Case Study: Marketing

Price cuts have enabled FMCG companies like HLL and P&G to increase sales. Volumes of major detergent brands have increased by 15-17 per cent. Analysts in fact expect Surf Excel to be a success story for HLL. The company expects more from the brand this year.

Launching sachets and positioning the brand in the affordable category was necessitated by the presence of a number of highly competitive smaller brands in the market. Henko, Nirma, Ghari Detergents, Friendly Wash and many other smaller brands have challenged the giants by offering a price, which attracted the value conscious Indian consumer. In fact, unbranded players are offering packs, which are twice the size of a branded product with similar or better quality at a cheaper price. Very clearly FMCG majors have to either maintain the plethora of freebees to push the brand or just simply cut prices.

The manufacturers attribute the price drops to internal cost efficiencies especially with the supply chain. Analysts say the FMCG companies will have to drop prices further to get the right value equation in the market. There is no other way to grow. The companies have tried just about easy innovation and relaunch. The fact is there is a market at a price and they cannot afford to overprice their products. The companies are just going to do what Nestle did some time back get the price equation right.

(a). Why have sales volumes of detergents increased?

(b). In view of the fact that unbranded products have posed a challenge to branded items, do you think branding is useless? Give reasons for your answer.

(c). If FMCG companies will have to reduce prices further does that mean the pricing decisions taken earlier were faulty?

(d). In addition to price cuts, what other measures should FMCG firms take to grow in future?

Case Study: Marketing

The Chairman of Maxwell Corporation is considering whether the company should set up its own distribution system or whether it should outsource the entire distribution and logistics function to a third party service provider. The company has set up a manufacturing plant at Vizag where a wide range of orthopedic equipments, viz., crutches wheelchairs, walker's back-braces, heating pads. Elastic bandages, canes, knee braces, shoulder braces and s forth are manufactured. Presently the finished goods warehouse is located at Vizag itself and the products are sent to all major towns in India as a point-to-point dispatch. The company is supplying these equipments directly to retail stores at all these locations. Marketing activity is headed by a General Manager, Marketing, based at Vishakhapatnam who is supported by a sales team comprising of sales officers. The company is not resorting to advertisements and publicity though the products of the company are fairly well known. But it is felt that all the customers want quick response to their orders as the products are catered to emergency patients. But, these retail outlets carry only very limited inventories. This is due to the fact that most of the products come in a variety of styles, shapes and sizes and the requirement is more customer driven and keeping even a moderate inventory of all types is economically not viable and leads to a development of dead stocks in the long run. The company is looking at various options which include:

1. Setting up of hub and spoke type of a distribution network wherein it proposes to set up a stock point or mother warehouse in each zone, viz., East, West, North and South and respective retail outlets which are to be fed from the mother warehouse located in that zone.
2. Setting up of a central warehousing anywhere in Central India and feeding retail outlets from this location.
3. Changing the distribution channel from the present numerous retail outlet systems to a more efficient system.
4. Outsourcing the entire distribution and logistics to a third party wherein the entire activity of transportation and distribution till the ultimate retail outlet will be taken care of by this service provider so that the company can focus more on activities related to marketing and sales.
    a. Out of the given options, which should Maxwell Corporation follow for maximum benefit and why?

b. What should be the distribution channel for Maxwell and what advantages would having such a type of a set up have?
c. What type of a marketing and sales set-up would you recommend for Maxwell Corporation?

Case Study: Marketing

The year 2003 for Hindustan Lever was one in which it successfully achieved its three objectives outline in 2001. these were focusing on power brands, achieving profitability in the food business and selling non-core businesses. That done, going forward the company will focus on 'growth, growth and growth', said HLL chairman, M S Banga at an anlyst meet today. That will be what the stock market will be looking for in 2004, as domestic FMCG sales grew just 3.6% in 2003, a disappointment that is reflected in its share price.

While HLL is seeing growth in several pockets of its business, there are other parts that are not doing as well, affecting overall growth. A look at the December quarter's results shows that overall sales growth (of continuing businesses) grew by just 2% while FMCG businesses grew 4%. On the profitability front, during 2003, its operating profit margin for 2003 was stagnant, at 19.5% compared to 19.65% during the previous year.

Competitive pressures in the fabric wash market, which led to price reductions, have had an impact on margins, according to the company. This also has to be viewed in the backdrop of rising chemical prices. The company has compensated for this partly by cutting down on advertising spends and using price as a promotional strategy. However, in 2004 there is expected to be an increase in advertising expenditure, which will be balanced by a cut in promotions. In 2003 HLL's advertising and promotional expenditure, as a percentage of domestic FMCG sales, fell to 9% from 10.4% in the previous year.

The segmental profit (profit before interest and tax) reflects the situation. In soaps and detergents, the profit margin declined to 24.85% from 25.87%, which is significant considering we are talking about a business worth Rs. 4,400 crore in sales. In personal products, HLL has increased margins that went up to 36.7% from 36.3%. Note that personal products as a category is gradually rising in importance, from 20% of sales in 2002 to 23.4% of sales in 2003. Processed foods have seen an improvement though margins are still low while beverages are still seeing a decline in margins, partly due to higher ad-spend on Brooke Bond.

