

DR VNBRIMS - THANE
MMS II - APRIL 2007
RURAL MARKETING

TIME: 3 HOURS
MARKS: 50

(Marketing Applications & Practices)
ANSWER BOTH THE SECTIONS (I & II)
SEPERATELY.

Date: 19/04/2007

SECTION I - PART A

ANSWER BOTH THE QUESTIONS IN PART A

Q: 1

| ANSWER BRIEFLY : | MARKS |
|-----------------------------------|-------|
| A) Define Rural Marketing | 02 |
| B) Constraints in Rural Marketing | 02 |
| C) What is Marketed Surplus? | 02 |
| D) What is an Arhat? | 02 |
| E) What is Moghum Sale? | 02 |

Q: 2 Voltas Ltd is making a Re-entry into Refrigerator Segment under the Brand name "Cold Cel" which is reseasonably priced starting at Rs 5000/-. In the first year of operations Voltas plans to sell little over one lac nos. in Rural India. Suggest Promotional and Distribution Strategy for "Cold Cel" to enter the Rural Markets

10

PART B

ANSWER ANY THREE QUESTIONS IN THIS PART

Q: 3 What are different Institutional Finance Sources available to the Indian Farmers today.

10

Q: 4 With so many Farmer suicides taking place what according to you is the real problem and what according to you is the real long term solution to this serious problem?

10

Q: 5 How would you as a Marketing Manager launch a new Brand of Jeans in the Rural Markets? What would be your Marketing Mix Strategy?

10

Q: 6 What are the different Primary and Secondary Marketing Functions in Agricultural Markets?

10

Contd.....2

VPM's Dr. V. N. Bedekar Institute of Management Studies

MMS II semester end examination

Marketing Applications & Practices

Date: 19-04-07

Marks: 50

Time : 1.5 hrs

SECTION - II

The question Paper is divided into two sections. Both sections are compulsory.

Section I – Attempt any 5 Questions each Question Carry 7 marks.

Section II – Case Study of 15 marks.

SECTION I

Q1. What competitor strategies would you use to fight competition in passenger car segment?

Q2. Are there really clear roles like Buyers, Users, Influencers in the buying process? Are they identifiable. Give examples. If they are identifiable is it possible to manage a single offering in a way that is satisfactory to all the players in the buying process?

Q3. What is an NPO? Explain with an Example.

Q4. If you are a sales manager of a computer firm what personality factors will you give more weightage when selecting the sales persons . And Why?

Q5. Big bazaar wishes to develop customer loyalty programme. They have approached you to design such programme. Develop a unique frequent shopper programme for the store.

Q6. Describe the types of Innovations : Customer perspective and Company perspective.

What are the major marketing Innovative trends today.

Q7. Why should a company expend resources on "positioning" its products, when all the customers want is a solution to there need? Do customers really care about the image of the product or the company.

Contd 3

231

SECTION II

Read the case study carefully and answer the following Questions:

Q1. The FMCG sector is witnessing a surge at the moment. Therefore, the increase in the growth rate for the brands could be the result of this resurgence rather than of the restructuring exercise. How can Dabur assess the degree of success of its restructuring exercise? (7 marks)

Q2. is "herbal" a relevant differentiating factor for the customer? If yes, has Dabur been able to establish it self as the most preferable herbal brand in India? Several companies like HLL; Marico have also launched their herbal brands. These companies have strong advertising and distribution muscle. What should Dabur do to strengthen its brand in the face of such strong competitors? (8marks)

60

**CASE
STUDY**

2

www.dabur.com

Dabur India Ltd.
Restructuring the Product Portfolio



Dabur believes that customers are inclining favourably towards herbal products, and hence it is positioning itself strictly as a company which makes herbal products. Is this the reality? Are herbal products not seen as less sophisticated products – poor substitutes of the ‘real products’ from HLL and P&G? Does the company understand that to make successful foray in FMCG categories, it has to endow its brands with sophistication? Does it realize that ‘it does no harm’ plank is not good enough for swanky and sophisticated urban customers? Is the company taking up the crusade for herbal products in a big way? Does it communicate clearly why its herbal Vatika shampoo is better than the chemical-based Head and Shoulders?

