

**Business Development from Start to Scale**  
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**Week - 08**  
**Corporate Development**  
**Lecture - 39**  
**A Nutraceuticals Start-up**

Hi friends, welcome to the NPTEL course Business Development from Start to Scale. We are in week 8, with the theme of Corporate Development. In this lecture, the 39th in the series, we discussed the case of A Nutraceutical Start-Up.

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**Zydus**  
**Wellness**  
• Strategic Marketing Assessment



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The company under discussion is Zydus Wellness. Zydus Wellness was promoted by Zydus Cadila Limited, now called Zydus Life. What is interesting about this development of the

company is that Zydus Life or Zydus Cadila at that point of time had many pharmaceutical opportunities to pursue.

As we have seen in the previous lecture, we could have had several pharmaceutical therapeutically areas that could have been the area of focus for any new venture in the pharmaceutical industry. However, Zydus thought it should get into a new niche that was not explored at that point of time.


And it is to the credit of the promoters of Zydus Cadila that they chose sugar substitution as one of the niche areas that should be exploited or utilized in the Indian market.

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### Company Evolution

- Zydus Wellness, Headquartered at Ahmedabad in Gujarat, was established in 1988 with focus on health and wellness.
- *"we approach health and wellness in a holistic manner. We nourish, nurture and energize millions of lives by offering a variety of innovative, industry-leading products."*
- Key Brands - Complian, Sugar Free, Glucon-D, Everyuth, Nycl, Sugarlite, Nutralite
- 5 Manufacturing units in India & 8 co-packing units internationally
- Integrated consumer group - covers the entire value chain including development, production, marketing & distribution of health & wellness products



**Four Key Pillars**



Zydus Wellness is headquartered at Ahmedabad in Gujarat. It was established in 1988, with focus on health and wellness. It is important to note that even before all the concern about the

sugar as well as the calorie intake emerged in the 1990s, the company focused on this particular aspect of health and wellness development.

The company's mission was, "We approach health and wellness in a holistic manner. We nourish, nurture and energize millions of lives by offering a variety of innovative industry leading products."

As of today, the company has many brands beyond sugar substitutes. Complian, Sugar Free, Glucon-D, Everyuth, Nycil, Sugarlite and Nutralite are some of the products. The company has 5 manufacturing units in India and 8 co-packing units internationally. It is now an integrated consumer group. It covers the entire value chain including development, production, marketing and distribution of health and wellness products.

The company had 4 key pillars. The first one was financial strength, obviously, because unlike Denmark, this has not been a first generation enterprise. It is a company that was promoted by promoters who had strong credentials and also strong corporate banking in terms of Zydus Cadila Group.

The second pillar was product innovation. The third was manufacturing integrity. And the 4th was supply chain efficiency. These are the 4 pillars based on which Zydus Wellness had a rapid growth.

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Let us look at the roadmap of Zydu Wellness. In 1988, the company launched Sugar Free. That was India's first zero calorie aspartame based sweetener. In 1991, it launched Everyuth Skin Care range and the focus on naturals was evident from that point of time. In 2005, it launched Sugar Free Natura with Sucralose. Aspartame had certain concerns at that point of time as well as now. So, bringing in Sugar Free Natura, which is multi-refined sugar without having any of the calories of sugar was a landmark step.

In 2006, it acquired Carnation Nutra and as a result of that, it got into its full Nutralite, which is a half sugar substitute. We can call it a full sugar substitute. Then, we have Zydu Wellness, which is carved out and listed in NSE. It was part of the Zydu Cadila Group, but then it became an independent company and it got listed in the National Stock Exchange that was in 2009.



In 2011, it set up its First Greenfield Project in Sikkim. In 2017, it made another leapfrog in the sugar substitute arena by getting in the Stevia based Sugar Free substitute. And that is branded under Sugar Free Green with Stevia and new product facility at Sikkim.

In 2018, Zydus disrupted the sugar industry with the launch of Sugarlite in a big way. In 2019, it acquired Heinz India. This is one of the mega acquisitions that was ever done by the Cadila Group. It acquired Heinz India at a huge cost. And there were of course, eyebrows raised whether it is going to impact the health of Zydus Wellness, which until then had a roaring financial journey. In 2019, again, it set up its overseas subsidiary, Zydus Wellness, International DMCC at Dubai.

In 2020, Zydus entered the diary, chocolate and fizz-based immunity product categories with the launches of Nutralite, Doodhshakti, Sugar Free Delite and Glucon-C Immunofizz. In 2022, it launched new products in the international market, a new variant of Complian and Sugar Free Delite cookies and chocolate spread launched. So, as you can see, starting with one product, the company became a very comprehensive FMCG company dealing in nutraceutical products and wellness products.

This strategy contrasts with the strategy adopted by Nirma. It started like Nirma with one product and secured a great foothold. But Nirma diversified and integrated in a completely different manner. It got into chemicals in a big way, it got into pharmaceuticals, and it also got into cement.

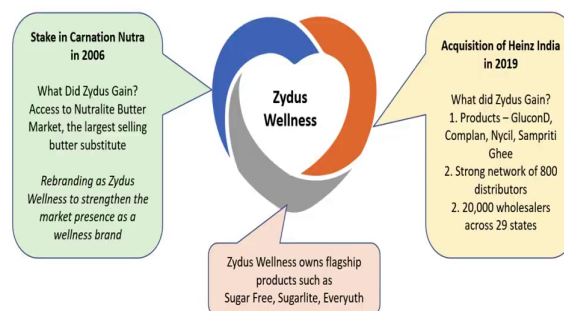
Whereas, Zydus Wellness has kept to its core focus of providing health and wellness products all through its journey from 1988 to 2022. As a result, the company has got a very wide basket of wellness products and that also supplements very well with the pharmaceutical focus of the parent group.

