

Channels for rural marketing | nerma



**ASSIGN
BUSTER**

The founder of the company Dr. Karsanbhai khodidas patel was born in 1945, in Ruppur village in north Gujrat in a family of farmers. He graduated in Chemistry at the age of 21. Initially, he worked as a lab technician and later served the state government. In 1969 at the of 24, he started manufacturing phosphate free detergent powder, Nirma (Named after his daughter Nirupama) in his backyard . He dedicated after office hours for manufacturing Nirma and sold on his bicycle while going to his workplace , which was 17km from his home. The handmade detergent packets were sold at rs 3 per kg, which was one-third of then least priced popular detergents.

At the time domestic detergent market was limited only to premium segment and was dominated by MNCs. Karansbhai patel started door-to-door selling of Nirma and priced it at Rs 3 per kg. The next available cheapest brand in the market at that time Rs13 per kg. Nirma revolutionized the whole detergent powder segment and in a short span of time created an entirely new market segment in the domestic detergent sector market. It gave the bigger established brands a run for their money and soon occupied the top market share. To add to this Nirma was made of an innovative formulation, which global detergent giants were later on compelled to emulate, it was phosphate free and hence environment friendly and the process of manufacturing was labour intensive, which offered large scale employment.

As far as Corporate social responsibility is concerned, Nirma has made some good efforts by starting Nirma Education & Research Foundation(NERF) in the year 1994 for the purpose of running various educational institution. The company has also set up Nirma labs, which prepares aspiring entrepreneurs to effectively face the different business challenges. Nirma also runs Nirma

Memorial Trust, Nirma Foundation and Chanasma Ruppur Gram Vikas Trust as a part of their effort as a socially responsible corporate citizen. It also owns Nirma University.

The University emphasizes on the all round development of its students. It aims not only at producing good professionals, but, also good and worthy citizens of great country, aiding in its overall progress and development.

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Nirma is a customer focused company committed to consistently offer better quality products and services that maximise value to the customer. The company realised that it would have to launch products for the upper end of the market to retain its middle class consumers who would graduate to the upper end. So in 2000 Nirma had a 15% share in the toilet soap segment and more than 30% share in the detergent market. Nirma is the Rs. 17 billion Detergents soaps and personal care Products Brand, a market leader in the Indian detergent market and second largest in bathing soap. The brand NIRMA being one of the world's biggest in its segment. It has its mission statement like " Better Products, Better value, Better living". Karsanbhai Patel is the chairman of the Ahmedabad-based Nirma Ltd. This chemist who manufactured detergents at home in Ahmedabad in 1969 has certainly come a long way. He worked from his backyard which developed into a soap factory, cycled

About Rural consumer

Rural inhabitants aren't a different species, but consumers as quirkily and demanding of marketers as any of their urban cousins. And just as eager to consume or may be even more so, given their access to messages of consumption via TV, but lacking the easy access that makes urban consumer's blasé. For marketers the potential is huge, a country is waiting for their products , providing they can make the effort to exports inwards and learn to play the games by rural rules. Even with the minimal effort put in the by companies so far, rural India now account for majority, or near majority, consumption in many categories. Rural India is surely not such an area of darkness anymore. One of the most popular and widely accepted myths is that the rural consumers will only buy really cheap mass market brands. But the stark reality is that though brands like Nirma lead, but penetration of premium products has also been observed even to the lowest SEC.

Sales –

The company's established market position is based on its strong brand equity, built over years. The company has adopted an umbrella branding strategy (Nirma and Nima brands) and has rationalised its advertising cost; this strategy has also launched several products under the mother brand which is Nirma. Nirma sells over 800000 tones of detergent products annually, giving it a35% share of the Indian market, which are the world's second largest fabric wash products markets. This makes Nirma India's largest detergent marketer and one of theworld's biggest detergent brands

Sales competition

The result of their cost effective product offering is that though the industry has been growing at the rate of 15 per cent annually, Nirma's growth has been at least 30-35 per cent a year for the last few years.

The pricing policy adopted by Nirma for its Nirma washing powder i. e. adequate quality at an affordable price has challenged the mighty HLL's Surf.

