

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM/PGDM (SM)/PGDM (M)
SIXTH TRIMESTER (Batch 2017-19)
END TERM EXAMINATIONS, MARCH 2019

Course Name	Rural Marketing	Course Code	MKT603
Max. Time	2 hours	Max. Marks	40

INSTRUCTIONS: Attempt all questions.

1. "For a population of 128 crores, India has 10.12 lakh doctors. Of these, a recent KPMG report says, 74 per cent cater to only a third of the urban residents. In other words, there are only about 2.63 lakh doctors catering to the majority of Indians residing on the fringes of urban settlements and in rural areas. For Indian healthcare, the game changer will be the combination of Internet of Things (IoT) and Artificial Intelligence (AI). The challenge is to bring in new generation of healthcare solutions at the primary care level, with focus on preventive care." (Source: <https://tech.economictimes.indiatimes.com/news/technology/how-iot-and-ai-is-changing-the-face-of-rural-healthcare/59525303>)

Question: Evaluate the opportunities and challenges in rural healthcare delivery. Assuming that you are the co-founder of a start-up in healthcare, recommend an effective business model for delivering healthcare services in rural India.

(3 + 7) 10 marks

2. Sixty per cent Indian work as farmers but face many difficulties in sustaining this livelihood. Lack of knowledge about locally relevant agricultural practices is one of the major reasons. Imagine that you are an entrepreneur who is keen to tap this opportunity and create a common platform for farmers to share agricultural practices with one another. Discuss which medium of communication you would use to promote this new platform.

8 marks

3. **"Philips Lighting accelerates strategic push into solar-powered lighting with new products and systems and large-scale street lighting projects in India and Thailand"**

To increase the safety of citizens and help rural communities, Philips Lighting will install approximately 84,000 solar street lights in India. Together with Energy Efficiency Services Limited (EESL), an energy service company of the Government of India, the company will install 60,000 Solar Smart Bright street lights in off-grid villages in Uttar Pradesh, Bihar, Jharkhand, Orissa & Assam. The company is also providing Uttar Pradesh New & Renewable Energy Development Agency (UPNEDA) with 24,000 Solar Green Lightline Smart street lights in the state of Uttar Pradesh. "Installing solar street lighting in rural communities in India really enhances lives after sunset," said Sumit Joshi, Market Leader for India at Philips Lighting. "Citizens feel safer and it allows children in these communities to play in the streets after dark."

(Source: <http://www.newsroom.lighting.philips.com/news/2018/20180314-philips-lighting-accelerates-strategic-push-into-solar-powered-lighting-with-new-products-and-systems-and-large-scale-street-lighting-projects-in-india-and-thailand#>)

Question: Develop suitable marketing strategies for Philip Lighting to enhance the reach and acceptability of its solar-powered lighting products for rural India.

8 marks

4. Please read the attached case "A Cool Strategy" carefully and answer the following questions.

- a. Outline a marketing strategy for the refrigerator industry.
b. Appraise whether you would advocate price cut as a promotional measure.

8 marks

6 marks

A Cool Strategy

The refrigerator industry needs a fine tuned strategy to boost its sales in the urban and rural markets.

MARKET

The refrigerator market can be segmented by product and size. The market can be segmented into direct cool (DC) and frost-free (FF). While DC accounts for 85 per cent of the market, the FF accounts for the rest. Size-wise it can be categorised into three—(i) 165–184 litres (ii) 185–225 liters (iii) 270 litres and above.

The structure of the market is given in Table 1 and the estimated market size is shown in Table 2.

Table 1 Refrigerator Market

<i>Product</i>	<i>Size (%)</i>	
	<i>165–184</i>	<i>185–225L</i>
DC	71	29
FF	50	50

Table 2 Estimated Refrigerator Market Size

<i>Mn units</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001 (E)</i>	<i>Growth rate (CAGR)</i>
Total Market Size	2.95	3.07	3.24	3.5	4.37
Direct Cool	2.60	2.61	2.7	2.9	2.77
Frost Free	0.35	0.46	0.54	0.6	14.42

Source: CETMA

As per ASCON (Association Council of Confederation of Indian Industry), refrigerator sales grew by 4.5 per cent in fiscal 1999, 5.54 per cent in fiscal 2000 and decreased by 4.5 per cent in fiscal 2001.