Together, they covered not only pharmaceuticals as, but also nutraceuticals. So, by being focused in a area where there could be lots of product opportunities and lots of elevated demand based on enhanced urbanization and increasing population, Zydus Wellness, read the

market science very well. And it is a classic example of developing a business from the start to the scale as the course implies.

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### Competitive Strategy at Corporate/Business Level




The competitive strategy of Zydus Wellness at the corporate and business level can be looked at as follows. One, the foundational products. The company owns flagship products such as Sugar Free, Sugarlite and Everyuth. And they provided the cash reserves for the company to venture into new acquisitions for new product lines.

The stake in Carnation Nutra that was acquired in 2006 provided significant gains to Zydus. It provided the access to Nutralite butter market, the largest selling butter substitute. It also got rebranded at that point of time as Zydus Wellness to strengthen the market presence as a Wellness brand. It acquired Heinz India in 2019.


What did Zydus gain? It gained a whole bunch of products of these two are very important product categories. One was the Glucon-D and the other was Complian. Of course, other products such as Nycil and Sampriti Ghee also came the way. It also gained a strong distribution network of 800 distributors and 20,000 wholesalers across 29 states. And this has been of great help for Zydus Wellness in enhancing the all India reach of the company.

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**GluconD**



Upside for energy boost	Downside
<ul style="list-style-type: none"><li>• GluconD is made of glucose, which is a monosaccharide and dissolves quickly in blood stream as it is simpler to break down</li><li>• 100 grams of Glucose contains same 387 calories as that of 100 grams of sugar; saves athletes from energy deprivation</li></ul>	<ul style="list-style-type: none"><li>• Consumer perception – Glucose is perceived as a 'sugar' which could weaken the positioning of the company as a healthy low-calorie product provider</li><li>• Supports the 'sugar substitute' / healthy positioning of Sugar Free &amp; Zydus Wellness</li></ul>



Let us look at the product that has been acquired, Glucon-D. It provides two particular benefits. It provides an upside for energy boost. Glucon-D is made of glucose which is monosaccharide and dissolves quickly in bloodstream as it is simpler to breakdown. 100 grams of glucose contains same 387 calories as that of 100 grams of sugar, saves athletes from energy deprivation, particularly in hot summer months. Glucon-D therefore, became the favorite of those people who needed an energy boost in the shortest possible time.

But the downside has been that consumers perceived glucose as sugar. And this could have weakened the positioning of Zydus Wellness as a healthy low calorie product provider. Here was the company which was dedicated to providing sugar substitutes.

And the company became a more diversified company, but focusing on sugar. This whether it supports this sugar substitute healthy positioning of Sugar Free and Zydus Wellness is a question mark. Someone would have thought that it is a better than sugar kind of product, but at the same time it did not the image of Zydus Wellness as a sugar substitute or Sugar Free company.

The only saving grace is that there are all kinds of requirements in the marketplace. There are people who require energy boost and there are people who require low calorie tight and low calorie sustenance. Therefore, Glucon-D has had its position and the company has utilized that positioning rather intelligently.

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**Core Product**  
Sugar Free



The core product of course, has been Sugar Free. As I said it came in 4 varieties, the foundation, Sugar Free Gold with as per time, they follow on natura with sucralose, and then with stevia green and finally, in different kinds of forms, so that the line could be extended.

It got merged with somewhat a herbal tinge with addition of Tulsi and various other herbs. Not only that Sugar Free has been made usable in the day-to-day cooking by providing larger packs and also bringing in order form. And it also has been adapted to the Indian culinary ways as well. Several chefs have been used to promote Sugar Free.

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### Sugar Free: Segmenting, Targeting and Positioning – 1



- Launched in 1988, Sugar Free was initially positioned as a prescription product, available only with doctor's advice for diabetic patients
- Strategic Positioning change - Moved to OTC within 3 years, to enhance the customer base and to increase the product adoption
- Different SKUs - powder sachet, tablet, liquid drops



Let us look at the segmenting targeting and positioning of Sugar Free. The product launched in 1988 was initially positioned as a prescription product available only with doctor's advice for diabetic patients.

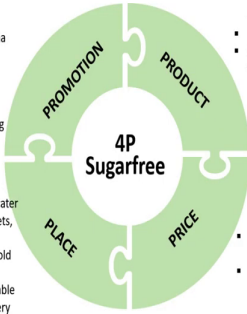

There was a strategic positioning change thereafter. In 3 years, it was moved to OTC category that is over the counter categories which did not risk require any prescription. And that was done to enhance customer base and to increase product adoption. Different SKUs, powder sachet, tablet and liquid drops were provided.

So, you can see the impact of getting promoted as a pharmaceutical company's sibling. The first positioning was as a medicinal product and the two prescription of doctors for one particular patient segment. However, it is to the credit of Zydus Wellness that it broke free of


this heritage and had developed an independent path of promoting its business as over the counter product.

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**Sugar Free: Segmenting, Targeting and Positioning – 1**



- Celebrity Endorsements – Partnering with celebs like Sanjeev Kapoor to prove Sugarfree as Sugar substitute. Having fitness-oriented celebrities like Parineeti Chopra, Abhay Deol & Katrina Kaif as the endorsers
- Traditional approach – Advertisements
- Digital – Customer-centric marketing, focus on engaging with customers through recipes & campaigns
- Different SKUs available to cater to different needs, e.g. tablets, powder, easy to carry small packs, big packs for household consumption
- Physical Distribution - Available at all medical stores & grocery stores
- Digital Distribution – Available through ecommerce websites like Amazon
- Made from artificial and natural Sweeteners Sugar Free Gold, Natura, Green, available in different SKUs
- Natural Sweetener
- Sugarlite (Made from natural sugar, with some stevia)
- Priced competitive in the market
- Significantly higher as compared to sugar, but suits at present as the company doesn't cater to the BoP population
- Eventually, as the positioning is changing to wider TG, price might become a barrier to wider adoption



So, what did the 4 piece signify for Sugar Free? The 4 piece as we know are promotion, product, price and place. To start with, we have promotion of product. It is made from artificial and natural Sweeteners Sugar Free Gold, Natura, Green available in different SKUs. Natural sweetener in one form. Sugarlite made from natural sugar and with some stevia.