Dabur has chosen a multi-brand strategy. How is Dabur then different from a HLL or P&G? How does it convey the Dabur brand proposition of being ‘natural’ in all its brands? Is Dabur not spreading its resources too thin by entering into so many varied categories?

Dabur India Limited was ranked at number four in terms of sales among fast moving consumer goods (FMCG) companies in India in 2004. The company has businesses in hair care, healthcare, oral care and foods. Through its foray into various markets, Dabur has ensured that the company’s bottom line remains healthy over the years. But Dabur’s positioning has not been clear. Surveys showed that a clearer brand identity was needed, because Dabur’s brand meant everything to everybody. The mother brand was all-pervasive, and that limited the company’s ability to differentiate from its competitors.

In the early 2000s, the company went in for a restructuring exercise which included aligning Dabur’s brand architecture with Dabur’s brand equity, pruning products that did not align with the brand architecture and launching new products that fitted in the brand architecture. The company focused on improving its sales revenue from Southern India, which contributed only 8% of the company’s total revenue in 2003.

Dabur identified its ayurvedic platform as a driver of future growth and got its business units better aligned. Moving away from using Dabur as an Umbrella brand, the company shifted to individual branding and came out with a new logo. The company tried to bring to its consumers its Ayurvedic legacy with a contemporary feel.

THE RESTRUCTURING EXERCISE

Though Dabur diversified into a number of areas, the image of Dabur was that of an ayurvedic company. In public

perception, Dabur products were associated with the 35+ age group. With almost 70% of India’s population below 35, it appeared that Dabur would be missing out on this market, which also had a high disposable income. Surveys showed that Dabur’s identity as a ‘heritage’ brand was a problem, with the Indian demographic profile swinging dramatically in favour of young people Figure CS2.1. Surveys also pointed out that the meaning of healthcare had undergone a change and it was thus time for Dabur to shift to a new positioning from an ayurvedic one. In 2003, the size of the global herbal FMCG market was estimated at \$40 bn. The Indian herbal FMCG market is considered to be the fastest growing product category within FMCGs, and these products are patronized by the youth. Herbal products can also encompass a wide area of the FMCG sector, from personal care to healthcare products. In the early 2000s, the company



FIGURE CS2.1 OLD AND NEW LOGO

to reorient its image from being a manufacturer of ayurvedic medicines to that of an FMCG company. It de-merged its pharma business.

Additionally, the company had been pruning its low contribution brands and focusing on its key brands in family and healthcare products. When the company experienced a downturn in sales and profits in 2000-02, and there were indications of slowing growth for the company in 2002-03, it hired Accenture, a consulting firm to recommend some changes in the company's marketing systems and processes. Such an initiative was in line with Dabur's philosophy of constant improvement and was a part of the larger change to make its approach more professional. Dabur's internal assessments found that consumers perceived Dabur as a herbal specialist and revealed that Dabur's reputation in this field was substantial across small towns as well as in big cities.

ALIGNING THE BRAND ARCHITECTURE

Dabur was looking for growth drivers which could leverage the herbal brand equity of the company. The company targeted a strong double digit growth. In order to achieve the targeted sales of Rs. 20 bn by 2006, which translated to an annual growth of 15-20% for three years from 2004 to 2006, the company identified personal and healthcare products as growth drivers. But there were gaps in Dabur's product range. Its skin care range was growing very slowly, and its products in this segment like Gulabari did not hold a strong appeal for the youth. Dabur was a marginal player in the oral care market as it had no presence in the toothpaste market. The company needed to fill these gaps by coming out with new products.

