



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM/ PGDM (M)/ PGDM (SM)
TRIMESTER-IV; Batch 2023-25
END TERM EXAMINATIONS, OCTOBER 2024

Course Name	STRATEGIC MANAGEMENT	Course Code	20704
Max. Time	2 Hours	Max. Marks	40

Instruction: Read the case carefully and answer ALL of the questions below:

Case- Emami Limited: The Fair and Handsome Challenge
(All questions carry equal marks 10 each)

In late 2017, Mohan Goenka, the director² in charge of skin care products for the Kolkata, India-based Emami Limited (Emami), needed to make an important decision. The company's appeal of the 2015 verdict³ that had forced it to stop misrepresenting the "fairness" benefit of its Fair and Handsome brand skin cream was making its uncertain way through the higher court.⁴ More recently, a social activism campaign that targeted companies such as Emami for their marketing practices was in full swing both in India and elsewhere.

As the industry leader in this segment, Emami had promoted skin lightening as the key feature of its product and had parlayed the country's obsession with fair skin to build a sizable business. However, two independent but related factors made "business as usual" challenging. The first was the "Dark is Beautiful" movement, which had gathered momentum since its inception in 2009.⁵ The movement's head, Kavitha Emmanuel, had used both print and television media to make her case. A lengthy September 2017 piece in the United Kingdom's *Guardian* had been highly critical of companies such as Emami that were seen as exploiting the obsession for white skin.⁶ Social media interest had also resulted in grassroots-level activism supporting the campaign. More importantly, the company had lost a case in a local consumer court that was featured in the press as "David" (an individual plaintiff) beating "Goliath" (Emami, a resource-rich company).⁷ In the appeals process, the plaintiff had even sought to subpoena Shah Rukh Khan, a popular Indian movie star and a promoter for the company's skin-whitening cream, to testify against the company. Notwithstanding the appeal against the original verdict, the growing negative publicity meant that the company needed to immediately develop a proactive plan of action for its flagship skin care product.

THE INDIAN SKIN CARE PRODUCTS INDUSTRY

The Indian skin care products industry started with a brand called Afghan Snow, which E. S. Patanwala, a local company, had introduced in the early 20th century. A lull then followed, and it wasn't until much later, in the 1970s and 1980s, that the industry saw some serious market stimulation activity. During the early 21st century, several domestic and multinational corporation (MNC) skin care brands caught the imagination of consumers and became extremely popular, including Olay, Proactiv, Neutrogena, L'Oréal, and NIVEA (see Exhibit 1 for India's top skin care brands). Creams, lotions and gels were some of the types of products that appealed to the youth who were the primary users of skin care products.

The fairness skin creams category saw phenomenal growth because of the Fair & Lovely brand, which was launched in 1975 by Hindustan Unilever (HUL), the Indian arm of Unilever plc. Several fairness skin cream brands followed, such as Olay, Clean & Clear, White & Glow, and POND'S (see Exhibit 2 for a list of India's top fairness skin cream brands). The MNC brands became more prevalent, especially after the liberalization of the Indian economy in 1991. The British Broadcasting Corporation once reported that in South Asia more skin lightening creams were sold than bottles of Coca-Cola. By 2016, the fairness skin products market was worth approximately ₹30 billion.⁸

Initially, fairness skin creams products predominantly catered to women. Observing the potential in the underserved men's skin care market, Emami was the first to launch, in 2005, a fairness skin cream for men, which was branded Fair and Handsome. Based on market research findings, the company's marketing theme suggested that men would no longer need to secretly use their sisters' fairness skin creams. By 2016, Fair and Handsome had captured a significant share of the market for men's skin care products. Other brands included Fair & Lovely Menz, Garnier Men Power, and NIVEA for Men. However, men looking to lighten their facial skin colour had limited choices, despite women having wide choices that included anti-aging lotions, sunscreen protection, and a range of whitening products.