Promotion has been through celebrity endorsements. Partnering with celebs like Sanjeev Kapoor, a noted chef to prove Sugar Free as sugar substitute. Having fitness oriented celebrities like Parineeti Chopra, Abhay Deol and Katrina Kaif as the endorses. Traditional approach of advertisements has been resorted to by the company from its inception. In recent

times, it has gone digital with customer centric marketing focus on engaging with customers through recipes and campaigns.

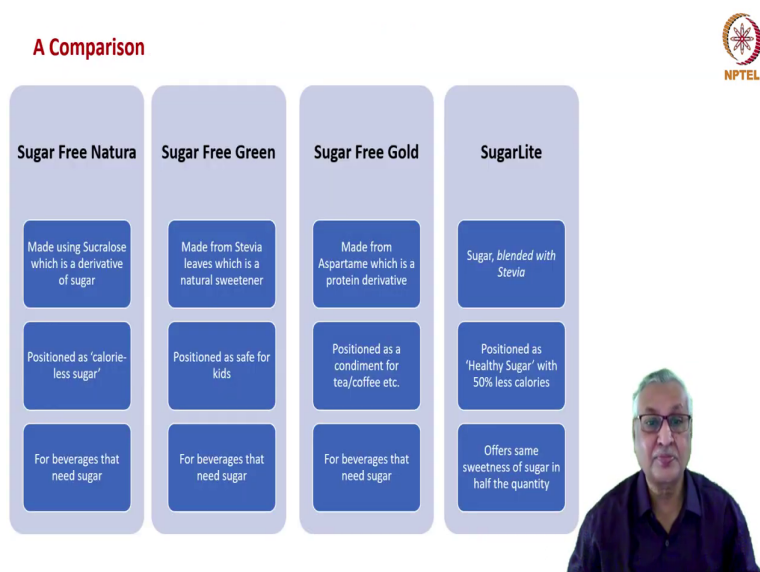
As regards the price, it was priced competitive in the market. However, it is significantly higher as compared to sugar. But it does suit the parent as the company does not cater to the POP population. Even otherwise, people are willing to pay a premium for not having the sugars calories, but having the sugary taste. Eventually, the positioning is changing to a wider target group. But in that case, the price could be a barrier to such wider adoption.

In terms of the place, different SKUs have been made available to cater to different needs, tablets, powder, easy to carry small packs and big packs for household consumption on an ongoing basis. Physical distribution, this product uniquely could be made available in the medical stores as well as in the grocery stores. That is a strong advantage for this product.

And digital distribution also came into play in a big way. It is available through e-commerce websites such as Amazon.



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A comparison of the 4 types of products which had been there in this category for Zydus Wellness Sugar Free Natura, Sugar Free Green, Sugar Free Gold and Sugarlite. First, starting with Sugar Free Gold. It was made from aspartame, which is a protein derivative. It is positioned first as a condiment for tea, coffee, etcetera. And for beverages that need sugar.

Then, came Sugar Free Natura made using sucralose, which is a derivative of sugar. Positioned as a calorie less sugar. And this was also positioned for beverages that need sugar. Then came Sugar Free Green as stevia was discovered as a plant that could provide sugary taste, but being Sugar Free. It is made from stevia leaves, which is a natural sweetener. It is positioned as safe for kids too. And for beverages that need sugar.

And finally, Sugarlite which is sugar blended with stevia. Positioned as healthy sugar with 50 percent less calories. Offers the same sweetness of sugar in half the quantity. So, this makes a complete range in the category called sugar substitutes.

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### Industry Analysis: Sugar Free



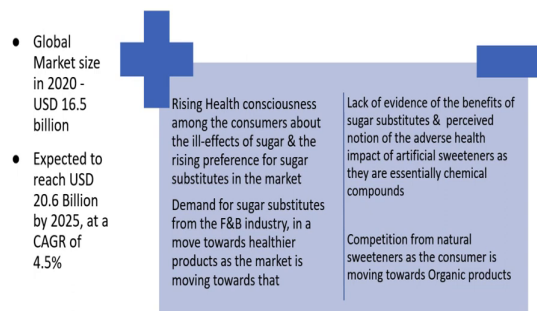
If you look at the industry perspective for Sugar Free, the global market size is astounding 16.5 billion dollars in 2020. And it is expected to grow at a healthy clip of 5 percent reaching 20.6 billion by 2025. What is the benefit for this product? First, rising health consciousness among the consumers about the ill effects of sugar and the rising preference for sugar substitutes in the market. Two, sugar substitutes demand from the population.

On the negative side, there is lack of evidence of the benefits of sugar substitutes and the perceived notion of the adverse health impact of artificial sweeteners as they are essentially

chemical compounds. So, this hurts the image of Sugar Free to some extent. So, there are growth accelerators and there are also hindrances for growth.

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### Industry Analysis: Sugar Free



The global market size has actually ignore the previous slide because this has been repeated here. Let us look at the industry perspective for Sugar Free. The category has a significant global market size in 2020 of 16.5 billion dollars and it is expected to grow at a healthy clip of 4.5 percent over the next 5 years from 2020 base. It is expected to touch 21 billion dollars by 2025.

