

The Millennium of Choice - A Case Study

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The marketers would have us believe today that the customer is indeed king (or queen). A manifestation of this is the deluge of offers and freebies that almost assail us daily. 'Buy one! Take one free!' screams a prickly heat powder on one hand whereas a shaving cream package says '30% free!' A soap pack says '4 for the price of 3!' while a coffee powder offers a free sample pack of coconut oil! The poor customer tries his best to make sense of this confusing scenario but the marketer has to devise newer methods of hanging on to his fickle customer or even weaning him away from the competitor. Possibly, very soon, a customer may be given some freebies for just stepping into an outlet!

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Destiny is not a matter of chance; but a matter of choice. It is not a thing to be waited for; It is a thing to be achieved."

William Jennings Bryan

The case which is based on real life incidents is only meant for classroom discussion to drive home & discuss certain marketing concepts. It does not purport to illustrate effective or ineffective handling of business situations. The names of the characters have been changed to protect privacy

The last fifty years have seen a major transformation in the marketing environment in India. The main differentiator of marketing has changed progressively from output to price to quality to service later and now to choice. The Indian environment, being part of the larger global scene, is no exception. The winds of Liberalisation, Privatisation and Globalisation which started blowing through the economy from the nineteen nineties have brought in their wake a plethora of choice for the consumer for virtually every product. It is difficult to believe that in the seventies, there was a

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thriving black market in automobile tyres or that a decade later – in the eighties – the fastest selling scooter had a waiting list of ten years. Current period can thus be called “The Millennium of Choice”.

India has witnessed a sea change as far as economic growth is concerned, ever since the triple headed policies of Liberalisation, Privatisation and Globalisation came into vogue. From what was disparagingly called ‘the Hindu rate of growth’ of about 3 % through most of the nineteen seventies and eighties, GDP growth has acquired such a momentum that today there is a serious debate on how to increase the rate of growth to reach double digits. The changes this growth has brought about have affected virtually every sector of the economy and have led to a burgeoning middle class. The hero of our story, Mr. Sudarshan is a typical representative of this middle class.

Mr. Sudarshan is an engineer. He is in his early fifties and works as a Senior Production Manager in one of the many large auto component companies which dot the bustling metropolis of Chennai in South India. His wife, Vimala, is a graduate. Of her own choice, she has decided to be a homemaker. They have two sons – the elder, Arvind is in the second year of his MBA course at one of the leading B-schools in Chennai after his graduation in Computer Engineering and the younger, Anand is appearing for his school final board examinations this year. The Sudarshans stay in Anna Nagar, an upmarket area in Chennai which is in proximity to the main industrial area near by where Mr. Sudarshan’s place of work is located. His residential area also has access to many leading educational institutions which prompted this family to settle down here.

When the Sudarshans bought a house therein more than two decades back, it was quite different from what it is today. As the area developed, small size shops catering to daily necessities would open first, be it groceries type or vegetables or food items. They were usually family owned, more often than not operated by people from certain communities from Southern part of the State. The owner or his trusted family member would sit at the cash counter and keep a stern watch on proceedings. The interior was often dingy, with dim lighting and not too many electric fans. Self-service was a concept unheard of yet; the customer thus would go to the counter beyond which there would be a bunch of delivery boys, place the order and wait for these boys to locate the material, weigh it if needed and pack it. There was nothing sophisticated about the packing, either. The usual mode of packing material was old newspaper sheets, wrapped around with lengths of string. Though the material being bought could be felt and touched on request, there was no guarantee on the weight. In many shops, the storage area could be seen just beyond the counter. Sighting of this was always not advisable as the customer could get a free congested view of Bills for purchases were

normally not given and if the customer insisted, given very grudgingly. Lest this should give the impression that the entire exercise was customer-unfriendly, it must be mentioned that the owner and his boys would know their regular customers well and remember their usual preferences. If and when needed, credit in the form of monthly billing was also available at these stores.

The increase of population in the area as the city grew started a mini revolution. The locality was always an upper middle class one and to cater to the changing tastes, changed retail formats and started making their presence felt. Even the variety of goods available started changing. Branded clothes, restaurants and eating places, showrooms selling consumer durables and automobile dealerships – all made their appearance in the locality.

It has been one of the fastest growing areas of Chennai metropolis and today, there is hardly any important local or national retailer who does not have a presence here. The variety of shops has led to the Sudarshans increasingly looking at shopping as a family experience, though the children do not always accompany them. As a shopper, Sudarshan, having been brought up in an era when there was not much consumer choice, is a bit conservative. He is a hard core brand loyal and usually resists his family's pressure to try new products or new brands.

One Saturday evening last month, Mr. Sudarshan and his wife decided to go to the nearby supermarket to stock up on groceries and toiletries for the next month. For a change, both their sons decided to accompany them.

The Sudarshans usually patronise a supermarket operated by a Chennai based national chain, which is one of the pioneers in this field. This is despite the fact that within a half kilometre radius of this store, there are seven other comparable stores, some of which are run by national level chains, some which operate only in the State and at least one very good stand-alone local player. The major advantage the store generally patronised by the Sudarshans has is that it has comfortable parking space. Other features which this store has, which its competitors in the area are trying to replicate, are a ramp for the convenience of the physically challenged and senior citizens, a play facility for children with adequate supervision and a take-away offering of very good fast food. On entering the store, the Sudarshans come across a very well lit and properly air conditioned room with very customer- friendly displays and signage, with broad aisles for walking around. There are also uniformed staff present ready to help any customer when asked.

