IIHMR UNIVERSITY

School of Rural Management

MBA Rural Management

Batch-05th (2016-2018) First Year

Marketing Management

Term Examination

Time - 3 Hour **MM-70**

The question paper contains 4 printed pages.

Instructions :

Q. 6 is compulsory.
Attempt any other three questions
Questions 3-6 are based on the case Godrej Chotukool. The relevant part is reproduced here

Q.1 Define rural markets and Rural Marketing. Elaborate any two marketing environment factors. (14)

Q.2 What to you understand by inflow and outflow. Describe inflow and outflow marketing for Rural Market with suitable example. (14)

Q.3 What is consumer behavior? How rural consumer and urban consumer behave differently while purchasing. Elaborate it with example. (14)

Based on Case Godrej Chotukool

Q.3 What was the market research problem that Godrej and Boyce researched in the case. What were some of the insights in case of Godrej Chotukool. (14)

Q.4 Comment on the Segmentation, Target Market and Positioning strategies of Godrej Chotukool (14)

Q.6. Elaborate the 4 As strategy for Godrej Chotukool (28)

RELEVANT PARTS OF THE CASE REPRODUCED.....

The Journey of Chotu Kool: Field Studies

June 2007 marked the beginning of this project when the first business case for Chotukool was prepared. Instead of cutting costs out of an existing cooling solution, G&B started with a clean slate. The team spent time in people's village huts and closely observed their product usage and lifestyle patterns to figure out the needs of such consumers. The team noticed most Indians in rural areas purchased groceries every day and did not make any bulk purchases. For these rural communities, a cooling solution that could hold just

a few items would be an optimal design. Such studies with rural and urban non-consumers of refrigerators brought out significant inputs for the design of Chotukool. A few critical comments the team received in this regard included the following:

"I don't feel the need for a refrigerator. I use an earthen pot to cool water; I buy vegetables for immediate consumption and boil milk to avoid it from getting spoilt. In India, a refrigerator costs around ₹8000-10,000. In addition, it has a running expense too which will upset my monthly budget. I don't have the space to keep it in my tiny house. "

"To me, a refrigerator should cost around ₹2500 and running it should be affordable. How will I service it if needed? My neighbour had to shell out ₹2500 for servicing it and an additional ₹300 to transport it to a service centre. I face load-shedding of six-eight hours every day, how will the product work?"

All the feedback indicated a cooling solution was an aspirational product but beyond their budget. A huge market opportunity existed below the 100 litres category at a price point much lower than ₹7000, which was the lowest price of a conventional cooling solution. The insight triggered the disruptive innovation team at Godrej to take the idea forward. The team undertook several field studies using interviews, observations, photographs, etc. for key insights to flesh out the new product idea. Sanjay Lonial, the innovation leader for Chotukool, shared some of these insights:

Rural customers want to store food and milk and chill drinking water. They don't need ice that much, so a 180-litre fridge is not required. The ₹3500 Chotukool meets their need and also has a low running cost.

The next stage involved sharing consumer insights picked up from the field with the company's R&D team to generate prototypes. Subsequent usage of these prototypes by prospects led to a few more insights as observed by Lonial.

Some users who had bought Chotukool were using the product not only at home but also to make money. The tiny fridge was helping owners of roadside kiosks, wayside grocery stores and flower vendors to sell additional items like cold water. In the countryside,: villagers—the potential buyers—would also act as marketers, earning commission on each unit sold.

Lonial summarized the overall experience of this research: It was a huge year-long effort. Not all answers were still clear! But we now know, in innovation, there are no ready answers! We had to find them by systematic exploration

Product Design

In the design of Chotukool, the team ensured it could survive power surges and outages common in the countryside. It was designed to run on a battery or an inverter. In fact, erratic power supply had been one of the major reasons for the evolution of Chotukool. It had no compressor—making it possible to produce a noise-free and easy to maintain product.

Contrary to the regular method of cooling by compressor—common to every domestic fridge— Sunderraman opted for a technique known as thermoelectric or Peltier cooling in the prototype. In some Western countries, small thermoelectric fridges were used as beer coolers at barbecues. Though these were perceived as expensive, the entry of many models from China was driving the prices down. Sunderraman commented: Thermoelectric cooling has been around for decades. Designing the Chotukool wasn't rocket science. But this is the first time thermoelectric cooling has been applied to a low-cost solution. Innovation need not always involve sparkling new technologies. The most creative aspect of innovation lies in repurposing an existing technology well enough to fit the needs of the people who need it most. However, using it for bigger fridges would be like fitting a two-stroke engine onto a Mercedes-Benz.