What are the factors that are supporting Sugar Free category? One, rising health consciousness among the consumers about the ill effects of sugar and the rising preference for sugar substitute in the market. Second, demand for sugar substitutes from the F and B

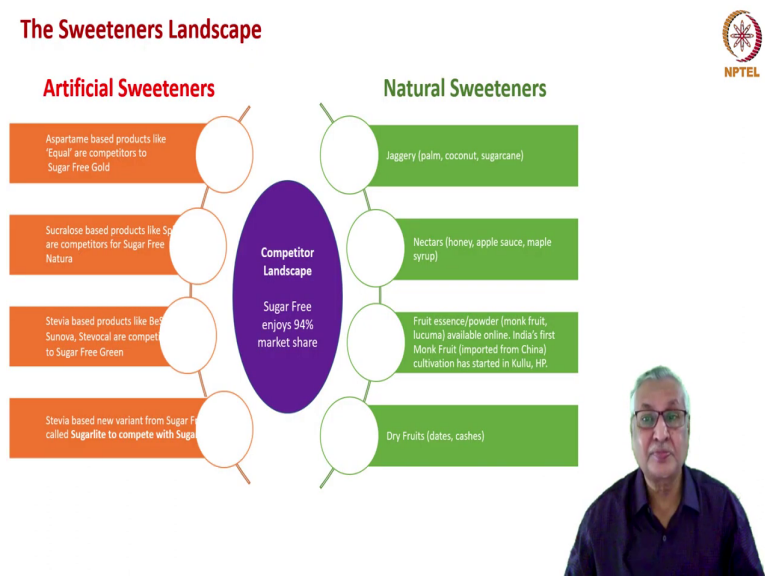
industry that is foods and beverages industry in a move towards healthier products as the market is moving towards that.

On the negative side, we have lack of evidence of the benefits of sugar substitutes and perceived notion of the adverse health impact of artificial sweeteners as they are essentially chemical compounds.

There is an argument that it is not the sugar substitution, but the sugar mimicking effect that is going to have a continued deleterious effect on the metabolism because the body when you take sugar substitute perceives that sugar has been provided because of the sugary test. And therefore, whatever or the ill effects related to ingestion of sugar will be equally applicable to Sugar Free products as well, goes the new theory.

Again, there is competition from natural sweeteners as the consumer is moving towards organic products. As an example, honey is positioned as a natural competitor with many more healthy ingredients being available in natural honey.

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So, the sweeteners landscape today given the explosion in knowledge related to the sweeteners and the metabolic diseases could be seen in terms of the following. As of now, Sugar Free enjoys 94 percent market share in the sugar substitute field. Aspartame based products like equal or competitors through Sugar Free Gold and they have been there in the market for ages.

Sucralose based products like Splenda again a foreign company derivative product here or competitors for Sugar Free Natura. Stevia based products Sunova, Stevocal are competitors again for Sugar Free Green. And Stevia based new variant from Sugar Free called Sugarlite competes with other kinds of competitors.

But it this turf is only related to artificial sweeteners with the natural tinge in terms of low sugar. However, there are several natural sweeteners that are available traditionally in India.

Jaggery, palm, coconut, sugar cane, these are great substitutes. Nectars, honey, apple, sauce, maple syrup, again are substitutes.

Fruit, essence and fruit powder, monk fruit, lucuma are available online as already. E-commerce products. India's first Monk Fruit imported from China cultivation has started in Kullu, HP. There are also dry fruits, dates and cashes which are available as substitutes in the natural sweetener form.

Now, it is left to some start up to think of these natural sweeteners to be produced in a form that can be seen as serious competition to Zydus Wellness group of products and also become scale oriented in the manufacturing.

Getting scale in the natural sweeteners domain is a challenge and only start-ups can break that challenge. Whether Zydus Wellness will have the entrepreneurial thinking to get into this category as well and become really multi-product, highly diversified wellness provider with an equal emphasis on synthetic as well as truly natural sweeteners is a question time will answer.

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Geography-wise competition from natural sweeteners is based on the geographic trends. North Indian market is highly jaggery and khaand oriented. Whereas, the South Indian market is oriented towards sulphurless sugar, palm jaggery and coconut sugar. And there lies the opportunity for the company to position different kinds of products for different kinds of regions in the country.

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## Strategic Marketing – Sugar Free

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<b>Strategic shift</b> Not just medical product, it is for daily consumption	<b>Target Group</b> Changing from diabetic customers to health-conscious urban people, including diabetics	<b>Pandemic Impact</b> Secured double digit growth in 2020-21 (during pandemic) Sugar Free variant of Zincee & Cimune launched
<b>Secured Market</b> Holds 1st rank in Indian market for sugar substitutes, with more than 93% market share	<b>Potential New Market</b> Low calorie confectionery items	<b>Holistic Marketing</b> New product inclusion & branding initiatives resonating company's brand value to improve health and fitness of individuals

Zyns Sugar Free

How was the issue? Strategic marketing for Sugar Free taking place. First, strategic shift this is not just a medicinal product it is for daily consumption. The second, the target group changing from diabetic customers to health conscious urban people including diabetics.

Third, coping with the pandemic impact. Even in the pandemic the company secured double digit growth with Sugar Free variant of Zincee and Cimune launched. These are the vitamins that have been merged with Sugar Free, so that the prevailing anxiety to combat Covid and raise immunity was scattered to while also meeting the foundational need for sugar substitution.

Then, it secured the market undeniably, it continues to hold the first rank in the Indian market for sugar substitutes with more than 93 percent market share and any other brand is a real



distant product. The potential new market becomes the company because that is the low calorie confectionery items market.

Then there is also holistic marketing. New product inclusion and branding initiatives resonating companies brand value to improve the health and fitness of individuals. Every pack of Sugar Free is large because on its back it has got a particular recipe and a particular level of promotion by celebrities and that continues even today.

