CASE STUDY MARKETING MANAGEMENT (434C2C)

NIRMA- A Humble Beginning

Introduction Contd...

The company launched toilet soaps for the premium segment. However, analysts felt that Nirma would not be able to repeat its success story in the premium segment. In 2000, Nirma had a 15% share in the toilet soap segment and more than 30% share in the detergent market. Aided by growth in volumes and commissioning of backward integration projects, Nirma's turnover for the year ended March 2000 increased by 17% over the previous fiscal, to Rs. 17.17 bn.

A Humble Beginning

In 1969, Karsanbhai Patel (Patel)[2], a chemist at the Gujarat Government's Department of Mining and Geology manufactured phosphate free Synthetic Detergent Powder, and started selling it locally. The new yellow powder was priced at Rs. 3.50 per kg, at a time when HLL's Surf was priced at Rs 15. Soon, there was a huge demand for Nirma in Kishnapur (Gujarat), Patel's hometown.

He started packing the formulation in a 10x12ft room in his house. Patel named the powder as Nirma, after his daughter Nirupama. Patel was able to sell about 15-20 packets a day on his way to the office on bicycle, some 15 km away. Thus began the great journey.

By 1985, Nirma washing powder had become one of the most popular detergent brands in many parts of the country. By 1999, Nirma was a major consumer brand – offering a range of detergents, soaps and personal care products. In keeping with its philosophy of providing quality products at the best possible prices, Nirma brought in the latest technology for its manufacturing facilities at six places[3] in India. Nirma's success in the highly competitive soaps and detergents market was attributed to its brand promotion efforts, which was complemented by its distribution reach and market penetration. Nirma's network consisted of about 400 distributors and over 2 million retail outlets across the country. This huge network enabled Nirma to make its products available to the smallest village.

A Humble Beginning Contd...

After establishing itself in India, Nirma expanded to markets abroad in 1999. Its first foray was into Bangladesh, through a joint venture – Commerce Overseas Limited. Within a year, the brand became the leader in the detergent market in Bangladesh. The company also planned to enter other regions like the Middle East, China, Russia, Africa and other Asian countries.

The Road to Success

The use of detergent powder was pioneered in India by HLL's Surf in 1959. But by the 1970s, Nirma dominated the detergent powder market, simply by making the product available at an affordable price. In 1990, Nirma entered the Indian toilet soaps market with its Nirma Beauty soap. By 1999, Nirma became India's second largest manufacturer of toilet soaps by acquiring a 15% share of the 5,30,000 tonnes[4] per annum toilet soap market. Though way behind HLL's share of 65%, Nirma's performance was remarkable as compared to Godrej, which had a share of 8% (Refer Figure I). By 1999-2000, Nirma had also garnered a 38% share of India's 2.4 million tonnes detergents market. HLL's share was 31% for the same period (Refer Figure II).

- **Higher Costs - NO**

Within a short span, Nirma had completely rewritten the rules of the game, by offering good quality products at an unbeatably low price. Nirma's success was attributed to its focus on cost effectiveness. From the very beginning, Patel had focussed on selling high-value products at the lowest possible price. The company endeavored to keep improving quality while cutting costs.

To keep production costs at a minimum, Nirma sought captive production plants for raw materials. This led to the backward integration programme, as a part of which, two state-of-the-art plants were established at Baroda and Bhavnagar, which became operational in 2000. This resulted in a decline in raw-material costs.

- **Higher Costs - NO Contd...**

The two new plants were completed ahead of schedule and at a much lower cost than estimated. The second phase of the Baroda plant was completed six months ahead of schedule and at a cost of Rs.2.5 bn as against the original estimated cost of Rs. 2.8 bn. The Bhavnagar plant was completed in a record time of two years at a cost of Rs.9.85 bn as against the original estimated cost of Rs. 10.36 bn. The staff strength at this plant was a low 500. In contrast, Tata's Chemical's plant, which was about twice the capacity, employed 10 times the number of people. The Baroda plant produced 65000 tpa of N-Paraffin for Linear Alkyl Benzene (LAB) and Synthetic detergents. The technology for this plant was sourced from UOP Inter Amercana, USA.

The Bhavnagar plant could produce 4,20,000 tpa of soda ash. The Akzo Dry Lime technology used in this plant was sourced from Akzo Nobel Engineering, Holland. The plant had 108 km of salt bunds, which would help it to produce vacuum iodised salt in the future.

