

"Cannibalization: Portfolio Management Strategies For Market Leadership"

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ARTICLE INFO	ABSTRACT
	<p>This paper explores the complex topic of product cannibalization in portfolio management. Companies that aim to innovate and grow frequently face the problem of cannibalization, in which newly introduced products compete with already-existing ones. The tactics used by businesses to successfully navigate this phenomenon are examined in this abstract. It looks at the trade-offs between the possible advantages of cannibalization—like product differentiation and market penetration—and the disadvantages—like revenue dilution and brand confusion. This study clarifies the strategic decision-making procedures that allow businesses to use cannibalization as a catalyst for portfolio optimisation through primary and secondary data and industry insights. The researcher had studied HUL toiletries soaps and surveyed Customers and retailers. Total 800 respondents were surveyed. Research was empirical. The findings contribute valuable insights to portfolio managers, executives, and researchers seeking to strike a harmonious equilibrium between growth-oriented innovation and market share preservation amidst cannibalization challenges.</p> <p>Keywords: Product Cannibalization, Portfolio Management, Growth Strategies, Innovation, Product Differentiation</p>

Introduction

What are Products

A product is anything that satisfies the needs and desires of customers by being offered for sale and having both tangible and intangible benefits. It could be products, services, or concepts.

All products are sold at a price and have associated costs. The cost to the consumer is determined by the market, the product's quality, the marketing initiatives, and the intended market segment. From conception to death, every product has a life cycle that ends when it either needs to be modified or replaced with a new one from the market.

What is a Product Line

A product line is a collection of closely related products that, for marketing, technical, or end-use reasons, are regarded as a single unit. Companies group products that share the majority of their primary attributes to form a product line.

What is Cannibalization of Products

When a company creates a new product or service that outcompetes one or more of its current offerings in terms of sales or market share, it is said to be engaging in cannibalization. As a result, sales of one product may be derived from sales of another in the same line.

The term "cannibalization" describes a decline in a product's market share, sales volume, or revenue as a result of the same producer launching a new product within the same product line. Hindustan Unilever, for instance, offers Wheel, Rin, Sun light, Surf Excel, and Rin in their laundry wash product line. These products should compete with one another for customers' attention when they are displayed on the shelves of any retail establishment, alongside products from other companies that fall into a similar category.

Most of the time, cannibalization alludes to a bad outcome from a product's line extension. Even though line extensions don't usually compete with one another, there are times when a new product will overtake an

established brand in terms of market share, such as when a diet soda is added to a line of soda that was already in existence. The term "cannibalization" refers to how the diet soda product will eventually compete with and eat away at the profits of the previously existing product. As a result, even though the concept of cannibalization may seem mainly negative, there are some advantages to it.

Businesses must deduct the benefit estimated for a new product from the benefit lost from an old product when adding new goods to a product line. Businesses must understand that cannibalization is not always preventable, though. Even if the new product hadn't been released, rival businesses might have joined the market with a comparable offering and seized these sales nevertheless. Cannibalization may even take place prior to the release of a new product. In fact, according to some experts, the sales of an old product during a previous period may be eroded by a pre-announcement for a new one.

Review of Literature

1. The Marketing Definition of Products

Philip Kotler has one of the most popular and standard definitions of products, at least in terms of marketing. What constitutes a product, in Kotler's opinion? He defined a product as anything that can be offered to the market for consideration, purchase, use, or consumption. It is made up of material objects, services, people, locations, businesses, and ideas.

2. Definition of Product Economy

The item being sold is called a product, according to The Economic Times. A product can be a thing or a service that exists in the real world, online, or in a virtual environment.

3. History of Soap in India

Before modern soaps were invented, natural ingredients were used for cleaning. Evidence from our ancient literature indicates that women used natural products like floral itars (oil-based perfumes), curd, milk, buttermilk, honey, rose water, fruit juices and pulps, and essential oils to keep their skin healthy and clean. Lever Brothers introduced the first modern soap to India when it started importing soap, and North West Soap Company founded the nation's first soap plant in Meerut, Uttar Pradesh, in 1897. It made soaps using a cold process.

There were challenges for the Indian soap industry during World War I (1914–1918). Then, in 1918, Mr. Jamshedji Tata bought OK Coconut Oil Mills and started the country's first homegrown soap company. OK Mills produces cold process laundry soap for regional markets in addition to crushing coconuts for the manufacture of coconut oil. Tata renamed the oil factories Tata Oil plants and introduced its first branded soap, OK Soap, in the early 1930s. The soap's initial popularity was so great that it reduced HUL Lifebuoy's market share. A growing number of businesses entered the soap market as the industrial and middle-class consumer demand for soaps increased. These were Mysore Sandal in 1916, GCPL in 1918, and Wipro in 1985.

