkets	11.0	11.5	12.0	12.5	13.0	13.0	11.5	10.7	10.3
Independent Grocery Retailers	14.7	14.5	14.5	14.2	13.5	12.5	11.7	11.4	11.2
Non-Grocery Retailers	69.7	69.5	68.9	68.8	68.5	68.5	69.4	70.4	70.1
Beauty/Health Specialist Retailers	21.5	21.3	21.0	18.6	16.5	15.0	12.8	11.7	10.7
Department Stores	45.0	45.0	44.9	47.4	49.5	51.5	55.1	57.2	58.0
Outdoor Markets & Other Stores	3.2	3.2	3.0	2.8	2.5	2.0	1.5	1.4	1.4
<b>Non-Store Retailing</b>	<b>4.6</b>	<b>4.5</b>	<b>4.6</b>	<b>4.5</b>	<b>5.0</b>	<b>6.0</b>	<b>7.4</b>	<b>7.5</b>	<b>8.4</b>
Direct Selling	4.6	4.5	4.6	4.5	5.0	6.0	6.5	6.5	6.5
Internet Retailing							0.9	1.0	1.9

Source: Euromonitor market report



### Exhibit 11

#### Sample Ads of Titan's Jewellery Brand Tanishq



Source: Tanishq