Said Patel, "We have a capacity of producing three lakh tonnes of pure salt. No one, except Tata Salt, has a similar plant in the country." Nirma also curtailed its costs of distribution by eliminating intermediaries.

The product went directly from the factory to the distributor. Hiren K Patel (Hiren), CMD, Nirma Consumer Care Ltd. explained, "An order is placed and the truck leaves straightaway. It is like a current account.

We send the stock, they send the money." The company maintained depots in states like Andhra Pradesh, Tamil Nadu and southern Karnataka, as getting stocks to these areas was sometimes difficult. In states like Uttar Pradesh and Madhya Pradesh, stocks were delivered directly from the plants. In March 2000, in a further cost reduction exercise, Nirma opted for in-house printing and packaging by acquiring Kisan Industries at Moriya, near Ahmedabad. Nirma hoped this would improve the quality of its packaging.

• Brand Wars - YES

Nirma also had innovative marketing strategies. In the mid-nineties, Nirma successfully extended its brand to other product categories like premium detergents (Nirma Super Washing Powder and Detergent Cake), premium toilet soaps (Nirma Premium, Nima Sandal, Nirma Lime Fresh). It followed its original marketing and pricing strategies in the economy segment as well as in the premium segment. In 2000, the company entered the hair care market with Nirma Shikakai, Nirma Beauty Shampoo, and Nirma Toothpaste. Unlike detergents, soaps were a personal-care product. Many customers had deep psychological bonds with their soap brands. Moreover, the market was segmented by HLL by price, by scent appeal, and by brand personality.

• Brand Wars - YES Cont Brand Wars - YES Contd...

So, Nirma positioned Nirma Bath against Lifebuoy[5], Nirma Beauty Soap against Lux[6], Nima Rose against Breeze[7], and Nima Lime against Jai Lime[8]. Explaining how Nirma hoped to win this game, playing by HLL's rules, Hiren said, "World-wide, there are only four or five platforms – floral, beauty, health, freshness – which account for most of the soaps sold." Nirma produced high-fatty-matter[9] soaps with the right scents, and priced them much lower than other brands. This created the 'sub-premium' segment. Nirma also mastered the game of managing the geographical diversity of consumer preferences.

For instance, the North preferred pinks soaps and while the South preferred green ones. Sandal soaps were more popular in the South. Initially, the advertising spend of the company was very low, as compared to other FMCG companies. Nirma spent only 1.25-2% of its turnover on advertising as compared to the normal 6-10%

For endorsing soaps, the company used starlets like Sangeeta Bijlani, Sonali Bendre, and Riya Sen, who were relatively unknown at that time. The advertisement messages were also very simple and focused on the benefit of the product. Nirma always preferred to place the product on the shelves first, receive feedback, and then create an enduring ad campaign.

While introducing toilet soaps and detergents in the premium segment, Nirma relied on its time-tested weapon – Price. The company planned to concentrate on volumes in these segments as well. But there was a change in the margins given to retailers. Unlike the economy products, where the cost benefits were passed on to the consumers, Nirma passed on this benefit to the retailers. It gave them huge margins. For instance, for Nirma premium soap, it offered 52% and for Nirma shampoo, it offered an unbelievable margin of 140%. Analysts were skeptical about Nirma's chances of success in the premium segment of the soaps market.

5] Popular brand of carbolic soap from HLL

6] Popular brand of beauty soap from HLL.

7] HLL's brand in the floral soaps category.

8] HLL's lime brand. The premium product in this category was Liril, which was countered by Nirma Lime Fresh

9] High-fatty-matter soaps are high in lather quality

Unlike detergents, the soaps and shampoo market was highly fragmented. There were about 15-20 brands, and it was difficult for any soap to get a sizable market share. Moreover, this market was less price sensitive. So, it was difficult for any company to sustain itself on price alone. Analysts felt that it would take years to change Nirma's brand image. According to a survey conducted by Samsika Marketing Consultants, Nirma's marketing firm, Nirma was considered to be a cheap brand. Many people were almost ashamed to admit that they were using it.