On the fabric wash business, the company said their strategy that included re-launches, low price packs and price adjustments to start showing results in 2004. Rural markets are showing no 'palpable' change in demand but the company expects this to be buoyant in 2004. The company will also closely watch raw material cost, especially oils and fats, and sustained increases here could be a cause of concern.

(a). What are the major objectives, which Hindustan Lever has achieved in the year 2003?

(b). Outline the causes and low profitability of the company in the last quarter.

(C). Summarize the strategies the company proposes to adopt in order to achieve growth and profitability in future.

Case Study: Marketing

Goodricke Group (GGL), part of UK-based Camellia Investment Plc under the Gordon Fox empire, is reworking its entire marketing set-up. The tea mojor has roped in top marketing honchos from rival companies—Assam Company and AFT Industries—to help build on its mainline as well as new brands in the coming months.

While Arun Grover from Assam Co. will head the marketing team, Indrajit Roy from AFT will join him as general manager. Goodricke is preparing a redo of its main-line Goodricke brand and also plans to come up with a new premium brand for Assam tea shortly.

Confirming the development t ET, Mr. Krupakaran David, managing director, Goodricke, said, “The intention is to take a serious relook into hardselling marketing strategies. There was a need to establish as a branded player from more of a commodity player as is has been till now”.

After selling off some of its low yielding tea estates recently, the tea company is in the process of streamling its key brands.

While it is working on cost mechanics on the new Assam brand, which it proposes to launch shortly, the company is also looking at a complete relaunch of its popular umbrealla Goodricke brand as well.

“Now that the top quality levels have been reached, it’s time to be more on the value-added platform,” Mr. David said.

For the first time, attempts are being made to enter Gujarat, which has the largest tea drinking population. Alliances are being worked out at present.

The company expects about 8 million kg of its teas to be sold through packets in calendar year 2004. Almost 30% of 30 million kg production goes into value-added teas. According to Mr. David, this was likely to double in five years.

The tea major is close to finalizing alliances with Japanese trading companies to sell instant teas. Sensing more demand, the company plans to jack up capacity of instant tea plant at Aibheel to 600 tonnes from 300 at present. GGL now supplies instant tea to companies like Coke, Levers and others.

As part of its aggressive brand promotion in the US, CGL is in talks with one of the important packeteers of the US. It is working on showcasing some of its key tea marks, including Castleton, Margaret's Hope and Thurbo in the US.

(a) Why is Goodricke Group re-working its entire marketing set up?

(b) Summarise the branding strategies the group is adopting.

(c) What denefits are expected from the changes the company is making?

Case Study: Marketing

Evergreen Cosmetics is planning to launch a new range of 'anti wrinkle creams' in the Indian market. They conducted a market survey and found potential competition from Remain Young. Since they are targeting the higher strata of society, the cream is being priced much higher than their competitors. The plan to use the television as a media to advertise this anti wrinkle cream as opposed to print media, which is largely used by them for their other products. Officials at Evergreen Cosmetics feel that with the correct style of promotion they could easily be successful in the market.

(a). Identify and explain the pricing strategy that is being used by Evergreen Cosmetics.

(b). Describe any two qualities that a salesman selling this product should possess.

(c). Explain any two tools of sales promotion that can be used here.

Case Study: Marketing

Dabur took the following steps in the beginning of this century to widen its consumer base. It expanded to cover international markets and within India, it focused on regions like southern India. It repositioned itself as a FMCG (Fast Moving Consumer Goods) company, offering a wide range of herbal products, thereby moving away its earlier image of an Ayurvedic Medicine Manufacturer. The company began offering new products and changed packaging. It also introduced new advertisements featuring Bollywood stars and sports persons. It moved away from the umbrella branching strategy and went in for individual branching. Dabur even re-designed its old logo.

(a) Explain:

  a. Umbrella Branding

  b. Individual Branding

(b) Identify and explain the elements of marketing mix, which have been developed by Dabur to boost company sales and profit.

(c) Which stage of the Product Life Cycle is Dabur currently in? Justify your answer.

Case Study: Marketing

"India's leading car maker Maruti Udyog Limited (MUL) will launch its modern hatchback, Swift, early in the next financial year. The Swift will be launched in India, China and Hungary simultaneously," Managing Director, Jagdish Khattar said. The Maruti engineering team in India was involved with the design, research and development of the Swift, unveiled at the recent Paris Motor Show. Maruti's decision to launch the Swift is an indicator of the Japanese car maker's confidence in the new product, and the low price positioning it may have been able to achieve for the new vehicle. Sources said the car could be priced at around Rs. 5 lakh and pose a serious challenge to the recently launched Hyundai Getz. If Maruti produces the Swift in India, it will be the Indian company's first significant attempt at designing a new generation platform, sources said.

(a) Name and explain the pricing strategy being used by Mr. Jagdish Khattar.

(b) As Managing Director of Maruti, how will you react to competition faced from cheaper models in the market?

(c) As Managing Director of Hyundai, explain the steps you will take to ratain Brand Loyalty.