G&B had an independent start in the development of the Chotukool prototype. The portable cooling solution reflected the migratory lifestyles of villagers and the space constraints in rural households. The number of parts was reduced from a typical 200 to 20. It was a top open design, 1.5 feet tall and two feet wide, weighing around 7.8 kg with a capacity of 30-40 litres and it ran on 12 volt battery. The 30 litre version was priced at

₹3,000 and the 45-litre one at ₹3,500. Based on customer feedback, the company undertook several innovations to keep the price low and continuously worked on its design to make the product look pretty and aspirational

Distribution: Community-based Model

With 69 per cent of the total population of India of approximately 1.2 billion residing in villages, it was certainly a market that presented abundant opportunity for G&B. India had 640,867 villages.8 However, with only 40 per cent of these villages connected by road, one of the major obstacles to distribution and penetration in rural India was the lack of basic infrastructure, such as roads, water supply, electricity and telecommunications. Working around these constraints added to the financial burden of companies trying to make inroads into rural India. Further, over 94 per cent of India's total retailers belonged to the unorganized sector that was constituted by traditional formats of low-cost retailing, such as local kirana (corner) shops, owner-manned general stores, convenience stores, hand carts and pavement vendors. Organized retailers faced stiff competition from over 13 million kirana stores that secured the loyalty of customers through free home delivery and credit sales.

There were very few companies that had been able to tackle these issues successfully and make their presence felt across multiple geographies. For instance, Hindustan Unilever Limited (HUL) had been able to make its branded products available in 6.3 million retail outlets in India by implementing its alternate distribution strategy "Project Shakti." Launched in 2001, Project Shakti involved working with self-help groups (SHGs) to educate and train rural women to become micro-distributors or sales persons called shakti ammas. These women served as direct-to-home distributors of HUL products in rural markets that would otherwise be difficult to access through traditional networks. The shakti distributors accounted for nearly 15 per cent of HUL's sales in rural India. Started as a pilot in 50 villages of the Nalgonda district in Andhra Pradesh, the success of the project led HUL to expand it to 15 states, with 37,000 female distributors covering 100,000 villages.

Right from the beginning, G&B also had a community-led distribution model in mind for Chotukool. The model took shape as the company joined hands with non-governmental organizations, self-help groups, and micro-finance institutions. In February 2008, after conversations with different NGOs, they finally went with Swayam Sikshan Prayog (SSP) which had an excellent record in the community and had developed trust with the villagers. Around February 2009, there were meetings with villagers which helped arrive at external design features such as preferred colours (e.g., candy red).; In 2009, the teamtested out some of the experiments in popular religious festivals, such as "Sakhimela" in Osmanabad in Maharashtra, which attracted thousands of participants. The goal was to communicate with potential target consumers and get valuable inputs related to the product. Following such meetings, different value propositions were created and tried. Lonial recalled

> The trust and faith of the rural communities in Godrej was astounding. We decided to develop these community members as sales, service and last mile logistics outlets. Creating a separate sales channel was a big challenge. We had been working with NGOs such as SSP and Pratham as channel partners for selling Chotukool on a commission basis. There had been mutual learning about how NGOs successfully managed social networks and how corporates operated lean and mean to be profitable. A social entrepreneurship model emerged. Godrej had the vision to improve livelihood, living standard and lifestyle in rural India by creating earning opportunities in villages, the product/service villagers sell would uplift their living standard, enhance the lifestyle of Customers and Entrepreneurs.

G&B explored working with some microfinance institutions for financing the purchase of Chotukool by rural customers. The marketing team had come to know that small entrepreneurs who had seen the product at rural fairs were using Chotukool in the roadside kiosks. Chotukool evoked a promising initial response from the community of entrepreneurs in Latur, Nashik, Nanded, and Osmanabad districts of Maharashtra, including milk vendors, florists and other sellers of cool drinks, snacks (such as 'vada pavs') and chilled water at roadside

kiosks. The company was also developing a version to be used by chemists and primary healthcare centres for storing vaccines and other products.

While Chotukool was much cheaper than the lowest cost refrigerators in the market, the market feedback was that it still was not affordable to many of the rural residents. For many of the target customers, the value proposition was hard to sell. Most of the rural residents considered a refrigerator a "luxury" item, and would not even think of buying the product. For many, the price of the product was just not affordable.

Though there was no direct competition to Chotukool at the moment, the concern was that traditional refrigerator manufacturers might bring out low-cost models in the future, reducing the existing price gap to a considerable extent. Chotukool's current price was just about 50 per cent of the lowest cost refrigerator, unlike other classic disruptive innovations. There were other low cost alternatives such as Mitticool which had a different functionality, customer value proposition and market segment, posing less of a direct immediate threat to Chotukool. However, such innovations, along with prospective low-cost versions in the category of traditional refrigerators, posed the threat of potential substitutes eventually appearing in the market for cooling solutions.

While traditional refrigerator manufacturers segmented the market based on the existing consumers and their demographic/psychographic attributes such as annual income, Chotukool found an evolving community-based segmentation would be more appropriate for non-consumers. The team made slow headway on this front as the diverse market segments surfacing due to the changing environmental conditions across various parts of the country that posed major challenges for Chotukool. The problem was further compounded by changing demands, contradictory performance requirements, usage requirements and differing environmental conditions of the end user. This market heterogeneity complicated the product design and the overall cost containment efforts. During the first quarter of 2010, G&B was involved in the enhancement of its technology platforms to suit varying environmental conditions. Several people had suggested that the Chotukool, with small modifications in size and functionality, had interesting applications that would also be of use to urban consumers. Examples included its potential as a storage box for food and beverages for picnics, for wine cooling, for vaccines in pharmacies, etc. These people believed that G&B ought to target urban markets first, which were easier to penetrate and more profitable, and, with the cash flow so generated, shift its focus to the more difficult rural markets.