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The image is a collage illustrating marketing for Sugar Free products. On the left, a black circle contains the text "Sugar Free Marketing". The central part features several images: a packet of Sugar Free product, a website screenshot titled "Low Calorie Festive Favourites - Sugarlite Jalebi Recipe" showing a bowl of orange jalebis, a woman holding a product, a woman eating a dessert, and a woman holding a plate of food. In the top right corner, there is an NPTEL logo.

So, these are some of the examples of Sugar Free marketing. Low calorie festive favourites, Sugarlite, Jalebi syrup and various other products promoted aggressively by celebrities. And it caters to every aspect of sugar substitution in the typical Indian household. It has also got sugar drops which is a more convenient way of adding well you want instant use in terms of the sugary effect.

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**Product in Focus**

**GLUCON-D**



Now, let us look at the other product that is Glucon-D. It represents the completely different polarity in Zydus Wellness product portfolio. We know that it is going to raise calorie levels in a person. Regular, mango punch, and tangy orange are the 3 variants in which the company promoted Glucon-D as an instant energy product.

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### Glucon-D: Segmenting, Targeting, Positioning - 1



- Launched in 1933 as an instant energy drink
- Traditionally associated with use in extreme hot weather conditions
- Market penetration is 13%, which is very less for an 85+ years old product
- Strategic shift in positioning – From Summer drink, changing to a Product of daily relevance, irrespective of the season

#### 'With 13% penetration, Glucon-D shows huge potential to grow across all markets in India'

Tarun Arora, CEO, Zydus Wellness Limited, shared insights on the brand evolution of Glucon-D and its communication strategy

by Rashi Karna Upadhi  
Episode: 09/01/2022, 02:00:00



The product itself has a rich heritage. It was launched in 1933 as an instant energy drink by the innovator. This was traditionally associated with use in extreme hot weather conditions.

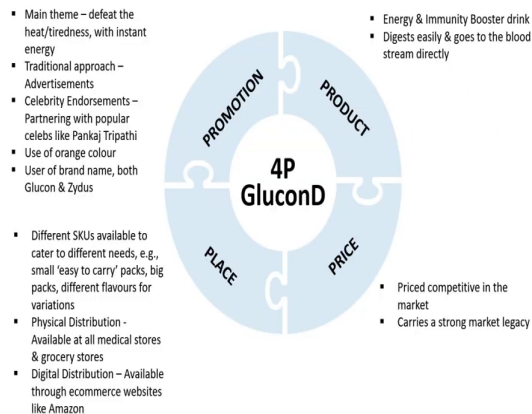
Market penetration is 13 percent which is of course, very less for an 85 plus years old product mainly because the requirement is highly segmented and that segment is a very specialized segment. There has been a strategic shift in positioning from summer drink to a product of daily relevance irrespective of the season. Whether that does good for the individuals, again is a dilemma with Zydus Wellness has to cope with.

The chief executive of Zydus Wellness Limited Mister Tarun Arora shared some insights on the brand evolution of Glucon-D and its communication strategy. He said with 13 percent

penetration Glucon-D shows huge potential to grow across all markets in India. But this is a contra view to how Zydus Wellness has grown on the place of sugar substitution.

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### Glucon-D: Segmenting, Targeting, Positioning - 2



Let us look at the segmenting, targeting and positioning for Glucon-D. Again, product, price, place and promotion. The product is energy and immunity boosted drink. It digests easily and goes to the blood stream directly. This is one of the most important US piece of this product which makes it relevant for certain consumers, particularly when they are in under distress.

Price is priced competitive in the marketplace, carries a strong market legacy which balances any price premium that may be envisaged. In terms of the promotion, the main theme is to defeat the heat and tiredness with instant energy. The traditional approach has been followed even in this product advertisements. We see less number of television advertisements compared to the print advertisements.

Celebrity endorsements have been followed through in a very strong way, partnering with popular celebs like Pankaj Tripathi. Use of orange color has been one of the bright spots of the marketing of this product because orange has the connotation of energy and the user of the brand name both Glucon and Zydu. Different SKUs are available in terms of place to cater to different needs. Example, small, easy to carry packs, big packs, different flavours for variations.

Again, this is a product that has the twin benefits of getting positioned in medical stores as well as in the grocery stores. And it is now available digitally through all e-commerce websites in Amazon.

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### Industry Analysis – Glucon-D



Industry Type	Valuation	Segmentation
<ul style="list-style-type: none"><li>Energy Drink Mix Powder Industry (non-alcoholic carbonated soft drinks, functional/energy &amp; sports drinks, fruit juices &amp; flavored Drinks, bottled water and others)</li></ul>	<ul style="list-style-type: none"><li>Valued at USD 927.5 Bn, CAGR 5.72%, will be USD 1.28 Trillion by 2026</li></ul>	<ul style="list-style-type: none"><li>By age - youngsters are the biggest customer group currently, next focus on adult &amp; teenagers</li><li>By packaging type - <b>plastic bottles</b>, cans, glass, pouches &amp; tetra packs</li><li>By distribution channel - modern trade (hyper/supermarkets), local stores, ecommerce. E-commerce has the highest potential.</li></ul>



If you look at the industry perspective on Glucon-D, the type is energy drink mix powder industry. But this is a broad category or group of categories, non-alcoholic, carbonated soft

drinks, functional energy and sports drinks, fruit juices and flavored drinks, bottled water and others.

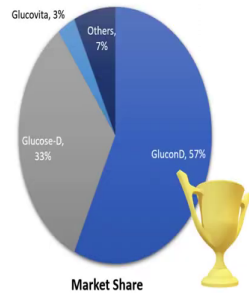
You know that these days energy drinks have come into a market of instant energy in a completely different fashion. And these are also promoted by celebrities. And therefore, there is going to be competition in the traditional Glucon-D positioning because Glucon-D has to be mixed with water for optimal impact and for easy ingestion. Whereas, the energy drinks come almost like a Coke or a Pepsi that is the advantage those energy drinks have.

