PGDM Communications – 2018 – 20 Batch – IV Trim End Term Exam

K.J. Somaiya Institute of Management Studies & Research
Course: PGDM Communications – IV Trim End Term Exam
Sub: Rural Marketing Communications

Date of Exam: 24/9/2019 Time: 3 Hours Marks: 50

Note: 1. Both Sections are Compulsory
2. Section – I is Case Study has NO Choice
3. Section – II has choice of ANY 2 out of 4
4. Quality and Not Quantity will assure more marks

Section – I

I. Attempt the following Case Study (Compulsory) 30 Marks

Introduction

Mr. Satyapalji, who carries the legend of 8 decades of DS Group in his family blood, is on an expansion spree. There are two strategies that come to his mind – either go aggressive in the export markets or target the huge untapped rural market. The export market poses huge challenges in terms of international laws, fierce competition and complex consumer behaviour. However, rural markets have huge demand, distribution is the key to target these markets and understanding the consumer psyche is not as difficult as export markets. Satyapalji is in a dilemma and finally makes up his mind to enter the rural markets. Currently on his mind is to identify and understand how to enter these markets.

FMCG Market

Fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy with Household and Personal Care accounting for 50 per cent of FMCG sales in India. Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector. The urban segment (accounts for a revenue share of around 55 per cent) is the largest contributor to the overall revenue generated by the FMCG sector in India However, in the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50 per cent of total rural spending.

Market Size

The Retail market in India is estimated to reach US$ 1.1 trillion by 2020 from US$ 840 billion in 2017, with modern trade expected to grow at 20 per cent - 25 per cent per annum, which is likely to boost revenues of FMCG companies. Revenues of FMCG sector reached Rs 3.4 lakh crore (US$ 52.75 billion) in FY18 and are estimated to reach

US$ 103.7 billion in 2020. The sector witnessed growth of 16.5 per cent in value terms between July-September 2018; supported by moderate inflation, increase in private consumption and rural income.

Government Initiatives

Some of the major initiatives taken by the government to promote the FMCG sector in India are as follows:

- The Government of India has approved 100 per cent Foreign Direct Investment (FDI) in the cash and carry segment and in single-brand retail along with 51 per cent FDI in multi-brand retail.
- The Government of India has drafted a new Consumer Protection Bill with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.
- The Goods and Services Tax (GST) is beneficial for the FMCG industry as many of the FMCG products such as Soap, Toothpaste and Hair oil now come under 18 per cent tax bracket against the previous 23-24 per cent rate. Also rates on food products and hygiene products have been reduced to 0-5 per cent and 12-18 per cent respectively.
- The GST is expected to transform logistics in the FMCG sector into a modern and efficient model as all major corporations are remodeling their operations into larger logistics and warehousing.

Road Ahead

- Rural consumption has increased, led by a combination of increasing incomes and higher aspiration levels; there is an increased demand for branded products in rural India. The rural FMCG market in India is expected to grow to US$ 220 billion by 2025 from US$ 23.6 billion in FY18. In FY18, FMCG's rural segment contributed an estimated 10 per cent of the total income and it is forecasted to contribute 15-16 per cent in FY 19. FMCG sector is forecasted to grow at 12-13 per cent between April–June 2019.
- On the other hand, with the share of unorganised market in the FMCG sector falling, the organised sector growth is expected to rise with increased level of brand consciousness, also augmented by the growth in modern retail.
- Another major factor propelling the demand for food services in India is the growing youth population, primarily in the country's urban regions. India has a large base of young consumers who form the majority of the workforce and, due to time constraints, barely get time for cooking.
- Online portals are expected to play a key role for companies trying to enter the hinterlands. The Internet has contributed in a big way, facilitating a cheaper and more convenient means to increase a company's reach. It is estimated that 40 per cent of all FMCG consumption in India will be online by 2020. The online FMCG market is forecasted to reach US$ 45 billion in 2020 from US$ 20 billion in 2017.
- It is estimated that India will gain US$ 15 billion a year by implementing the Goods and Services Tax. GST and demonetisation are expected to drive demand, both in the rural and urban areas, and economic growth in a structured manner in the long term and

improve performance of companies within the sector.