Prior to focusing on developing new products, Dabur realigned its brand architecture. Its first priority was to get the brand strategy right. Initially, Dabur followed an umbrella branding strategy. The old banyan tree logo was replaced by a colourful, 'younger' tree with the tagline 'celebrate life'. The New Dabur Identity modernized the 100-year old equity of the Dabur brand by subtly transforming the tree. While it retained the essence of the banyan tree, it now projected a contemporary image, in consonance with today's lifestyle. The tree, a symbol of nature, was indelibly regarded as a provider of shelter, food and protection. On a metaphysical plane, the tree was regarded as sacred, trustworthy and a symbol of fertility. The new Dabur identity retained these enduring and valuable attributes, while it added a fresh, healthy and holistic dimension to the tree. In the new identity lock-up, distinct elements collaborate to tell a story, even as they worked independently to achieve the delineated objectives. The new brand identity appropriated nature as the wellspring for Dabur. It conveyed Dabur's heritage, commitment and stability through the form and colours of the tree, its branches and

leaves. It also conveyed that the brand stands for wellness across age groups.

A new brand architecture for its 50-plus brand portfolio was put in place, segregating all smaller brands into five power brands: Dabur Healthcare (natural health brand), Hajmola (a digestive), Vatika (hair care), Anmol (value-for-money), and Real (juices). Dabur's brand equity had to become more cohesive and in sync with its brand architecture.

One brand could not straddle so many categories therefore, a key brand strategy was adopted. Dabur became the umbrella brand for all healthcare products such as Chyawanprash and honey, while Vatika became the herbal beauty brand with a slightly upmarket image. Anmol was offered to the value-for-money segment of the personal care market. Real became the master brand for foods, while Hajmola represented digestives. The strategy was to restrict Dabur to healthcare items, and gradually distance it from other product categories. The five brands would be established as stand-alone entities in the next two years, with clear roles and functions.

Dabur found that its oral care brand, Binaca was non-core to its business, hence after valuing Binaca for a floor price of Rs. 200 mn., the company decided to sell the brand. Dabur stated that it would sell the brand only if it got the desired price, otherwise it would use Binaca toothbrushes for promotional purposes. Dabur had bought the Binaca brand from Reckitt Colman in 1996 and revived it in 2001 to make an entry into the white toothpowder category. But in the restructuring that followed soon, the company decided to focus on brands which had a herbal connection, and Binaca did not fit into this herbal strategy.

REVAMPING MARKETING STRATEGY

In 2004, Dabur launched a new range in juices called Coolers, which included traditional preparations like Aam ka Panna, along with other like pomegranate and water melon juice. Consumers perceived this as being the next best to fresh fruits. Convenience was no longer the selling point, naturalness was. Dabur also launched a jamun variant in 2005. Dabur had a 55% market share in the packaged fruit juice market in 2003-04 and wanted to launch more Indian fruit flavours, as well as combinations of fruit and vegetable juices. Coolers was 15% cheaper than Real because of its lower pulp content. A one-liter bottle of a Cooler was priced at Rs. 50. By setting up a food processing plant in Siliguri, West Bengal, Dabur sourced fruits directly from farmers, which cut its raw material costs.

The branded packaged soups market saw a 20% growth in 2003 and Dabur has been trying to make its name in this Rs. 400 mn market through its Homemade brand. In 2003,

Dabur launched tomato soup, which was priced at Rs. 16 for a 200 gm pack in the soup market, where Nestlé's Maggi, Hindustan Lever's Knorr Annapurna, MTR Foods, and Amul were the major players.

Dabur has been looking to develop the oral care market, as 30% of the population in India do not use toothpowder or toothpaste, but rely on neem or ash. Dabur anticipates that his consumer segment will switch to toothpowder and then from toothpowder to toothpaste. Dabur Lal Dant Manjan and the Dabur Red Toothpaste have been targeted at this segment. The company has also extended the Dabur Red Toothpaste brand to gel toothpaste. Dabur scanned the toothpaste market for a possible acquisition, and in early 2005, it acquired the Mumbai based company Balsara Hygiene and Home Products.

This gave Dabur access to Balsara's oral care products like Babool, Meswak and Promise. The Babool and Meswak toothpaste brands were anticipated to be a good strategic fit for Dabur as they too were positioned as herbal products. The acquisition pushed Dabur's market share in the Rs. 19 bn toothpaste market, which was dominated by HLL and Colgate Palmolive, to nearly 8% from a market share of 1.8%.