4. Structure of India's personal wash industry

In India, soap bars are a well-established category, with 60% of sales occurring in urban areas. Liquid bodywash, handwash, sanitizers, and premium soap bars (skin protection) are still more urban-focused categories. In rural areas, high-quality soap bars are primarily bought for special occasions like festivals and nuptials, and are marketed in inexpensive unit packs priced at Rs 10.

The Swachh Bharat Mission (SBM) campaign, initiated by Prime Minister Modi in 2014, increased public knowledge of the need of personal hygiene. The Indian government is estimated to have spent more than Rs 40 billion under SBM on communication and education to encourage personal hygiene, but the Covid-19 outbreak was the catalyst for the real change in behaviour. These days, people take additional care to prevent infection by upholding strict standards of personal cleanliness (washing hands, using sanitizers, taking more baths than usual).

Two categories of soaps are distinguished by the Bureau of Indian Standards (BIS):

Soaps for the bathroom Roughly 85% of the market is made up of regular soaps.

BEAUTY SOAPS: 15% market share; superior skin protection

Conversely, FMCG companies view the market from a different angle. They categorise the soap market in India into four segments:

1. (50%) for appearance and freshness soaps like Godrej, Lux, Santoor, Cinthol No. 1,
2. (25%) Dettol, Lifebuoy for health and hygiene
- (15%) Dove Frama Di Wills and Pears to protect skin
- (10%) soaps made naturally Margo, Patanjali, and Hamam

Holding a 36% market share, HUL is the largest soap company in India, with prominent brands including Lifebuoy, Lux, Dove, and Pears. However, the company has had difficulties as a result of competition from other brands and a shift towards natural items. The companies most benefited by the naturals trend are Wipro and Patanjali. In 1918, GCPL created the first toilet soap in India. It went on to introduce Godrej No. 2 and Fair

Glow soaps. With an emphasis on beauty and solutions for younger-looking skin, Wipro launched Santoor in 1986. Toilet and beauty soaps make up the two segments of the bar-soap market, which represents 90% of the personal wash market.

5. Consumer Behaviour

The study of consumers and the processes they use to choose, utilise, and reject goods and services, as well as the behavioural, mental, and emotional responses of these customers, is known as consumer behaviour. Organisations must first comprehend customer behaviour in order to design marketing strategies that can influence consumers' decision-making processes in an effective way.

An examination of consumer behaviour should demonstrate the following:

- How consumers feel and think about various alternatives (brands, products, etc.);
- What makes them choose one over the other;
- How they shop and conduct research; and
- How their surroundings (friends, family, media, etc.) influence their behaviour.

Businesses typically only have limited control over specific parts of customer behaviour

Three categories of factors impact the behaviour of consumers:

1. Individual factors: A person's interests and views might be influenced by their demographics, such as age, gender, culture, etc.
2. Psychological elements: an individual's beliefs and dispositions will impact their response to a commercial.
3. Social factors: The use of social media, money, family, and friends all have an impact on consumer behaviour.

6. Consumer Buying Behaviour

Jenis Chauhan & Gautam Parmar (2017), Titled “A study on consumer buying behaviour for selected FMCG products” in the *Journal International Journal of Education & Management Studies*, 2017, 7(3), 396-399 says 76% of participants used the same shampoo brand for less than a year, 50.7% used the same bath soap for 1-2 years, 58.7% used the same toothpaste for less than a year, and 42.7% used the same detergent powder for one and two years. The study found that residence was related to the quantity of a specific brand of toothpaste, powdered detergent, and shampoo used over time

Chauhan, J., & Parmar, G. (2017). A study on consumer buying behaviour for selected FMCG products. *International Journal of Education and Management Studies*, 7(3), 396-399.

7. Cannibalization

Definition

According to Heskett's “Cannibalization is a process where a new product gains sales by diverting customers from an existing one, with no widely accepted definition”.

Cannibalization is a concept where a new product gains sales by diverting customers from an existing one. It is a challenging issue for management to determine as they often focus on sales volumes and shares rather than specific purchasing habits. Copulsky's definition, however, is oversimplified and may not be applicable to all situations. Various perspectives can be used to examine the concept.

Cannibalization, according to Lomax, Hammond, East, and Clemente (1997), Cannibalization is when a new product in a line extension becomes popular, leading to customers switching to the line extension and not the original product. Brand extensions do not face cannibalization, but line extensions are more likely. The risk is higher when the new product offers more benefits while remaining comparable, and if its price is lower than the original product's.