DS Group History

In the early 20th century, when trade and commerce had not witnessed the advent of brands and marketing warfare in India, Shri Dharampal ji — the founder of DS Group, set up a small perfumery shop in Chandni Chowk, Delhi in the year 1929. The urge to create a business around consumer tastes and preferences led Dharampal ji to innovate quality products. His sagacity revolutionized the market of chewing tobacco and the shop in Chandni Chowk became renowned not only in Delhi but even amongst the connoisseurs of tobacco in other parts of India and the world. Blending modernity, technology and tradition, Dharampal ji's son Satyapal ji brought the dawn of a new era - an era that saw a revolution. Satyapal ji inherited qualities of high virtues, innovation and aspiration for being the best in the business. His in-depth knowledge of perfumes honoured him the title of "Sugandhi" (Perfumer). He is credited with blending tobacco with various exquisite fragrances. He is also known for bringing the element of quality and research hitherto unknown in this category. Under the able stewardship of Satyapal ji, the nation's first ever-branded chewing tobacco BABA was launched in 1963 which became an instant success and widely popular in its category. And what followed later was an array of premium brands like Tulsi and a host of others which have established their leadership in their own category and created new markets in its wake. Continuing the fervour of innovation and quality, the Group set new benchmarks in Foods & Beverages. Innovative tabletop sprinklers changed the way Indian households had been enjoying salt and spices. Be it Catch Spices or Catch Beverages, today Catch stands for international quality and convenience. Mouth fresheners like Rajnigandha and Pass Pass created new offerings and established new categories. The Group has also ventured into a rapidly growing hospitality sector with extensive five star properties in the larger cities and boutique & heritage properties at tourist destinations. The Group has also successfully ventured into Packaging, Rubber Thread, Steel in the last few years. Since the launch of BABA, the Group has never looked back, reaching for milestones year after year. Thus, evolving from a single product to multiple brands, DS has successfully woven over eight decades legend of innovation and enterprise.

DS Group to 'Catch' Rural Consumers

To counter growing competition in the branded spices market, DS Group is ramping up its spices business under its brand Catch. The group aims to almost double its business in the next two years and also get aggressive in the sachet category.
The sachet strategy will help the company expand its spices business in the rural markets as well as deepen its presence in the urban markets.
"Sachets strategy is price – led and mainly for trial generation. We believe once consumers buy sachets they will move to bigger packs and therefore it will drive sales of our bigger packs too."

Growing Segment

The branded spices market has been witnessing a lot of action in recent times. While Tata Chemicals entered the spices segment in October last year under brand Tata Sampann, Hindustan Unilever is looking to extend brand Knorr to spices and seasonings. Also, Baba Ramdev's Patanjali Ayurved is trying to grab market share in the spices segment. While industry estimates peg the total spices market to about ₹40,000 crore, only about 15-20 per cent of this is branded spices segment.

DS SpiceCo is setting up a separate distribution channel to reach out to about 1 lakh outlets by the end of this fiscal year to sell small packs of its spices. The company has started with North India where it's already selling small packs at about 65,000 outlets.
The strategy is not only to sell blended spices in small packs, but also straight spices such as turmeric powder, cumin powder and red chilli powder. As of now, the company is selling 10 varieties in sachets, most of which are priced at ₹5 for 8-15 gm packs.
The company hopes the spices business to cross the ₹550-crore mark by March. They plan to launch several new blends in the next financial year to connect with the changing Indian food palate. They have set themselves the ambitious target of making Catch, a ₹1,000-crore brand in the next two years.

This year the company has also set its eyes on growing its share in the branded asafoetida category, which is largely dominated by regional players. It has recently launched a marketing campaign for asafoetida featuring its brand ambassador Vidya Balan. They hope Catch Hing grabs a 10 per cent market share in the branded asafoetida market which is worth more than ₹500 crore and growing at 15 per cent on a yearly basis. They have carefully refined our strategy for this product, by launching an innovative packaging of ₹1 a satchet for deeper market penetration."

Mr. Satyapalji, in consultation with his board decided to hand over the Rural Marketing Strategy to Rubans Consults, Delhi to market the Catch Spices in Rural India.

Questions

1. *If you are a part of Rubans Consults, illustrate and explain the launch strategy (Go To Market Strategy) for Catch Hing to be launched in Re. 1/- satchets as a pilot in 3 states i.e. Rajasthan, Madhya Pradesh and Tamil Nadu.*

2. *Illustrate and explain which distribution model would suit for the launch of Catch Hing in India's Rural Markets*

3. *Select any 2 non – conventional and 2 conventional media tools to launch this product in rural India, justify how these media tools can create an impact.*

PTO……

Section – II

Attempt any 2 out of 4 Short Answer Questions **2 X 10 = 20 Marks**

1. Key Opinion Leaders
2. White Revolution
3. Key Challenges in Rural Communications
4. Rural Branding Strategies

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