Valuation is at 928 billion dollars. CAGR is 6 percent. It could be a 1.28 trillion dollar market by 2026. In terms of segmentation, youngsters are the biggest clientele for this product. Next focus is on adult and teenagers who require energy supplementation.

It is available through several SKUs, plastic bottles, cans, glass, pouches and tetra packs. And this is also sold through multiple distribution channels, hyper supermarkets called modern trade, local stores, e-commerce and various other Kirana outlets. E-commerce of course, has the highest potential.

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### Competitors for Glucon-D



- Main competitors include:
  - Glucose D (1989) from Dabur
  - Glucovita from Wipro
  - Other local brands active in West & South markets

Glucon-D is the market leader with a market share of 58%



Who are the competitors for Glucon d? Fortunately, for zydus Cadila, not many. Glucon-D commands a market share of 57 percent. Glucose-D has 33 percent, Glucovita 3 percent, other 7 percent. Main competitors are from Dabur, Glucose-D launched in 1989. Wipro Glucovita and various other local brands that are active in the Western and Southern markets.

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## Strategic Marketing: Glucon-D

- Extensive marketing: Children & summer centric, Rejuvenation to prevention
- Going forward, focus is shifting to INSTANT ENERGY, instead of restricting it to summer
- Secured Market - holds 1st rank in the Indian market share, with more than 57%
- Potential Market - unsecured 87% market penetration
- Holistic Marketing - even though digital marketing reflects instant energy & immunity booster, the ad campaign still highlights the extreme weather conditions



How was the strategic marketing for Glucon-D done? First, extensive marketing ever since Zydus took over the brand. Children and summer centric rejuvenation to prevention of energy thirst as well as energy deprivation.

Second, going forward the focus is shifting to instant energy instead of restricting to summer. Anytime you need instant energy, the product is available goes the advertisement. It is a secured market, holds first rank in the Indian market share with more than 57 percent. Therefore, there is opportunity for Zydus to build on the foundation.

The potential market is that there is an unsecured market penetration, which is pretty large. It could be therefore, as much as 87 percent. When you look at the market available, this is not



to be confused with market share. The market penetration in terms of the overall market is only 13 percent and 87 percent is still available.

And within the available market that has been penetrated, 57 percent is the market share for Zydus Wellness and it could do holistic marketing. Even though digital marketing represents and reflects instant energy and immunity booster in a much more sharp and precise fashion, we need ad campaigns which still highlight the extreme weather conditions. That is how the foundational need is maintained and nurtured.

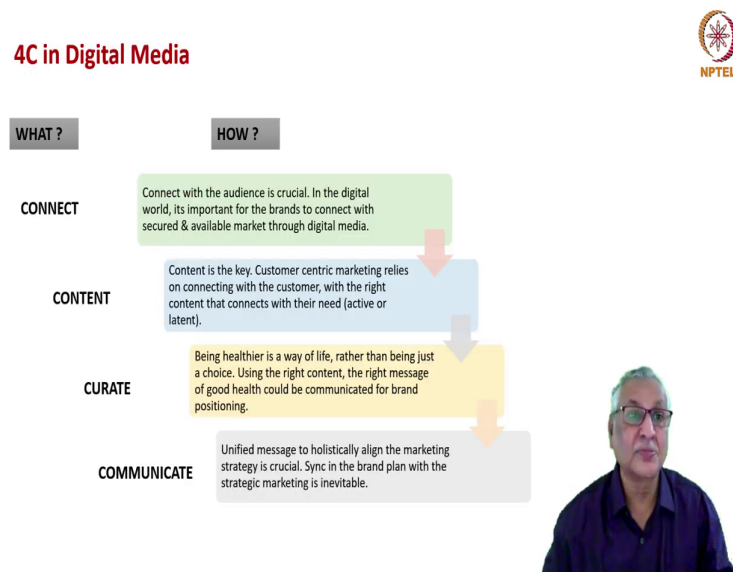
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### Glucon-D Marketing



These are typical examples of Glucon-D marketing. Instant energy health drink, Tangy Orange is the new positioning of the product. And availability in different formats and different packs is going to help Glucon-D marketing.

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As the company shifts to digital media, the company also has started focusing on the 4 seas of digital media. So, let us look at the what and how of digital marketing. One connect connecting with the right audience through digital media is crucial. In the digital world, it is important for the brands to connect with secured and available market through appropriate digital media.

Second, content. Content is the key. Customer centric marketing relies on connecting with the customer with the right content that connects with their need active or latent. Curation, curating the content and curating the positioning is also important. Being healthier is a way of life rather than being just a choice.

So, a kind of mandatory positioning of health and energy drinks is important here. Using the right content, the right message of good health can be communicated for brand positioning.

And finally, communicate, unified message to holistically align the marketing strategy is crucial. You have to sync the brand plan and the strategic marketing plan, so that there is an optimal impact in the market place.

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## Differentiation



### Corporate Brand Unification & Strengthening the Brand Positioning

- Glucose syrup is one of the ingredients in Complian. A 'Sugar Free' Complian would strengthen their branding of Sugar Free and increase their customer base as well.
- All social media handles to be aligned with the unique approach to market Glucon-D. There is a difference in marketing to Gen Z through social handles and video advertisements.
- Focusing communication on the fact that Glucose is better than sugar, as it has lesser harmful effects

### Brand Differentiation

- Based on general consumer perception of Glucose as regular sugar, it is important to use individual branding of Glucon-D, & not confuse it with Zydus Wellness, or else the market may have trust issues as Sugar Free is their flagship product



But at the same time, there is this challenge of differentiation. When you have acquired several brands from a leading corporation, you got to differentiate the products after the acquisition. So, in respect of Complian, the corporate brand unification and strengthening the brand positioning took place this way.