THE MAJOR PLAYERS

The major players in different segments are:

- DC — Whirlpool, Electrolux and Godrej together hold 70 per cent market share
 FF — Whirlpool, PL, LG and Godrej together hold 60 per cent market share.

In the above 300 L category, MNCs like LG and Samsung control more than 80 per cent of the market share. The sale of the refrigerators company-wise are shown in Table 3.

Table 3 Total Refrigerator Sales

<i>Players</i>	<i>2000</i>	<i>1999</i>
Whirlpool	879441	715000
Electrolux	769000	723000
Godrej	525000	715000
BPL	187000	226000
Videocon	349650	400000
LG	261000	165000
Samsung	20000	10000
Daewoo	45000	26000
Total	3216091	3070000

THE CHOICES

Table 4 shows the size-wise choices of buyers. The 165–185 L category is the most preferred one. A large part of the refrigerator market comprises first time buyers and the 165 L model is their most preferred choice. Buyers of large size refrigerators are normally upgraders from small one in need of a larger space.

In the frost free segment, the preferred one is 185–225 L category. This segment is declining by 20 per cent. Large size segment (270L and above) which today constitutes more than 30 per cent of the market is growing at the rate of 25 per cent mostly by replacements.

Table 4 Size-Wise Sales (%)

<i>Category</i>	<i>Frost-Free (%)</i>	<i>Direct Cool (%)</i>
Upto 165 L	0.3	0.9
165L–184L	0.1	71.4
185L–225L	5.2	22.2
226L–270L	17.1	3.3
271L–310L	14.1	1.5
>310L	16.3	0.6

PROSPECTS

The following indicators help assess the growth pattern:

- The penetration in urban market is 30 per cent and in rural it is a meager 4 per cent. The penetration in total is 10–11 per cent. Compared to 35 per cent of China's penetration figure, it is much lower.
- There are some 8 million refrigerators that need to be replaced with the FF ones.
- New technology and features are expected to spur demand. The concept of refrigerators came into being in the early 50s in the form of conventional single-door model with glass wool insulation and with external condenser coils at the back. The concept of frost-free was introduced in the year 1994–95, which was perceived as a big shift in technology. Videocon was the first company to introduce frost-free refrigerators. Since then, competition has intensified in this segment. Now technologically advanced models with newer product features like door-cooling technology, biofresh technology, multi-purpose chillers, reversible doors, door-open alarm, bio-ceramic vegetable boxes, etc. are available in the market.
- The refrigerator is now being viewed by the consumer as an essential appliance.

WHY THE SLOW DOWN?

The important factors that led to the slow down of the industry were:

- After an impressive 8.2 per cent rise in agricultural production in fiscal '99 it recorded a negative growth rate of 1.5 per cent in FY 2000 and FY 2001.
- Price realizations of farmers had been quite poor. This means, there is less disposable income generated in the rural areas.
- Drought and earthquakes resulted in tight money position in the market.
- Price cuts created confusion in the minds of the consumer. It delayed purchases as consumers were anticipating further price cuts. With this view wooing the market, the industry has gone through a spate of price cuts in 2001. The average fall in prices for the refrigerators in the industry has been in the range of 5.6 per cent in the last three years.
- The segment is heavily taxed both by central and state government. The excise duty now stands at 16 per cent.

WINNING SHOTS

- The historical trend seems to indicate only one thing: The need for a decline in prices for an expansion in the market size to materialize.
- Other than this, there are a few avenues. The most important is for the Government to reduce taxes levied on this segment—excise, sales taxes, and import duties. These, however, may come down only over the longer term.
- The other way out is for competitors to band together and agree to a cut in marketing costs. Savings can be routed to reduce the price of the products and expand market size.
- Consolidation of market shares through closures or mergers and acquisition activity is the only way to reduce prices and grow the market at a time when the resource constraint is proving to be a big handicap.

According to NCAER, the penetration of refrigerators in urban areas is expected to rise from 335 per thousand households in 1998-99 to 717 per thousand households in 2006-07. In fact, ownership for refrigerators in urban areas is expected to rise from 16.4 million units in 1998-99 to 43.1 million units in 2006-07 (almost at par with CTVs). In rural areas, ownership of refrigerators is expected to rise from 4.3 million units to 9 million units during the same period. Total demand, however, will see a rise from 3.1 million units per annum in 1998-99 to 5.1 million units in 2006-07.