8. What is the difference between innovation and invention?

Innovation and invention are distinct terms, with innovation referring to the practical application of ideas to create new products, services, processes, and business models. Innovation can be a brand-new item or a modification applied to an existing concept, product, or industry. The first telephone, cell phone, and smartphone were all inventions.

Innovation involves the practical application of ideas to improve or disrupt existing applications or create new solutions. It can be sourced from outside the organization, through brainstorming, integrating related concepts, or applying unconventional thinking to the industry. Businesses that regularly innovate tend to be more profitable and a key factor in economic growth.

The ability of a corporation to innovate is determined by a strong culture of innovation, the right resources, a clear strategic vision, and the ability to recognize and seize opportunities. This requires knowledge of consumer demands and market trends, staying up-to-date with trends, and being open to experimenting with new ideas. Innovation can lead to a competitive advantage, quicker growth, increased revenues, greater profitability, and sometimes paradigm-shifting discoveries. Entrepreneurship is a key component of innovation, whether in an established company, government agency, or start-up business.

9. Body wash segment innovative disruption.

Liquid soaps and body washes are popular skin protection products, providing skin cleansing and moisturizing benefits. However, sales of these products have not increased as much as they should due to misconceptions and lack of awareness. Liquid soaps are perceived as expensive but are actually cheaper when used correctly. Companies have not invested enough resources in consumer education about liquid soaps, and the high media-intensive industry is less willing to invest in them. Natural or ayurvedic soaps have gained popularity in the last decade, but time-crunch and inadequate water force keep customers away. Body washes are preferred by high-income individuals and are often used on weekends or holidays. They take longer to use and are associated with long baths.

10. Product Life Cycle

Sharma, N. (2013) in the International Journal of Marketing, Financial Services & Management Research, 2(3), 121-136 says for companies that sell fast-moving consumer goods (FMCG), the product life cycle model is essential for maximising profits, properly positioning products, and directing marketing initiatives. Through better branding, advertising, and product category management, firms may increase trial and brand adoption more quickly with the help of this strategy. FMCG companies who stick with the model are able to sustain a competitive edge, demonstrating the model's important influence on corporate performance and the success of business strategies.

Sharma, N. (2013). Marketing strategy on different stages PLC and its marketing implications on FMCG products. *International Journal of Marketing, Financial Services & Management Research*, 2(3), 121-136.

11. Boston Consultancy Group Matrix

Mohajan, H. (2017) The BCG Growth Sharing Matrix assists organizations in effectively planning, investing, divesting, and protecting their SBU or products, distributing resources according to their requirements, and managing their business efficiently.

Mohajan, H. (2017). *An analysis on BCG growth sharing matrix*.

Objectives of the study

- To study the concept of cannibalization of products.
- To understand its effects on the organizational growth – positive and negative.
- To assess its effects on innovation and modernization in organization.

Hypothesis

Product cannibalization is inevitable in diverse product portfolios

Research Methodology

Research Plan	Method Adopted
Research Design	Empirical Research Design
Population/Universe	Infinite /Unknown
Sources of Data Collection	Primary Data and Secondary Data Collection
Sample size	Customers :600 Retailers: 200
Respondents	Customers and Retailers
Research Instruments	Survey Structured Questionnaires
Area of Research	Mumbai
Sampling	Non- Probability Convenient Sampling Technique Adopted
Statistical Tools Used for Data Analysis	SPSS – Tabulation, Percentile Calculation as a Descriptive Statistics and Chi Square Test, Binomial test used for hypothesis testing as Inferential Statistics

Data Analysis and interpretation

Pilot Reliability for Customer Response Data (200)

Reliability Statistics	
Cronbach's Alpha	N of Items
.790	14

Reliability for final Data of Customers Response (600)

Reliability Statistics	
Cronbach's Alpha	N of Items
.852	14

Pilot Reliability for Retailers Data (100)

Reliability Statistics	
Cronbach's Alpha	N of Items
.820	15

Reliability for final Data of Retailers Response (200)

Reliability Statistics	
Cronbach's Alpha	N of Items
.831	15

Testing of Hypothesis:

1. Hypothesis: Product cannibalization is inevitable in diverse product portfolio

Null Hypothesis: There is no significant difference in proportion of to different brands of Hindustan Unilever Limited (HUL).

Alternate Hypothesis: There is a significant difference in proportion of to different brands of Hindustan Unilever Limited (HUL).

Question	Test	df	P value	Standard Value	Accepted/Rejected
Switch to different brands of Hindustan Unilever Limited (HUL)	Chi Square = 218.852 ^a	2	0.00	0.05	Null Hypothesis is Rejected

Conclusion: There exists a notable variation in the proportions of consumers opting for different brands within Hindustan Unilever Limited (HUL)."