Glucose syrup is one of the ingredients in Complian. A 'Sugar Free' Complian would in future strengthen their branding of Sugar Free and increase their customer base as well. So, the two polarities could converge somewhere and bring together the forces of advantage of Complian as a nutritious drink and Sugar Free as a sugar substitute.

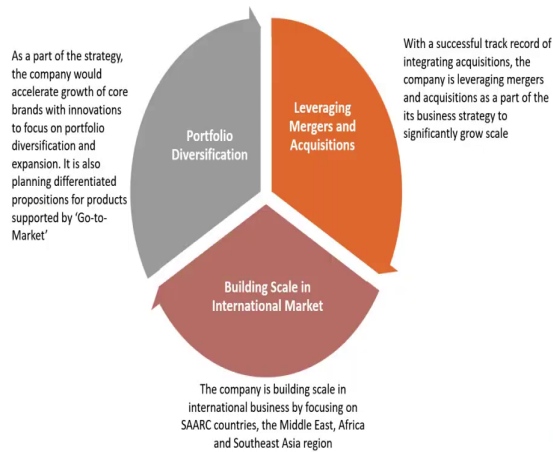
Then, all social media handles could be aligned with the unique approach to market Glucon-D. It is a hypothesis. There is a difference in marketing to Gen Z with social handles and with video advertisements. So, focusing communication on the fact that glucose is better than sugar as it has lesser harmful effects could somewhat pave the way for resolving the paradox of Zydus Wellness being in both the areas of sugar substitution as well as sugar embedment.

Then, you have Glucon-D. How could the brand be differentiated? Based on general consumption, Glucon-D is an energy drink. However, there could also be a general consumer perception which is not so vocal that glucose is a regular sugar. Therefore, you got to ensure that does not hurt the overall image of Zydus Wellness.

An individual branding of Glucon-D rather than a combined branding with Zydus Wellness maybe appropriate in respect of Glucon-D. Because otherwise any aggressive promotion of Glucon-D as a sugar based product or a glucose based product is going to hurt the overall image of Zydus Wellness as an health based company. So, these are the challenges that happen and differentiation has to be done or a distinction has to be done more appropriately put.

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### Three Prolonged Strategy to Drive Growth



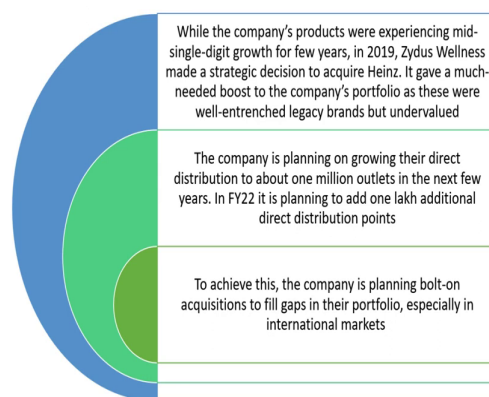
Zydus Wellness is following a 3 prolonged strategy to drive growth. The first is portfolio diversification. As a part of the strategy, the company would accelerate the growth of core brands with innovations to focus on portfolio diversification and expansion. It also is planning differentiated propositions for products supported by go to market.

Second, it is attempting to leverage the mergers and acquisitions to ensure that the legacy products provide the needed boost while integrating with the overall product portfolio. Therefore, the company is focusing on M and D management as an important aspects of its business development strategy. And that is having an impact as could be seen in terms of the enhanced sales of the acquired brands.

The company is also building scale in the international market by focusing on SAARC countries, the Middle East, Africa and Southeast Asia region where cost competitiveness of the Indian products along with the quality could be providing good foot holds.

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### Strategic Acquisitions as Part of Business Strategy



The strategy of acquisitions as part of the business strategy is a highlight of Zydus Wellness growth. The company's products were definitely experiencing mid-single digit growth for few years, but the strategic decision to acquire in 2019, hence was a landmark decision. It gave a much needed boost to the company's portfolio as these were well-entrenched legacy brands, but undervalued in the marketplace.

The company is planning on growing the direct distribution to about 1 million outlet us in the next few years. Again, the distribution reach that combines the traditional strength of Zydus Wellness with the acquired strength of hence is going to support this move. 1 lakh additional

distributors are going to be added in one single year. To achieve this, the company is planning bolt-on acquisitions to fill gaps in the portfolio, especially in international markets.

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## Penetration Strategy



### **Glucon-D**

- Powder, Effervescent tablet, chewy tablet

### **Sugar Substitute**

- Aspartame, Sucralose, Stevia, Sugar lite

### **Complan**

- For Toddlers, Kids

### **Everyuth**

- Scrubs, Peel offs, Facewash

### **Margarines & spreads**

- Margarine, mayonnaise, butter, ghee

### **Prickly heat powder**

- Heat powder, Body mist

Zydua Wellness is continuously investing in the development of its brands and the categories it operates in. Some of the categories in which the Company operates are under-penetrated currently which poses one of the risks for the aspiration and growth strategy of the company

The Company constantly innovates to meet the expectation of all its consumers and therefore offers unique product propositions which would help to grow the brands in their respective categories



The other aspect is the penetration strategy. How do you penetrate given the wide product portfolio? The product portfolio includes Glucon-D in powder, effervescent, tablet and chewy tablet, 3 options.