Nirma Washing Powder 1kg 18.00 Nirma Washing Powder 500grams 9.00

Even the second product that Karsanbhai introduced - a low-priced toilet soap, which he thoroughly test marketed in Gujarat before going national with it in 1990 - has been faring well. Nirma toilet soap retails at a mere Rs. 2/- with the shopkeeper allowed to retain 25 paise behind each cake sold. The Nirma name itself was a guarantee of quality for the consumer smiles the businessman. It found ready acceptance. Today, Nirma's toilet soap products are priced in the range of Rs 6-9. Nirma Lime Fresh, for instance, commands a price of Rs 8 for 75 grams, while Nirma Premium is priced at Rs 9. Nirma Bath, a popular soap, is priced at Rs 6. In comparison to Nirma's price range, HLL's toilet soap brands are priced at a slight premium. Life Buoy is priced at Rs 14, and Life Buoy

Gold at Rs 9. The price of Rexona is Rs 9.50, while that of Liril, which competes with Nirma Lime Fresh, is Rs 13.

Net Sales

During the financial year 2006-07, the Detergent, Soaps, Soda Ash and LAB continued to be a leading products for the Company. During the year under review, Detergent and Soap at Rs. 1640 crores accounted for 64.59% of the

gross sales, Soda Ash and Linear Alkyl benzene at Rs. 673. 44 crores accounted for 26. 52% of the gross sales. Now as per the company's financial statement in March 2005-06 Nirma's total sale Rs. 1918. 80 crores it was gradually increased due to their loyalty and successful market strategy with their costumers and their investors. After within three years sales increased up to approx Rs. 3000 carores 2008-09. And previous years Nirma's total net sale was 3246 crores that means approx two thousand carores increased in a one year.

(Source;- Annual Reports of Nirma Ltd. Year 2005 to 2011)

MARKET PRICE DATA

A stock market or equity market is a public entity (a loose network of economic transactions, not a physical facility or discrete entity) for the trading of company stock (shares) and derivatives at an agreed price. The stock market is one of the most important sources for companies to raise money. This allows businesses to be publicly traded, or raise additional financial capital for expansion by selling shares of ownership of the company in a public market. History has shown that the price of shares and other assets is an important part of the dynamics of economic activity, and can influence or be an indicator of social mood. An economy where the stock market is on the rise is considered to be an up-and-coming economy. In fact, the stock market is often considered the primary indicator of a country's economic strength and development. Market participants include individual retail investors, institutional investors such as mutual funds, banks, insurance companies and hedge funds, and also publicly traded corporations

trading in their own shares. Some studies have suggested that institutional investors and corporations trading in their own shares generally receive higher risk-adjusted returns than retail investors.

High and Low share prices during each month in the last financial year on the National Stock Exchange of India Limited are as under:

(Source;- Annual Reports of Nirma Ltd. Year 2005 to 2011)

In Apr 2006-07 organisation's highest share price was Rs. 166 and low month's price was Rs. 140. it was gradually increased up to Rs. 14 and low price of share also increased up to Rs. 10 in the month of Apr. 2008 (Rs. 180). After that it was decline Rs. 180 to Rs. 134 in next year i. e. Apr 2009. And again it increased Rs. 81 (Rs. 134 to 215). Rising share prices, for instance, tend to be associated with increased business investment and vice versa. Share prices also affect the wealth of households and their consumption.

Net Profit

“ How does a company decide whether it is successful or not? Probably the most common way is to look at the net profits of the business. Given that companies are collections of projects and markets, individual areas can be judged on how successful they are at adding to the corporate net profit. Net profit, also referred to as the bottom line, net income, or net earnings is a measure of the profitability of a venture after accounting for all costs. In a survey of nearly 200 senior marketing managers, 91 percent responded that they found the “ net profit” metric very useful.

Here we draw the Net Profit Graf of Nirma Ltd. on the basis of their annual financial reports.

(Source;- Annual Reports of Nirma Ltd. Year 2005 to 2011)

In March 2005-06 Nirma's net profit was approx Rs. 200 crores. It was decline in 2006-07 up to Rs. 109 crores. In 2007-08 it was again increased to Rs. 100 crores (229. 73). Again it was declined Rs. 229. 73 to Rs. 93. 43 crores. Lastly in previous year (2010-011) net profit was declined up to 237. 94 crores to Rs. 74. 04 crores. So we can say that it's a fall and rise in company's net profit.