To shed this image, in the late nineties, Nirma released corporate advertisements worth Rs 10 bn throughout India. Analysts felt that the fast growing shampoo market was a better bet than the premium soaps market. In India, only 30% of the population used shampoos and more than 70% of this group was in the urban areas. However, according to some analysts, though the perceived potential of the rural market was very high, in actual practice, it was difficult to persuade rural folk to use shampoos. Another problem Nirma faced was that of inadequate infrastructure. Though it had a strong presence in the smaller towns and villages, it lacked the network necessary for penetrating urban areas. Thus, Nirma's entry into premium soaps and shampoos seemed to have failed.

Question:

1. **State and explain Nirma’s Road Ahead……….**

MEASI Institute of Management

CASE STUDY MARKETING MANAGEMENT (434C2C)

Case Study on Reliance Jio

Introduction

Reliance Jio, a subsidiary of Reliance Industries Limited, entered the Indian telecommunications market in September 2016. It instantly caused a remarkable shift in the industry. Led by Mukesh Ambani, the company challenged the established telecom giants and redefined how Indians access and enjoy digital content. This case study delves into the marketing management of Reliance Jio, focusing on its groundbreaking services in entertaining India through vertical integration.

Background

Before Reliance Jio's entry, the Indian telecom industry was dominated by a handful of established players who relied on conventional pricing models and offered limited data services. Mobile internet was considered a luxury, and consumers were often dissatisfied with the service quality. The challenge for Reliance Jio was to not only build a nationwide network from the ground up but also convince customers to switch from their existing providers. It called for innovative marketing strategies that could disrupt the market.

Marketing Strategies

- **Free Data and Voice Calls-** Reliance Jio's entry was marked by a game-changing move – offering complimentary data and voice calls during its initial launch phase. The "Jio Welcome Offer" and, later, the "Jio Happy New Year Offer" generated an outstanding buzz, attracting millions of subscribers quickly.
- **Affordable Data Plans-** Reliance Jio introduced competitively priced data plans that significantly weakened competitors following the free trial

period. This shift in pricing disrupted the industry, making data access affordable for the masses. For example, the “Jio Dhan Dhana Dhan” plan provided unlimited data at a fraction of the cost offered by rivals.

- **Jio Cinema: Integration of Content and Connectivity-** A pivotal element of Reliance Jio’s strategy was vertical integration, displayed by Jio Cinema. This OTT platform offered an extensive library of movies, TV shows, and exclusive content to Jio subscribers. The strategic merging of content and data services made Jio a comprehensive entertainment provider.
- **Strategic Partnerships-** Reliance Jio partnered with leading smartphone manufacturers, bundling Jio SIM cards with selected devices. It not only enhanced the accessibility of Jio services but also leveraged the popularity of smartphones to expand its customer base.
- **Targeted Marketing Campaigns-** Reliance Jio used focused advertising across various media channels, including television, print, and digital platforms. The company enlisted celebrity endorsements and launched ad campaigns highlighting its superior network quality and budget-friendly data plans.

Impact

Reliance Jio’s aggressive marketing strategies left a deep impact on the Indian telecom industry:

- **Increased Competition:** Reliance Jio’s disruptive pricing forced established telecom operators to revise their offerings, leading to a price war that ultimately benefited consumers.
- **Digital Inclusion-** Jio’s affordable data plans and extensive network coverage brought millions of Indians online for the first time, contributing to the country’s digital transformation.

- **Content Consumption-** Jio Cinema was crucial in promoting digital content consumption in India. The platform competes with global giants like Netflix and Amazon Prime Video, offering diverse content to Indian audiences.
- **Subscriber Growth-** Reliance Jio rapidly became the largest telecom operator in India, with over 450 million subscribers within a few years of its launch.

Final Note

Reliance Jio's entry into the Indian telecom market epitomizes the power of innovative marketing strategies in reshaping industries and bringing about lasting transformation. Through its bold marketing tactics, groundbreaking pricing models, and visionary vertical integration, Reliance Jio disrupted the market and redefined how India connects and enjoys digital content. This case study underscores the significance of strategic marketing in reshaping industries and creating lasting impact.

Questions for Discussion

- **How did Reliance Jio's disruptive pricing strategies affect the profitability and market share of established telecom operators in India?**
- **How can Reliance Jio sustain its competitive advantage in the Indian telecom market as competitors continue to adapt to its pricing strategies?**
- **What are the key takeaways from Reliance Jio's marketing strategies for other businesses, particularly disruptive pricing and the successful integration of content and connectivity?**