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Go Green: A business mantra here to stay?

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Soul Tree, Kama Ayurveda, Khadi Naturals, Khadi Mauri, Just Herbs - all these are names of India based ayurvedic beauty and cosmetic brands that serve a fast growing domestic demand. Some of these brands cater to a global clientele too, thereby leaving an international footprint. In a 2017 Nielsen report, 41% of personal care market was accounted for by the “naturals” segment. The global market for Ayurvedic beauty cosmetics is on the rise and is predicted to grow at a CAGR of 16.2% from 2015-2022, whereby demand will grow from USD 3428 million to USD 9791 millions according to Statistics MRC, a market research firm.

Defining Green

The ‘natural’ segment is also called the ‘green segment’. So what makes a product green? Green products refer to those that are manufactured from natural, plant based sources which are preferably organic (without pesticides or chemical fertilizers) and are locally grown in a sustainable way. Green products have less environmental impact on surroundings compared to non-green products in the same category.

Trends in various sectors in India

Interestingly the green trend is not restricted to Beauty and Cosmetics industry alone. In the food industry, concerns over food safety have seen pesticide free, GMO free, cruelty free and adulterant free product labels on the rise for various food products (especially milk and ghee, veggies, pulses and grains and ‘healthy’ snack foods) and the emergence of small organic grocery shops, traditional oil mills and even organic restaurants, signifying small business entrepreneurship.

In the construction industry, the concept of green buildings and vernacular architecture, although still not a major trend in India, incorporates use of eco-friendly and sustainable and locally available building materials. The School KFI and Hand in Hand Academy of Social Entrepreneurship are some examples of sustainable campuses.

What explains these growth trends and how big will it be and in that process and what kind of disruptions will it bring in the market- this article will briefly examine some of these aspects below.

A closer look at the Green Boom

In its Nov. 2018 Consumer Insights report, Nielsen reported that consumers across the globe are willing to change their consumption habits. In a survey of consumers in four major markets (US, France, China and India) , Nielsen found that this global consumer trend towards purchase of green products in personal care cuts across genders and generations; that more than 73% of consumers wish to buy green products because of increased awareness (Is it safe for me? Low fat, low sodium, high protein, gluten free, organic, all natural, GMO free, no artificial ingredients and paraben free; is it safe for the environment? Eco friendly, cruelty-free, carbon neutral and recyclable). As the Nielsen 2018 report on Sustainable Shoppers states, the concern for personal safety is clearly uppermost in consumers' purchase decisions.

The second reason why this segment in India is going up is strongly cultural . India has a long history of using natural products for beautification as well as for consumption (through a diversity of cuisines). Thus there is an inclination and aesthetic appreciation and value for natural beauty in the Indian ethos. Syed Hafizuddin, a store manager at Kama Ayurveda (Express Avenue -a leading mall in Chennai) echoed the historic tradition of Ayurveda in India when he shared that customers tended to be more knowledgeable than even staff when it came to Ayurvedic products.

A Nov 2018 PwC report says that 77% of Indian households use Ayurvedic products, up from 69% in 2015. Companies like Patanjali are giving a tough run to other leading FMCGs like HUL, Dabur India, Emami and in turn they are looking to focus on an Ayurveda base for their products. The India based Ayurvedic and naturals brands are only paying heed to the global and Indian consumer trends and concerns when they offer products catering to consumer needs. Their customer centric product strategy thus seems to be paying off.

Another reason for increased demand for Ayurvedic cosmetics is the better quality of products on offer. Lack of quality options may have deterred Indian consumers in the past. However the new Ayurvedic beauty product brands appear to be breaking these barriers. These new India based Ayurvedic companies stress accountability for their sourcing and manufacturing practices through international certifications like EcoCert (France), BDIH (Germany) and cruelty free (PETA); and collaboration with reputed partners like Arya Vaidyashala Pharmacy (AVP) as in the case of Kama Ayurveda, an India based company, and international brand, Estee Lauder, is collaborating with Forest Essentials, an India based Ayurvedic luxury brand.

These new India based Ayurvedic companies are investing time and money in R&D efforts before launching their products and brands in the market. Forest Essential's lead trainer in Chennai, Ms Athiya Akhtar states that the appeal of Ayurvedic products is their lasting results and lack of side effects unlike synthetic products.

Conclusion

The trend towards green products is here to stay and thus businesses will need to definitely pay heed to consumer preferences to gain and keep their market share. The reasons for consumers preferring sustainable and green products in personal care and health and wellness industry are mainly: increased awareness of side effects of synthetic formulations, non-durable effects of synthetic cosmetics, a growing and nuanced customer centricity, accountability and collaboration strategies of Indian Ayurvedic product companies and not the least, availability of choice of good quality natural products as a result of R&D investments by naturals and Ayurvedic product brands. If pricing is taken care of, without a reduction in product quality, Ayurvedic beauty and health and wellness products have a bright future in India and globally. More research can shed light on the trends, opportunities and challenges in India and elsewhere. For now, it seems that this is one trend that is here to stay.

(The authors of the article are Senior Associate Professor - Marketing and Assistant Professor - International Business at Great Lakes Institute of Management, Chennai respectively)

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