SWOT Analysis

Strength- 1) Strong brand equity developed over the years

Wide distribution network

Market leadership in detergent market

Highly successful initial advertising campaign

In 2004, Nirma's detergent approached 800, 000 tonnes- one of the largest volumes sold in the world- under a single brand " NIRMA"

Weakness- 1) Limited export market as compared to international brands

Unable to completely penetrate in premium segment because of image.

Opportunity- 1) Export to developing countries

2) Increase market share in premium segment by launching variants.

Threats- 1) Guerilla attack from local independent producers

2) Broad attack from HUL and P&G

3) Growing income of Indian can cause shift to premium segment washing powders.

Distribution strategy

Product

Nirma is aptly considered as a marketing miracle and this is reflected in the strength of the brand. Nirma has successfully challenged and changed the conventions of detergents marketing. Nirma' core marketing thrust revolves around promoting consumer trials by offering a the same " Value For Money " equation. This is borne by the fact that today Nirma can boast of a strong brand loyalty from its

Price-

Ivory tower theories are rethinking their business basics- thanks to Karsanbhai K. Patel. Taking on the might of a multinational, his-priced detergent Nirma captured a majority market share arresting the sales and growth of a consumer giant's up market brand. Among the greatest success stories of its marketing management in India is that of a low-priced detergent of reasonably good quality which, in the course of a mere decade, put the skids on a product that was considered the pride of a powerful multinational.

For Harried housewives, struggling to balance their monthly budgets, Nirma came as a boom. It was much cheaper than surf, which had already gone

well out of their reach and it washed clothes nearly as well. Its cleansing power was far superior to that of the slabs of cheap washing soaps that had been their sole alternative until then. By the early 1980s the burgeoning sales of Nirma reached a rate of growth that was twice or thrice that of the industry in general. Moreover, Nirma operated in the small-scale sector and therefore saved an enormous amount of excise duty that multinationals had to pay on every kilo of detergent produced. The latter simply could not hope to bring the price down to a level that was attractive enough for the middle class, which were the bulks segment for Nirma sales. The pricing policy adopted by Nirma for its Nirma washing powder i. e. adequate Quality at an Affordable price has challenged the mighty HLL's Surf.

Promotion

planning

In its initial years, distribution in Nirma was done by Karsanbhai Patel's network and sales force and at that time it was one-man team and the man was he himself. As the popularity of Nirma grew with a spread of positive word-of-mouth Karsanbhai adopted the time-honoured Coco Cola maxim that his product should be available within an arm's length of desire. So he concentrated on widening his distribution networks; nirma began covering all over Gujrat, in almost every shop in even the remotest area or villages. As the product's fame spread, agents from all over the country began writing in, and expressing their willingness to operate on the tiny margins that businessman gave. When setting up a distribution system Karansbhai was extremely aware of the importance of keeping cost down. Once demand for Nirma had outgrown his ability to deliver on bicycle he moved on to vans and

then later to trucks. Nirma neither a field sales force nor owned a distribution sales grew network. Karansbhai negotiated prices with trucks and van suppliers on daily basis. As sales grew Karsanbhai eventually hired stockist as commission agents. On the one hand it helped him avoid central sales tax and the stockist were responsible for all transportation, octroi, handling and delivery cost. There was also a strict system of protocol and distribution depended on prepayment for stocks in order to minimize the risk for Nirma.

The company has set up for Nirma a parallel distribution and sales channel consisting of 1500 distributors and an independent sales force. A two tier network, the Nima distribution channel is “ flat” enabling swift market response. The company took great care that the new brand did not cannibalize on the existing barnds. The Nima portfolio today compliments the Nirma range, furthering the company’s strategy of value for money.

Levels of channel Distribution

Company Manufacturing Unit

Consolidator

Wholesaler

Semi-wholesaler

Retailer

Consumer

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Success rate

Karansbhai got success because he had a good knowledge of chemicals and he came up with Nirma detergent which was a result of innovative combination of the important ingredients. Indigenous methods were used and also the detergent was more environments friendly.

“ It all started to earn a side income, and at that stage, I had never imagined this kind of success”