Analysts said that the Ayurvedic tag helped Dabur charge a premium price on its products. But to be a formidable player in the FMCG market, Dabur had to keep the prices of its products competitive in relation with other players in the market. To increase demand for its products, Dabur engaged in selective price reduction and introduction of smaller packs at the Rs. 5 price point in the segment. These included its baby massage oil, toothpaste, shampoo and hair oil. In 2004, Dabur slashed the price of its Vatika shampoo by 20%. The decision to cut prices was carefully planned, taking into account the competitive landscape, product costing and the brand strategy. In 2004, the company also launched one-rupee sachets of Vatika shampoo to double volumes in the rural markets.

Dabur, well-known for the innovativeness of its promotion exercises, decided to utilize the popularity of Indian films in the domestic and global markets to promote its brands. In February 2004, Yash Raj Films Ad Cell made 20 commercials for Dabur Chyawanprash and Hajmola with Amitabh Bachchan. He was signed on for Rs. 80 mn., making this the most expensive advertising campaign undertaken by Dabur. He also endorsed Hajmola. The new campaign was in tune with the company's brand positioning of Hajmola as an "Anytime, anywhere tasty, fun-filled digestive." Dabur capitalized on Bachchan's popularity in Bangladesh, UAE, Saudi Arabia, Kuwait, Oman, Bahrain, Riyadh, Egypt and Nigeria as well.

In 2004, the company signed cricketer Virender Sehwag and his wife as brand ambassadors for select oral, hair care and healthcare products. This was the first time a celebrity

had been used for the oral care category with the turnover of Rs. 100 crores.

Dabur's 100% subsidiary, Dabur Foods, had its own marketing team, while sharing a number of services with its parent. Dabur Foods marketed fruit juices, cooking pastes, sauces and tea. In 2002, the company increased its advertising spend for the brand Real by nearly 40% in order to expand its consumer base in the pure juice market in India, which is estimated at Rs. 1000 mn (Rs. 1200 mn in 2003). Various promotional activities were planned to be organized from time to time mainly to increase sampling, and educate the consumers about packaged fruit juice, that it is as pure and nutritious as fruit juice. In order to increase the household consumption, the company targeted mothers and children. To redesign the packaging of Real, Dabur hired DMA. The advertising capsules of Real communicated the idea that drinking Real was equivalent to eating a fruit. In 2002, Real Activ, a fruit drink targeted at young consumers and positioned on the health plank was launched. The idea was to tap fitness-crazy consumers.

Dabur positioned Real Activ as its premium juice brand, while Real was targeted at consumers belonging to SEC B and C. Dabur promoted Real Activ by organizing a health run with athlete Sunita Godara in New Delhi, to create the association between health and Real Activ. Tropicana, from the stable of Pepsi, was Dabur's major competitor in the real juice category. In order to gain market share, Dabur adopted an integrated marketing communication program in 2003, which included ground promotions, sampling exercises, mass media advertising, institutional promotions, public relation activities and marketing tie-ups. The company had decided to popularize 'Real Juice Jockey' contests in cities like Mumbai and Delhi. Dabur Foods also launched Real Junior, a 125 ml pack of apple and mango drinks, aimed at children below the age of six, in 2004. Dabur also tied up with Discovery Channel to promote another variant, Real Schoolpack.

Dabur Foods targeted the institutional markets which included hotels and airlines, a through Nature's Best, an exclusive brand for institutional sector. The institutional sector was viewed as a major contributor to the growth of the company. The institutional market stood at Rs. 270 bn annually. The company put out advertisements in several trade magazines to push sales. Dabur partnered with a number of institutional clients to provide value-added services to this segment. The company conducted training sessions and workshops for food and beverage professionals, and worked with the product development teams of many hotels and restaurants to help them create new recipes.

Though Dabur tried to rely on sales promotions to increase its revenues, it realized that it should increase its geographic spread. Southern India accounted for just 8 p.c. of Dabur's sales revenues in 2003. Dabur decided to focus on Southern states. In order to increase sales from Southern states up to 15 p.c. by 2006, Dabur set up a special cell for boosting sales in Southern states, with a core marketing team focusing on point-of-sales promotions, better stocking practices etc. Dabur also planned to customize the labels of its products to suit the tastes of customers in South India. The company met its target of improving the sales from region to 10% of its total sales in 2004.