The leader in the men's skin care market was Emami, with its flagship brand Fair and Handsome. Brand extensions included a moisturizing cream, an instant fairness face wash, and a winter product for dry skin. Beiersdorf's NIVEA brand had a much broader range of skin care products for men, including face washes, creams, scrubs, and lotions, which offered several benefits such as oil control, reducing dark spots, and all-in-one solutions. Four of its five face cleansers for men included the whitening label, while two of its three face creams included the skin whitening tag.

Another major player in the Indian fairness skin creams market for men was HUL. Since the late 2000s, it had promoted its Fair & Lovely brand to cater to men interested in lightening their skin colour. Although the brand was initially created for women, it was extended to also serve men. The Fair & Lovely Men Max Oil – Control Fairness face wash assured visibly fairer-looking skin for men who used the product. Another Unilever brand, POND'S, also offered skin-whitening products. Garnier LLC, which owned the L'Oréal brand, marketed several products that promised skin fairness. Garnier's Power white face wash,

Acno Fight day cream, and Power light moisturizer claimed that using these products would have a skin-whitening effect.

EMAMI LIMITED'S BACKGROUND

The origin of Emami lay in Kemco Chemicals (Kemco), a company that manufactured medicines and cosmetic products according to the principles of Ayurveda medicine.⁹ Kemco, the brainchild of two enterprising professionals, Radheyshyam S. Agarwal and Radheyshyam S. Goenka, experienced a dramatic change in fortune after Kemco's acquisition of Himani Ltd. (Himani) in 1978. Himani was, at that time, an ailing cosmetics company that had been in existence for nearly a century. Agarwal and Goenka were aware that it would not be an easy job to acquire and turn around a loss-making firm. While sourcing funds for the acquisition would be a tough job, the bigger challenge would be nursing Himani back to profitable ways, for which they had neither the necessary experience nor the expertise. However, the duo decided to take up the challenge, which became the turning point for Kemco Chemicals. The company was subsequently merged with Himani and rechristened as Emami Limited.¹⁰

Emami was the flagship company of the diversified Emami Group. Emami was a publicly listed company, and 72.7 per cent of its stock was held by the promoter group,¹¹ 18.8 per cent by financial institutions, and 8.5 per cent by retail shareholders. In fiscal year (FY) 2016–17, the company recorded a turnover of ₹25.33 billion and profits of ₹7.59 billion. It employed 3,100 people and reached out to more than 4 million retail outlets through a network of 3,250 distributors and 33 distribution centres. It had invested in eight plants, four regional offices, and an overseas unit. Emami's international business contributed approximately 11 per cent of the total revenue in FY 2016–17, and had grown at a compound annual growth rate of 13 per cent over the past five years. Emami had eight international subsidiaries, and its global reach extended to more than 60 countries. The company reported that in FY 2016–17, ayurvedic medicinal products accounted for 76.11 per cent of the company's revenues, with the remaining revenues coming from cosmetics and toiletries.¹²

Emami was one of India's leading and fastest-growing personal and health care businesses, and included a portfolio of fast-moving consumer goods brands such as BoroPlus, Navratna, Fair and Handsome, Zandu Balm, Mentho Plus Balm, Fast Relief, and Kesh King (see Exhibit 3). The company had earned several accolades. In 2016, it made its second appearance on *Forbes India's* prestigious "Super 50" listing. Also in 2016, it won the Golden Peacock Innovation Management Award and was ranked the "87th Most Valuable Company" by the BT List, an Indian corporate rating business periodical.¹³

With the launch of Fair and Handsome in 2005, Emami made available India's first fairness skin cream for men. Success of the product launch was uncertain, as the company was targeting a completely new market segment in a hot, dusty, and, to some extent, humid country. However, a ray of hope of success lay in the market research finding that indicated that men comprised nearly 35 per cent of current users of fairness skin creams. The company made a coup of sorts when one of the leading Bollywood superstars, Khan, agreed to endorse the brand. Khan's connection helped the Fair and Handsome brand to do well in

its first year, reaching sales of ₹50 million.¹⁴ In 2016, Fair and Handsome commanded a 60 per cent market share of India's ₹3.9 billion men's fairness skin cream market.¹⁵

