

The rural strategies of godrej consumer products marketing essay



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Initially when Godrej decided to focus on selling consumer products to rural India, it expected government investments to ensure buoyant demand. However when that did not materialize company quickly shifted the thrust of the properties business to low income households rather than big business properties such as the high-rise Planet Godrej in Mumbai.

But getting there was a difficult journey for the company. For example, Godrej soaps and hair dyes sold largely in urban cities. When it decided to pay attention to rural markets it did not open up easily. People in general could afford soaps already of other brands and changing habits was difficult. The company employed various strategies to get a larger share of the pie of rural markets and it seems a lot have started to payoff.

Pricing Strategies

FMCG

Godrej broke through the dominance by not steeply hiking the prices as some of the competitors did when commodities prices rose. The company did hair dye sampling through village barbers and introduced small soap packs for Rs 5 for Godrej No 1; advertisements were shown only on channels that reach rural India best; Doordarshan and All India Radio.

Real Estate

Consumer products were relatively less vulnerable to the slowdown than the group's properties business. There too, Godrej has turned to building homes in the Rs 5 lakh to Rs 25 lakh bracket. It has launched low-income housing projects in Kolkata and Ahmedabad and plans to launch one in a Mumbai suburb. While developers had traditionally preferred to develop higher

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margin homes to justify the high cost of construction and buying land banks, Godrej was one of the first developers to move into low-income housing. Godrej will make up for the lower profit margins by not be selling flats in 10 or 20, but in numbers of 2, 000 and 5, 000. As one of Mumbai's largest land owners, Godrej is developing the property in Vikhroli (a large part of central suburban Mumbai) in a bid to reorient towards rural markets and low income housing. The best product for Godrej is brands connect with the customer and its distribution system. In the rural market, where local players dominate the Godrej name can be leveraged more.

Disruptive innovation

Godrej with its pioneer product ChotuKool has increased its foothold in the rural markets. The idea was to address the basic refrigeration needs of rural families in India. Innosight, the disruptive innovation team began its work by imagining living in a home without a refrigerator. Where electricity is either unavailable or unreliable and where families earning under Rs 250 day and can't afford major appliances.

Top management including Godrej Vice President G. Sunderraman led trips around rural India, observing the daily routines of villagers. Top management and the Innosight team witnessed how rural consumers purchased, prepared and stored food and drinks.

Fig: ChotuKool Refrigerator by Godrej is ground breaking innovation in refrigeration

The finding was that these homes are not in need of cheap refrigerators. The task was very basic. Denizens of village needed an affordable way to store <https://assignbuster.com/the-rural-strategies-of-godrej-consumer-products-marketing-essay/>

vegetables, milk leftover food cool for a one or two days both at home and away. This task is urgent in our country where 33% of all food is lost to spoilage. Godrej developed many prototypes and tried to gain insight at co - development events. In one such event a poll of 600 villagers of Osmanabad casted their vote to to choose red as product color.

From this effort came the ChotuKool, or “ little cool” in Hindi. It does not have traditional compressors instead Chotukool has a thermoelectric chip that maintains a cool temperature that runs on a 12-volt DC adapter or an external battery. The unconventional opening makes sure cold air settles down in the refrigerator to minimize loss to heat and consumption of power. The unit is portable with a capacity of 45 liters which is inside a fully plastic body weighing less than 4. 5 kgs.

Priced at Rs 3500/-, about 50% of entry level refrigerators, Chotukool creates an innovative product category, with a new value proposition that serves a different segment of customers.

Fig: Chotu Kool is highly portable and can be loaded on bullock carts as well

Business Standard magazine awarded Godrej the title of most innovative company after initial successes of Chotukool in a ceremony conducted in presence of the nation’s Prime Minister. BusinessWeek and Fast Company also named Godrej one of the world’s “ most innovative companies.” ChotuKool was also awarded the 2012 Edison Award Gold prize for the Social impact category.

Godrej is currently working on several product categories, including water purifiers and solar lanterns to be in a unique position in all products, including mid-end and really affordable, in terms of pricing and features. For example Godrej launched UV water purifiers for the urban market priced at Rs 6, 500 will use different technology for its rural product which may not require after-sales service for the entire lifetime.

Strategic choice for Distribution Channel

Separate distribution channel

Godrej has been focusing a lot on creating a different distribution channel for rural products

For instance, the refrigerator to be launched in villages nationally next year will not be sold through the company's existing dealer network. The company is using a rural marketing channel involving NGOs, microfinance companies and community workers.

In rural India generally Television sets take preference over other products. In spite of this also allows companies to make people aware of other products, given that the penetration level of TV is about 30% in Indian villages, who are prospective buyers for other consumer durables.

Expectation of subsidies

Another hurdle to be overcome is the expectation of rural consumers for subsidies on solar-powered devices and water purifiers. After-sales service and selecting the right distribution model is the key to break into any rural market across India.

Focus on Right marketing mix

Barbers as Brand Ambassadors

The company relies on word-of-mouth brand building for its line of hair color products. The company is able to target 50,000 barbers and salons in 9 states and engages these barbers in a co-branding initiative. Under this program, the barbers add the Expert tag to their names, with all infrastructure (including mirrors and chairs) displaying the GCPL brand logo prominently. This has helped enhance the reach of the company by adding 7,000 villages and 2,000 small towns to its distribution network.

Fig: Rural branding for Godrej

Rural centric advertisements Strategies

Shifting its advertising strategy the Godrej now buys ads more on

Doordarshan because the brand campaign takes care of cable television.

This has helped in helping in reducing the advertising budget for the

company in comparison to its competitors. The company is also using its new brand awareness

Using Buses increases visibility in Rural India

Choosing Celebrities that have rural appeal for brand endorsement

Company has signed up Mona Singh to promote the usage of Grade I soap by highlighting the benefits of using Godrej No 1 branded soap over its local competitors. This is expected to boost sales of the company in rural areas.

Fig: Mona Singh brand ambassador of Godrej

Project Aadhaar/Godrej Agrovat

One of old schemes that are still doing wonders for the company is project Aadhaar. This initiative provides professional guidance to farmers to improve their productivity and ensure a higher return. One center of qualified agronomists interacts with farmers on the daily basis and serve 20 villages in radius of the center. With the tagline of “ Unnati, ghar sansaar and gaon” the initiative is aimed at improving the life of farmers in rural India by providing one stop solution to their farming issues.

The company has also set up mini petrol pumps for the supply of diesel in the rural markets and has collaborated with Apollo pharmacies for Aadhaar outlets called Apollo Aadhaar pharmacies. This besides creating new markets has improved brand awareness and visibility of the company in rural India.

Fig: Logo for Godrej Aadhaar