Dabur has identified international markets as a thrust area for the future. After the decision to position itself as a herbal specialist, Dabur decided to enter new markets across the globe by leveraging its herbal tag. Its moves abroad would be facilitated by the fact that the Indian Diaspora was familiar with Dabur and the rising awareness across the world about the superiority of herbal products over synthetic products. Dabur decided to take market development into its own hands. In 2003, for \$5 mn, Dabur acquired the business of its franchisee for the Middle East, Redrock Ltd. Redrock Ltd. had entered into a licensing agreement with Dabur in 1991 and was engaged in manufacturing and selling, and export of various cosmetics and toiletries and healthcare products. The acquisition gave Dabur control over Redrock's manufacturing facilities at Dubai and Sharjah. The acquired company was subsequently renamed Dabur International Ltd., and this company was made responsible for investments in all Dabur's global ventures.

In 2003, subsidiaries were established in Nepal, Nigeria, Bangladesh and Pakistan, and international business added Rs. 1.28 bn to Dabur's turnover in 2003-04. Dabur had a manufacturing base in Karachi, Pakistan – a joint venture with Muller and Phipps, a local distribution company to make Vatika shampoo, Dabur Amla Hair Oil and Hajmola. The only way the company could touch the Rs. 2500 mn export target for 2006-07 was through JVs in countries where consumer behaviour was similar to that in India or where there was strong Ayurveda platform to be tapped. If herbal shampoo and hair oil could sell in India, it could do so in Pakistan as well, was the company's belief.

The company planned to focus on Russia and other CIS countries as well as in Afghanistan, West Indies and the Asia Pacific region. Dabur launched some export-specific brands like 'Dr. Burman', which was launched in 2003 through multi-level marketing channels in Russia. In 2002-03, Dabur Boro Glow was introduced for the Russian market, and Vegecaps in the nature care range for the European markets. The

company had been exporting hair oils, shampoos and Hajmola candies to Afghanistan.

In 2002-03, the company entered the North American markets by appointing distributors and initiating marketing of products to the ethnic Indian segment. In 2003-04, Dabur entered discussions with retail outlets in Russia and other states of CIS, and in the UK, to have its products stocked. In 2004, Dabur International Ltd. acquired a 90% stake in the Nigerian company African Consumer Care Ltd. (ACC) for an outgo of \$80,000. The local partner, Funtuna Ventures, kept 10% of the equity. ACC made personal care products like toothpaste and soaps, which catered to the needs of the Nigerian market and neighboring countries like Ghana.

IMPACT OF THE RESTRUCTURING EXERCISE

Dabur's repositioning exercise seemed to have achieved some success with a perceptible increase in sales and net profit margin of the company in 2004. Analysts felt that the company had made positive and credible changes. However, the growth momentum needed to be maintained in categories like Chyawanprash, honey and herbal digestives where it was the leader. With the launch of Dabur India's new Chyawanprash variant, Dabur Chyawanprash in January 2006, the new brand was expected to touch sales of Rs 5-7 crore in the current year, followed by an annual 10% growth rate. This was particularly meant for the important North market, where during winters there was a 70% rise in the sale of the Chyawanprash brand, as against 50% growth throughout the year.

A readjustment in focus, streamlining of distribution, and reduction in the wage bill has helped Dabur India turn Balsara Home Products around. Once acquired, Dabur lost little time in eliminating most of Balsara's distributors. Of the 500, only a few dozen were retained. The rest of the business was handed over to Dabur's own distributors, whose number is close to 2,000. The addition of the Balsara business gave Dabur's distributors a higher scale. At the same time, this put more bargaining power in Dabur's hands in negotiating a reduction in distributors' margins as well as in making its purchases. Some of Balsara's suppliers were eliminated. The change in distribution also increased the penetration of Balsara's products. Dabur paid only about one-fifth of what Balsara was paying to the television channels. Simultaneously, the advertising spend on the Balsara range was increased to 20% of the turnover, up from 14-15% earlier. This, coupled with the reduced rates, increased the visibility of Balsara's advertising manifold.