The larger Emami Group had become a conglomerate over four decades of organic and inorganic growth. The group had a presence in several diverse businesses, including, among others, personal care, health care, retail, real estate, and cement. In 2017, the group had more than 25,000 employees and a turnover of approximately ₹100 billion with a market valuation of approximately ₹450 billion.¹⁶

India amended its *Companies Act* in 2013 to include a clause that mandated a company (that met a predetermined threshold in terms of revenues and profits) to spend 2 per cent of its previous three years' average net profits on corporate social responsibility (CSR) activities.¹⁷ When this law went into effect, Emami developed a Corporate Social Responsibility Policy and formed a committee of four top executives and an outside director to implement the policy. The committee identified 11 areas for the company to deploy its CSR resources. In FY 2016–17, the company reported that it had spent approximately ₹75 million of its ₹3.4 billion in profits¹⁸ on three CSR areas: promoting education and enhancing vocational skills, promoting health care (as related to water and sanitation), and investing in social programs.¹⁹

INDIA'S FASCINATION WITH LIGHT SKIN

The Indian obsession with light skin was complex and had resulted from long years of negative social stereotyping and conditioning. According to Indian mythology, gods were supposed to be fair-skinned and were held in high esteem. Correspondingly, demons were depicted as dark-skinned and diabolic in nature. The prevailing social caste system associated a higher caste and status with fairness, and dark skin with a lower caste. It was assumed that being dark equated with being ugly, poor, uneducated, and unglamorous. Fair-skinned Aryans, who invaded the country around 1500 BCE had been perceived to be superior to the native darker Dravidians. The nearly 200 years of British rule in India had clearly laid the impression of pale skin and light hair as symbols of power and superiority. Even matrimonial advertisements depicted fair-skinned brides and grooms. Parents, especially of girls who had darker skin tones, often underwent many struggles before seeing their daughters married.

Popular cinema in India had long depicted the attraction of fair skin. For example, to be selected for a leading role in a film by a well-known director, fair skin was almost a prerequisite. Top film stars had no qualms about appearing in advertisements that promoted fairer skin as enabling a head start in life. In fact, television advertisements once portrayed dark-skinned individuals in a negative light, in an attempt to convey that success in life and career was not a function of talent but a consequence of skin colour. Although such advertisements were subsequently stemmed, the impact lingered in the viewers' psyche.

Drawing women into the craze for fairness was rationalized because of their presumed fixation on beauty. In India, before fairness products were launched in the country, women had for many years used locally

available products such as turmeric and milk cream in their pursuit of fair and glowing skin. The desire for glowing and spotless skin continued to be the topmost desire of Indian women, especially in the context of competitiveness and personal aspirations.

Before the launch of male fairness products, young men had used their female relatives' skin-lightening products with the hope of looking fairer. This attraction of being fair-skinned reached a higher level when companies began promoting skin-lightening products to men. According to the Associated Chambers of Commerce and Industry, men spent more money on grooming and personal care products than women.²⁰ The men's fairness products market was both substantial in size and growing rapidly. Fairness skin creams were positioned as magical products promising a fairer skin and success in landing jobs and building a career.

The effect of this fair skin colour promotion had a devastating impact on persons who had dark skin tones. A sense of rejection stalked those who were made to feel inferior due to their skin colour. Raised on a cultural belief that light skin was desirable, many young people often suffered from low self-esteem and undetected depression. In several areas of the country, darker-skinned women had killed themselves. Some women did so because their husbands had behaved in an abusive manner due to their dark skin colour. Others did so because their parents were unable to have them married off. Still other women killed themselves because they were refused jobs despite being qualified and talented.

Dark-skinned teenagers faced taunts from peer circles, primarily school friends and neighbourhood friends, leaving the youngsters psychologically traumatized. Girls preparing for marriage devoted a substantial amount of time, effort, and resources to lightening their skin colour. One of the undesirable spinoffs resulted in young women blocking off sun to avoid tanning, which resulted in brittle bones or osteoporosis. Due to lack of exposure to sunlight, they had experienced low levels of vitamin D, a much-needed input for good bone health.