2. **Hypothesis:** Product cannibalization is inevitable in diverse product portfolio

Null Hypothesis: There is no significant difference in opinion of consumers for the statement "Do all members of the family prefer using the same brand?"

Alternate Hypothesis: There is a significant difference in opinion of consumers for the statement "Do all members of the family prefer using the same brand?"

Question	Test	P value	Standard Value	Accepted/Rejected
"Do all members of the family prefer using the same brand?"	Binomial Test	0.00	0.05	Null Hypothesis is Rejected

Conclusion: "HUL's diverse portfolio encompasses various brands and products, allowing consumers to choose soap based on their specific preferences and needs."

Hypothesis: Product cannibalization is inevitable in diverse product portfolio

"Examining the correlation between income levels and the frequency of brand switching within the HUL product range."

Question	Test	P value	Standard Value	Accepted/Rejected
Frequency of switching to different brand of HUL	Anova & F test	0.003	0.05	Anova & F-test is rejected

Conclusion is there is association between income and frequency to switch to different brand of HUL

Conclusion

1. Product cannibalization, as seen by HUL's numerous toiletry soaps, is a purposeful growth strategy for huge product ranges. Organisations seek wider product portfolios despite the fact that the impressive profits are perceived as a drag on short-term profit. Planned cannibalizations include the introduction of four variations in Lifebuoy, Pears, and LUX soap. In general, stock analysts and investors see cannibalization as a drag.

2. Cannibalization is inevitable due to the availability of substitutes, as customer demand is substituted, causing products to lose their identity. Brand parity, which refers to the perception among consumers that all major alternatives in a product class are similar, makes cannibalization inevitable.
3. In the digital age, organizations must adapt their customer-centricity promises to meet evolving customer demands. They struggle to gather insights from other industries and rely on industry benchmarking. Customers seek the best user experience both online and offline, making a customer-centric culture necessary for survival.
4. Incremental adjustments to Lux, Dove, and Pears Lifebuoy have resulted in innovation and occasionally in the cannibalization of products. Often aimed at increasing the effectiveness of product development, these modifications might occasionally lose their original meaning. Organisations must effectively adapt and innovate in order to survive in the fierce rivalry for market share that has emerged from today's rapid pace of innovation.
5. With discerning companies like ITC, GCGPL, P&G, Karnataka Soaps, and Patanjali emphasising on the qualities and properties of their soaps, the internet has raised consumer consciousness in the soap business. The younger generation is becoming more aware of various soap brands as they are exposed to more online and social media advertisements.
6. By concentrating on areas where they have a competitive advantage, organisations continuously adjust to external circumstances to improve their goods and services. Keeping a creative culture allows for useful insights for ongoing research and development, which is comparable to cannibalization when companies keep improving their current offerings. This process is known as creative destruction. Companies need to cannibalise their products to be in leadership position.

Recommendations:

1. Segmenting the market: HUL is able to discover distinct client segments with particular demands and preferences by conducting a market analysis. Through customisation of their soap products to appeal to these specific audiences, they can successfully enter specialised markets and secure a lead.
2. Natural components and sustainability: HUL should think about creating soap products with natural components and eco-friendly packaging, as consumers are becoming more and more interested in sustainable and eco-friendly products. This can draw in eco-aware customers and comply with international environmental safety regulations.
3. Product Differentiation: Offer special characteristics or go natural when developing a new soap variation for the economy class category. This will draw non-users into the user's target market and keep current items from being eaten by competitors.
4. Collaborations: HUL is able to work with hotel services like as Treebo Trends, OYO rooms, and provide their products at their establishments. They can also provide homestay services in accordance with packages and serve various segments of the Indian market.

Limitations

1. "The study is limited to the Mumbai region, focusing solely on specific aspects of organizations' product portfolios within Hindustan Unilever Limited (HUL)."
2. "The study may not encompass all facets of HUL's extensive product portfolios, focusing instead on selected elements relevant to the Mumbai market."
3. "The study's scope may not allow for a comprehensive analysis of data intelligibility, potentially limiting insights into certain aspects of the research."

Future Scope of the Study

1. "Analyzing the impact of product cannibalization on liquid body soaps across diverse geographic regions."
2. "The influence of e-commerce on widespread product cannibalization."
3. "A comparative examination of product cannibalization between HUL and Wipro Ltd."
4. "Strategic service approaches for managing product cannibalization."
5. "Leveraging product cannibalization for predictive sales analytics."

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