Dabur Foods' Real and Homemade grew at 36% and 25% respectively in 2003. Dabur Red Toothpaste, launched in April 2003, became a Rs. 400-450 mn brand within a year of its

launch, and captured a 1% of the oral care market. The new product to complement Dabur Lal Dant Manjan, i.e., its toothpowder of the same name, grew by 9.6% in 2003-04 when overall toothpowder sales in India decreased by 8 p.c. The growth ensured that Dabur maintained a strong presence in the toothpowder and toothpaste category. Lal Dant Manjan had a market share of 27% in the toothpowder segment.

Improvements in packaging and promotions made Vatika Dabur's fastest growing brand. Dabur planned to extend the Vatika brand to new categories like skin care and body wash, a market worth Rs. 450 bn, and the largest segment in the FMCG market. Dabur has brought out Vatika soap and two products in skin care under the Vatika brand. In the soap market, Dabur proposed to launch both beauty and medicated soaps in the domestic market. It was expected that these soaps would target the premium end of the market. Dabur already exported its soaps.

With the launch of its new products, Dabur had strong competitors like HLL, Colgate-Palmolive, Godrej, P&G, Glaxo Smithkline Beecham etc. Dabur's earlier growth was restricted to markets where the established FMCG companies had a limited presence. In the pain relief category, the company would have to compete with established brands like Zandu, Amrutanjan and Vicks. The toothpaste segment was dominated by Colgate and Pepsodent from the stables of Colgate-Palmolive and HLL respectively. Dabur was aware that aspiring for market leadership in categories with well entrenched players would not be a realistic proposition, and was hence looking for a stable, long term and profitable growth in these categories. They were not making a bid for leadership in the very competitive soap market. Bottom line growth, and not top line growth drove the company.

For a long time, the only category where Dabur was in direct competition with HLL was shampoos. In 2003-04, the company's market share in this category in value terms was 3.7%. Slow takeoffs or failure of new products could hamper Dabur's growth. It was also felt by market watchers that entering the soap market did not make much sense as it had several well entrenched players and the category was well penetrated.

DABUR: FUTURE OUTLOOK

The company shelved plans to enter the packaged water business. Dabur also planned to launch several OTC healthcare brands to push up its growth rates over the next

few years. Products on the anvil include a new shampoo, hair oils, a herbal toothpaste, a gel toothpaste, a malt drink, and variants of Hajmola. Dabur is test marketing chocolate flavoured herbal malt beverage in West Bengal before its nationwide launch in 2006-07. With this, the company aims to expand its product portfolio and its foothold in health food beverages market. Horlicks, with a 70% share in the 82,000-tonne (per annum) market, has also been trying to increase its base with introduction of new flavours, biscuits and installing vending machines early 2006. Since children are the key drivers in the category, brand positioning would play an important role in the performance of the products. This is the reason why brands such as Boost, Complan and Bournvita have over the years ensured that their communication, either advertising or associating with events, programs have been the kind that go down well with kids.

New products were also planned in the categories of cold and cold remedies, pain relief, stress management, digestives, women's healthcare etc. The company had decided to merge the family products and healthcare products divisions into one. The decision was taken after the company discovered that the two sets of products had considerable overlap in commonalities in marketing, distribution, retailing and sales. The company's management therefore decided to merge the two SBUs into one. The company had set up a corporate of Rs. 2 bn for acquisition of brands in the domestic and overseas markets in order to enter new products and categories. It also planned to create a dedicated production line for health products to feed the overseas market.

Eyeing a Rs 4,000 crore turnover by 2009-10, Dabur plans to invest Rs 100 crore for ramping up capacity at its Uttaranchal facility, and is looking to set up a manufacturing unit in the North-east region. The company expects to double the manufacturing facility's turnover to Rs 1,000 crore over the next two-three years.

The current turnover of Dabur is close to Rs 2,000 crore and it aims to double it, both through organic and inorganic growth, by 2009-10.

Dabur has an inorganic growth strategy in place to acquire businesses and brands that provide good strategic fit and synergies. The company also plans to launch new products like shampoos and healthcare supplements during the next financial year (2006-07). The company is also looking at relaunching the Promise brand of Balsara.