HINDUSTAN UNILEVER'S FAIR & LOVELY CREAM

Fair & Lovely was developed in-house when a company's scientist discovered the skin-bleaching properties of vitamin B3.²¹ HUL marketed the product using commercials that featured dark-skinned women who had lost the man they loved or the job they desired until their fortunes changed when their skin colour lightened after using the product. Since Fair & Lovely was not a pharmaceutical product, HUL did not need to provide empirical support for the product's contentions.²² The product created a new skin care category in India (with both domestic and multinational competitors quickly following HUL by launching their own skin-whitening product), and HUL was able to parlay its first-mover status by gaining a 70 per cent market share of what had become, by 2013, a ₹13 billion market.²³ Fair & Lovely was HUL's second-fastest growing product (of 63 brands in the company's portfolio) and was soon launched, first in other Asian markets such as Bangladesh, and then in African markets (such as Egypt). Fair & Lovely was touted as the first global product from HUL.

Brinda Karat, the general secretary of the All India Democratic Women's Congress (AIDWC), mounted a campaign against HUL's marketing of Fair & Lovely. Karat alleged that the advertisements for the

product were “demeaning to women and should be off the air. They were discriminatory on the basis of skin colour and an affront to a woman’s dignity.”²⁴

The AIDWC campaign resulted in the ban of two specific Fair & Lovely advertisements. However, the company was allowed to continue to sell the product, and the ban had no effect on how the product was marketed outside India. In FY 2016–17, HUL reported that Fair & Lovely was one of six brands in its 40-brand portfolio to report sales of more than ₹20 billion.²⁵

THE MOVEMENT AGAINST COLOUR-BASED DISCRIMINATION

The “Dark is Beautiful” Campaign

In 2007, Emmanuel founded an organization called “Women of Worth” in the southern Indian city of Chennai. The original goal of the organization was to empower women through vocational training and counselling. In 2009, the organization added a social activism agenda by launching the “Dark is Beautiful” campaign, which was aimed at creating solidarity against colour bias through grassroots activism.²⁶ Emmanuel’s opinion was that, in India, youngsters were brought up to believe that how one looks was more important than who they were. She campaigned against unfair and discriminatory advertisements and insisted that brands should create products for all skin shades to promote healthy, glowing skin instead of promoting only fair skin. The question she posed was,

*Isn’t the baton we wish to toss to our nation’s youth one that says yes to dreams and hard work, and no to discrimination that makes skin colour a liability? More than half of India’s population is under the age 25. We don’t wish to see this generation grow up believing that they need fair skin to succeed.*²⁷

Emmanuel’s activism was helped by Nandita Das, a well-known Indian film actress, who was publicly vocal in her support of the Dark is Beautiful campaign. Das strongly believed that film and advertising campaigns were cashing in on the dark skin complex that existed in the country:

*They are only cashing [in] on the aspirations of the consumer. The fashion and beauty industries that are catering to the “dark skin complex” end up deepening the complex. . . . Most young minds would be vulnerable to such ad images, but the monies are big and people lose perspective. That is why it is important to have public dialogues and debates around such a serious issue.*²⁸

Emmanuel led a protest in Mumbai against Khan’s endorsement of Emami’s Fair and Handsome products, and demanded a meeting with the actor but was rebuffed. She later met with Emami Group’s chairman, R. S. Goenka, to lodge a protest against the company’s promotion of fairness skin creams.²⁹

Other Actions

A beautician from New Delhi reported having had a traumatic experience just days before her wedding. The skin on the lower part of her face had a burning sensation for days after she had used a fairness skin cream. After this incident, she stopped using the product and made it a practice to not recommend it to her clients. Acting on a complaint from the association of Indian dermatologists, the Food and Drug Administration in Maharashtra³⁰ removed a particular brand of fairness skin cream from sale in the state. The doctors had complained that what had been promoted as a cosmetic cream contained potentially harmful ingredients, and they mandated that it be sold as a prescription drug.³¹