Sugar substitutes, aspartame, sucralose, stevia and sugarlite making a comprehensive product line in a product category. Complan for toddlers and kids. Everyuth for facial makeup, scrubs, peel offs, face wash. Margarines and spreads, margarine, mayonnaise, butter and ghee. And prickly heat powders, heat powder body mist. So, the company is continuously investing in the development of its brands and the categories it operates in.

Some of the categories in which the company operates are underpenetrated currently and this poses one of the risks for the aspiration and growth strategy of the company. The company needs to constantly innovate to meet the expectation of all of its consumers and therefore, the company has to offer unique product propositions which would help to grow the brands in their respective categories.

The formulation technology that is to make these products even better in terms of newer product categories and product lines would be an important aspect of the penetration strategy.

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### Strategy Comparison between HUL & Zydus Wellness



Strategy	HUL's Horlicks	Zydus Wellness's Complan
<b>Improving penetration</b>	HUL has already introduced sachets of Rs.2 and Rs.5	Zydus Wellness has introduced sachets for Complan which contributes 15% of total sales
<b>Premiumise</b>	HUL works on introducing more science-led products. E.g. Launch of Horlicks with Vitamin C, D and Zinc	Identify gaps and address them. E.g. Launch of Nutrigo for 2 to 6 year kids
<b>Distribution</b>	Horlicks retail reach is 3.5 million, compared to HUL's F&R distribution level of 4.5 million outlets	Complan distribution is low when compared to Horlicks. It is 0.65 million stores against Zydus Wellness distribution of 2.25 million outlets
<b>Expansion</b>	Introducing more products towards maternal, women and adult nutrition	Use inhouse R&D to address nutritional gaps and introduce products accordingly

Source/ [https://bsmedia.business-standard.com/\\_media/bs/data/market-reports](https://bsmedia.business-standard.com/_media/bs/data/market-reports)



The comparison between HUL which is the owner of Horlicks, a competing brand for Complan and Zydus Wellness is as follows. In terms of improving penetration, HUL has already introduced sachets of rupees 2 and rupees 5 to be able to make the nutritious drink



available for a number of other categories. Only recently Zydus Wellness has introduced sachets for Complan which contributes 15 percent of total sales.

Premiumise, HUL is working on introducing more science-led products, particularly Horlicks with vitamin C, D and Zinc and more extensions in the gummy line or on or on (Refer Time: 37:30) Whereas, Zydus Wellness is looking at market gaps and trying to address them Launch of Nutrigo for 2 to 6 years or kids is one strategy.

In terms of distribution, Horlicks has tremendous distribution reach. It reaches 3.5 million compared to HUL's own distribution level of 4.5 million outlets. Therefore, there is a further upside that is possible for Horlicks. Complan's distribution is low when compared to Horlicks. It is just 0.65 million stores against Zydus Wellness distribution of 2.25 million outlets. Therefore, there is a potential to grow Complan itself using Zydus Wellness current capabilities.

And In terms of expansion, HUL is working on introducing more products towards maternal, women and adult nutrition. And very recently, HUL has acquired 2 start-ups which are in the business of healthcare nutritional products. Zydus Wellness has been using in-house R and D to address nutritional gaps and introduce products accordingly.

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### Business Development with Niche by Zydus Wellness



So, when you look at the journey of Zydus Wellness, we can have another Logic of Business Development and this Logic of Business Development focuses on niche.

First step, pioneer the first pure-play Wellness product company that has been the foundation. Focus on sugar substitutes for a clear focused niche. Leverage the strengths of the parent Zydus Life, earlier Zydus Cadila a Top 5 Pharmaco. Go beyond aspartame with a portfolio of natural sugar substitutes. That has been again as important a step as the first foundational step was that is getting into more natural artificial sweeteners.

Then, get into enormous theme based brand building with celebrities. And it was a power packed advertisement campaign series that made Sugar Free a highly recognized brand. Then, a successful IPO for greater public stature. Follow it up with aggressive acquisitions to expand product portfolio. Develop a war chest through venture capital and private equity

investments. And because of that, the company was able to acquire the Heinz brand at a high cost.

Execute more organic and inorganic projects. And repeat the cycles 5 to 9 as you develop your own cash chest and also get private equity or venture capital partners to back you. When you repeat the cycle of steps 5 to 9 over and over again, you will be able to enter and grow other businesses successfully and you would become a multi-business corporation.

When you look at Zydus Wellness, the way it has moved from single product to a cluster of different categories all in the health and wellness domain, it advises us two three things. One, you got to be in a market which needs redefinition. You got to be in a market which expands naturally, for example, population and urbanization and health consciousness.

You must have the ability to switch the customers from the traditional market segments to the new emerging market segments. You have to take over the market segment in terms of bringing in the products as clear winners in the changing lifestyle area.

Then, you have to have a distribution that could make the products available and the brand recall that comes with clear, focused, and intense advertising is going to help distribution and brand recall customer loyalty and product features work together simultaneously and effectively.

And once that is done, the company starts generating cash revenues. And with appropriate models, you can get into a stronger valuation game, and also, have the ability to grow in organically through acquisitions while maintaining a certain level of organic development for the core products. And there is the way from a single product, the company could grow into a multi-business corporation over a short frame of time.

So, this is an excellent case study of business development happening from start to scale with focus with judicious diversification pursuit of strategic adjacencies and making a strong

positioning statement in each of these strategic adjacencies. And finally, having a need together of all the product segments.

In doing so, this particular company faced a dilemma of having a bipolar approach, having sugar substitute as the foundation and still driving the core kind of product line and having nutritious products or energy products, but using glucose. That dilemma has been resolved to some extent by keeping these two product categories separate and promoting them individually for the appropriate market segments.

So, companies do face dilemmas as they expand their product basket, but one has to be judicious in distinction as well as in differentiation.

So, with this we come to the end of this lecture.

Thank you for your kind attention. Hope to see you in the next lecture.