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Rediscovering consumer marketing

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As customers become more demanding, competition intensifies and markets fragment, the marketing profession in the country is facing new challenges. Most marketers are having a tough time stimulating demand for their products. There have been many newspaper reports and cover stories in our leading magazines on this issue. Hindustan Lever Ltd (HLL), our most well-known FMCG company, has shown virtually zero growth in the last couple of years. Which is probably why the company announced a major restructuring exercise recently. What can marketers do to exploit business opportunities more effectively in a country like India?

Aggressive promotions and campaigns launched by companies in recent times have failed to deliver the goods. So a new approach to marketing has become the need of the hour. Understanding the customer profile should be the starting point in any consumer marketing exercise. India is a relatively poor country where even the more affluent customers spend their money carefully.

Too often, marketers have misled themselves and their stakeholders by concluding that Indian customers are more discerning and are looking for value. True, all customers want value. But what marketers forget is that value comes at a price. For a customer to buy the product, the perceived value must exceed the price. So marketers must give customers exactly what they are looking for, neither more nor less. If HLL is finding it difficult to grow its soaps and detergents business, it is not because people do not need soaps and detergents but probably because the company's brands are overpriced relative to other comparable offerings.



More often than not, what we see today in our country are products which are unaffordable to most people. In the name of providing value, too many unnecessary features and benefits are built into the product. Consequently, customers get more than what they need and they are reluctant to pay the higher price. For example, high-end refrigerators and luxury cars have failed to make a meaningful impact on the market place. On the other hand, there are products which have been kept simple and cheap, which have done exceedingly well. One good example is the Maruti 800. The frills were taken out and costs cut sharply to give customers an affordable product. As a result, Maruti has created a mass market where the economies of scale provide fresh opportunities to cut costs and consequently prices. The other leaders in the Indian car industry, Hyundai and Tata Motors, have also wholeheartedly embraced this philosophy. Which is why they are far ahead of players such as General Motors and Ford who have virtually shut themselves out from the mainstream market by offering only premium products.

Similarly, in the housing finance business, HDFC is way ahead of the other players. HDFC is sharply focused on middle-class customers. Using a lean organisation structure and by generating large volumes, HDFC has cut costs sharply to give its customers the cheapest possible loans. Even as HDFC goes from strength to strength, many other companies in the business have restricted their opportunities by focusing on the higher end of the market.

Beauty lies in the eyes of the beholder. Similarly, value is not what companies offer but what customers perceive. Companies often forget that giving customers more than what they need is unfair because they are compelled to shell out more of their hard-earned money.

A good example here is the carbonated beverages industry. India's per capita soft drinks consumption continues to be low, even in relation to many other developing countries. This is entirely due to the lack of marketing vision. Till the mid-1980s, we used to have 200 ml soft drink servings. Then someone got a bright idea and decided to offer 250 ml for the same price. Another company thought it was even smarter and decided to sell 300 ml servings.



Only about two years ago, Coca-Cola India understood why the market was not growing fast enough. The company realised that in a market like India, affordability was the key issue. So Coca-Cola decided to go back to 200 ml bottles priced at Rs 5. Also, at its vending machines, the company made available small servings for Rs 5. And the results are there for everyone to see.



Several years ago, Asian Paints had opened up the rural markets with such an approach. By offering paints in small packs, Asian Paints successfully penetrated the rural areas at a time when

established players were content serving the urban population.

There are many other things Indian marketers can do to improve their chance of success in the market place - segmenting markets carefully, making the supply chain more responsive to meet the specialised needs of customers and so on. It is beyond the scope of this article to cover all these issues. But the fact remains that the best way to grow consumer markets in India is to make simpler, cheaper products that customers will not hesitate to buy.

Clayton Christensen, a professor at Harvard Business School and one of the world's foremost innovation gurus has written several papers and a couple of books on this subject. Christensen's research reveals that successful companies lose their competitive edge over time as they move upmarket. They keep adding more features and raise the prices of their products. In the process, they vacate the lower end of the market. Disruptive innovators move into this space over time and capture customers with products which may look inferior to what the established players are currently offering but which are more than adequate to meet the needs of customers. That is how the PC has replaced the mainframe computer in many business applications.

In short, the key to successful marketing today does not lie in thrusting current products on existing customers with promotions, discounts and new features. It makes more sense to come up with new products that are affordable to the masses who are either not consuming enough of the product or not consuming it at all.



Soaps and detergents manufacturer Nirma's success shows that a huge untapped market exists in India. All that marketers need to do is come up with a suitable product. Customers will just lap it up.

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