Two researchers studied fairness skin creams sold in the Indian market in an effort to determine whether any scientific evidence supported the claims promoted by the cream manufacturers. The study revealed that skin lightening had multiple problem dimensions, which included psychological, social, and public health. Prolonged use of these creams caused several side effects, such as unwanted hair growth, facial rashes, and thinning of skin.³²

Many fairness products also contained several harmful chemicals such as mercury, lead, nickel, and chromium. The biggest issue was that some creams that contained harmful substances did not list their ingredients and thus kept customers in the dark. It was found that 60 per cent of patients who had skin ailments on their face had been using skin-lightening creams. It was therefore highly likely that the nondisclosure of these harmful substances might have led to this situation.³³

As a result of such unpleasant consumer experiences, several developments occurred. India's advertising overseer, the Advertising Standards Council of India (ASCI), decided to rein in fairness advertising that used negative social stereotyping based on skin colour. Also, based on the serious concerns voiced by the dermatologists' association, the federal drug controller issued notices to state drug controllers to keep a close watch on those indulging in undesirable advertisements and to take appropriate action. The drug controller in two states, Andhra Pradesh³⁴ and Maharashtra, had registered a large number of cases against companies selling fairness products containing substances that were known to be harmful to humans. The advertising industry's self-regulatory body, the ASCI, stepped in and prohibited advertisements of fairness products that showed dark-complexioned persons as being in any way disadvantaged compared with people who had lighter skin tones.³⁵

The actions of the various regulatory bodies, however, had little effect on the demand for fairness products. An Indian advertising professional commented: "Unfortunately we live in a market economy and a system engineered to fulfill human needs at various levels. So, if there is a hidden need for fairness among people in the market, then who are we judge whether the market is right or wrong?"³⁶

The Nikhil Jain Case

In 2013, Nikhil Jain, a 23-year-old aspiring corporate executive began using Fair and Handsome skin-whitening cream in an effort to improve his job prospects. He had been attracted to the product by advertisements that promised a “fair complexion in four weeks.” When his complexion did not change, he felt cheated. His younger brother, Paras, a law school student, filed a case on behalf of Nikhil. Nikhil noted his impetus for encouraging Paras to file the case: “I used it for a month and nothing happened. . . . I was surprised that although so many millions use these creams without results, none thinks of taking the companies to court. Paras and I did it to make sure that other people don’t suffer like me.”³⁷

Paras framed the case as a public interest litigation, stating that he was filing it “to protect other men so that unfair practices in the name of fairness can be stopped. . . . While the skin didn’t damage my brother’s skin, it had a psychological effect. The company is playing with the emotions of so many people who want to look and feel better.”³⁸

He also stated the following: “Fairness creams don’t work. What’s worse, Emami claimed the product had a ‘technology’ which they called ‘American peptide,’ that ensured it settled deep into the skin and made a person fair in four weeks flat! How is it that cosmetic companies get away with lies, damn lies?”³⁹

In mid-2015, a New Delhi consumer court⁴⁰ ruled on behalf of the Jain brothers and imposed on the company punitive damages amounting to ₹1.5 million.⁴¹ In giving the rationale for its judgment, the Court remarked that it found the advertisement for the cream to be guilty of misrepresentation to the public:

*It uses the word “gorapan” in advertisement No. 1, which means “fair complexion.” In advertisement No. 2 it gives out a promise that the use of the product for four weeks will ensure a fair complexion. . . . This is in direct contrast with the defence taken by . . . Emami wherein it has claimed that use of the product improves the health and quality of skin by providing protection and nourishment to the facial and neck skin which are more exposed to the vagaries of nature: sunlight, dust, wind, etc. . . . No attempt has been made on behalf of [Emami] to show and justify the advertisements. We are therefore of the view that the advertisements . . . make misrepresentations to the public at large. . . . It therefore amounts to an unfair trade practice.*⁴²

The court ordered Emami to withdraw advertisements that implied the benefits of having a fair skin. Emami filed an appeal that was going through the process of hearing in mid-2018.