Mr. Sudarshan picks up a trolley and stops at the toiletries section as is his usual practice. Being a creature of habit, he starts taking 6 cakes of the family's regular bathing soap when his wife tells him "Just a minute. Look at this other brand – they have an offer of '6 soaps for 60 rupees'.

This makes it ten rupees each. Right? Our normal soap is, let's check, thirteen rupees each. Just on this one item, we'll save eighteen rupees for the month."

Sudarshan: I'm sure there's something wrong. It's probably old stock or maybe a brand which doesn't sell. Maybe even from an unknown company. How do we know it is good? What if we get some skin disease or something?

Arvind: Come on, Dad, why don't you accept that you don't want to change? The date on the wrapper says that this soap has been made this month – just 10 days ago, in fact. I read in the ET today that it is the single largest selling brand of soap in India this year and ... the same company which makes our old brand makes this one too! Let's try this out this month. Compromise – we'll buy four cakes of this brand and 2 cakes of the old brand for Appa.

S: The offer is only valid, if you buy 6 cakes.

A: No, they also have a 4 pack for forty rupees.

S: Okay, but I am sure we are going to regret it. What next – prickly heat powder? I'll pick up two tins of our usual brand.

Just then the younger son, Anand speaks up.

Anand: Hey, everybody, just check this out. This new brand of prickly heat powder has a great offer – 'Buy one! Take one free!' Sixty four rupees for two which makes thirty two rupees each. Mom, how many packs do we use each month and what does our regular brand cost?

Vimala: We use two packs of 150 grams each and each costs forty six rupees.

Anand: So just on powder, we'll save forty six multiplied by two which is ninety two minus sixty four – twenty eight rupees. I can have two plates of my snack at the shop in the premises for that money.

Sudarshan: Oh why don't you kids realise that money is not everything? This is an unknown company. We don't even know what they have filled the pack with.

Arvind: Relax, Relax. You would trust a company with ISO certification wouldn't you? Well, this company has ISO 9000. Let's try this out this time, please.

Sudarshan: You kids seem bent on changing me totally this month! Next time onwards, I should stop you from coming with me! Let me at least pick up my shaving cream in peace.

Mr. Sudarshan browses through the shaving cream shelf when a bright poster catches his attention. '30% free with xxxx shaving cream – pay for 70 grams, get 100 grams!' He does the calculation automatically and reckons that this tube will give him almost 50 % more shaves for the same price. He looks up and sees his two sons grinning at him. They tell him "Go ahead, Dad. Join the gang!"

Sudarshan grins back at them and without saying anything puts the tube of the cream with the offer into his trolley. Of course, being the man he is, he feels a twinge of regret at having ditched his old brand of 30 years. He now joins Vimala at the groceries and foods section. They look at each other and without saying a word, smile and change their brand of coffee – all because another brand is offering a freebie of a 50 ml. container of coconut oil. Feeling his balding pate ruefully, Sudarshan decides he will not have to buy coconut oil separately!

Now that the family realises that there are so many offers available, including some combination offers from the supermarket itself, they do not buy a single item at full price! When they reach home, they tote up the value of what they have saved monetarily and Sudarshan is astounded to see that on their monthly bill of around 1500 rupees on groceries and toiletries, they have actually saved almost 10%! This sets him thinking and a host of questions swarm about him - 'How do companies which give these offers make money?', 'Do they compromise on quality?', 'Do customers switch every time there is an offer?'....

Being a man with a logical bent of mind, he decides he has to find answers to some of these questions and the best source for that he feels would be his friend Roy Jacob, who is the GM-Sales in one of the largest FMCG companies in India. In fact, almost all the products Mr. Sudarshan has hitherto been using are made by this company. Being a bit old school, Mr. Sudarshan does not like forsaking old loyalties and his buying a lot of new brands leaves him with a twinge of regret!

Next weekend, he gets a chance to catch up with Mr. Roy Jacob at the club at which both are members.

Sudarshan: Hi Roy! Long time no see! What have you been up to?

Roy Jacob: Hi Suds! I am running around the countryside trying to make my living by making guys like you buy my soaps and creams. Hey! Why do you have such a guilty look on your face?

S: I have changed my brand of toothpaste and shaving cream and soap and coffee powder – no longer your company's brands!

RJ: Hey what will we do without people like you? People like you who haven't changed for thirty years are those who are propping us up. What will we do now? Why did you change, anyway?

S: Your competitors had much better offers. By switching, I saved 10 % of my toiletries and groceries bill this month?

RJ: Valid point, boss. Each month, a new guy comes with a new offer on a new product. My margins are getting shot down terribly, I am losing customers like you by the droves, the customer is allegedly happy ... I don't know.

S: I thought I'd get some answers from you to the questions I have but you are confusing me even more!

RJ: What can I do, my friend! I read an article by two professors in an academic journal where they called this period "The Millennium of Choice". I'd prefer to call this The Millennium of Consumer Confusion!

Mr. Sudarshan still does not have an answer to his questions!

1. Would companies be able to give these offers continuously?
2. Is price the only stimulus to which customers react?
3. How could a marketer work on retaining consumers in such a scenario?

EXPLANATORY NOTE

This case is meant for classroom discussion and aims to sensitise students to the flip side of unbridled consumer choice.

The authors feel that students of management and marketing should also get into the skins of marketers to realise the impact on organisations of brand proliferation and a continuous stream of offers by competitors. Shrinking margins, fickle customers and aggressive channel members are only some of the issues which are coming to the fore today. It is only apt that students are aware of such issues before they get into the big bad world.