THE DECISION

The position of skin care companies was clear and was made public by HUL in its defence of Fair & Lovely:

By saying that complexion is one of the Asian standards of beauty and it is a dimension of personal grooming: “A well-groomed person usually has an advantage in life.” (Islam et al., 2006). . . . the company has not done

anything wrong: “historically Fair & Lovely’s thoroughly researched advertising depicted a before and after effect. The current commercials show a negative and positive situation. We are not glorifying the negative but we show how the product can lead to transformation. . . . [this product is about] choice and economic empowerment for women.” (Luce and Merchant, 2003)⁴³

Emami believed that it was doing what everyone else in its industry was attempting to do. The company’s business model was aimed at breaking free of industry clutter by introducing well-differentiated products (i.e., by identifying market needs and developing products to meet those needs) that were supported by wide distribution and extensive promotion. The company’s 2016–17 annual report referred to Fair and Handsome as one of the products that had benefited from the use of the business model.

The public pushback against skin-whitening creams and the appeal against an adverse lower court ruling were occurring at a particularly pivotal moment for the company. Goenka had gone on record as stating that Emami had targeted Fair and Handsome to be the company’s first ₹10 billion brand by 2022.⁴⁴ Goenka and his team needed to come up with a plan that would help the brand achieve its challenging goal.

EXHIBIT 1: INDIA’S TOP 10 SKIN CARE BRANDS (IN ORDER OF RANKING)

Brand	MNC/dOMESTIC
Olay	MNC
Proactiv	MNC
Neutrogena	MNC
Estée Lauder	MNC
Lotus Herbals	Domestic
L’Oréal	MNC
NIVEA	MNC
Avon	MNC
The Body Shop	MNC
Lakmé	MNC

EXHIBIT 2: INDIA’S TOP 10 FAIRNESS SKIN CREAM BRANDS

Brands	Brand Owner	MNC/Domestic Firm
Olay Natural White Light Instant Glowing Fairness	The Proctor & Gamble Company	MNC
Clean & Clear’s Clear Fairness Cream	Johnson & Johnson	MNC
POND’S White Beauty Daily Spotless Whitening Cream	Hindustan Unilever	MNC
White & Glow Skin Whitening & Brightening Gel	Lotus Herbals	Domestic
Fair & Lovely Advanced Multivitamin Cream	Hindustan Unilever	MNC
Perfect Radiance Intense Whitening Day Creme	Lakmé	MNC
Bio Coconut Whitening & Brightening Cream	Bio Veda Action Research Co.	Domestic
White Complete Multi Action Fairness Cream	Garnier LLC	MNC
Optimal White Night Cream	Oriflame Holdings AG	MNC
NIVEA Visage Sparkling Glow	Beiersdorf AG	MNC

EXHIBIT 3: EMAMI'S MAJOR BRANDS

Brand	Segment	Market Size (in ₹ billions)	Market Size (in US\$ millions)	Market Share	
				2011	2016
Navratna Oil	Cooling Oil	8.5	131	52%	61%
BoroPlus Cream	Antiseptic Cream	4.6	71	75%	70%
Zandu & Mentho Plus Balms	Balms	9.0	139	56%	59%
Fair and Handsome	Men's Fairness Cream	3.9	59	58%	60%
Kesh King	Ayurvedic Hair & Scalp Care	7.2	111	–	34%
Navratna Cool Talc	Cool Talc	5.5	84	13%	26%

- Q1. What are the challenges before Emami? Analyze internal and external environmental factors that is helping or hindering Emami's business?
- Q2. Examine the stakeholders' participation and their expectations in the light of non-market environment for a firm.
- Q3. Considering both a public backlash and an adverse court decision, how should Goenka and his team strategies its competitive pathways in future.
- Q4. Develop and implement a course of actions that address the challenging external environment which the company is currently facing, and what could be the drawbacks to this implementation strategy?

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