

Tata GoldPlus: The Success Story of the 'Nano' of the Jewellery Market

Anu Singh Lather and Puja Khatri

Case Analysis I

Srabanti Mukherjee

Visiting Assistant Professor
Indian Institute of Management, Indore
e-mail: srabanti.mukherjee9@gmail.com

Ramendra Singh

Assistant Professor
Indian Institute of Management, Calcutta
e-mail: ramendra2005@gmail.com

Introduction

The case pivots around the clichéd concept of mismatch between the positioning strategy of Tata-Gold coupled with the perceptual and attitudinal biases of the target market. Tata GoldPlus was a unique bottom-of-the-pyramid intervention from the Indian business tycoon, Tata. The Case offers an insight into how, after the "Not for me" brand initiative like Tanishq, Tata decided to specifically target the middle income, lower-middle income, semi-urban and rural household, from where 60 per cent of the gold business in India was generated. However, given the consumer perception of gold as 'future financial security for the brides' or 'Stridhan,' the BOP (Bottom of Pyramid) customers were a bit skeptical to choose high-end designer jewellery. They were even more doubtful to rely on any other retailers than their family jewellers. First, the designer jewellery call for higher making charges. Secondly, the government has already imposed compulsory hallmarks for all kind of jewellery, so, the 'purity' as a unique selling proposition, may not have any significant impact. Secondly, while targeting the low-income and rural segment, appropriateness of the communication initiatives like the 'heavy-weight' gold bangle or the promotion by mailing the photographs, were indeed questionable. Third, the diverse Indian market with the Northern states preferring the diamond-studded jewellery, and the Southern states liking heavy solid gold jewellery called for massive customization, in turn leading to thin margin. However, the customers (even rural) look for unique and stylish jewellery, but the perception about 'style' varies largely across the rural and urban segment, the North and South India. Fourthly, though the middle class and the BOP customers have a fascination for gold, this huge market potential is largely inclined towards the local goldsmiths. Moreover, the regional brands were coming up with an extensive range of changing designs, sales promotion offers and thereby, posed a tough competition for the nationally branded organized gold retailers. Further, the analysis from the market research reports demonstrated that, in contrast to the BOP segment's perception about gold purchase primarily as an investment decision; there existed a significant negative correlation between the investment as gold purchase objective

The current issue of *Vikalpa* has published a Case titled "TATA GoldPlus: The Success Story of 'Nano' of the Jewellery Market," by Anu Singh Lather and Puja Khatri. This Diagnoses features analyses of the Case by Srabanti Mukherjee, Ramendra Singh, Dinesh K Gupta, Smriti Sood, Karamjeet Singh, Vinay Sharma and Rajat Agrawal.

and intention to buy gold from Tata. Therefore, the apparently alluring BOP market was not bed of roses for Tata GoldPlus which was confronted with multiple challenges in the gold market.

The Context

Tata, the Indian business major, formed in 1868, initially focused on seven major business sectors, viz, communications and information technology, engineering, materials, services, energy, consumer products, and chemicals. In 1984, Tata joined hands with the Tamil Nadu Industrial Development Corporation to establish Titan industries. Titan industries gradually emerged as the largest selling and best-known manufacturer of personal accessories ranging from watches to prescription spectacles. As a part of diversification, in 1995, Titan entered the jewellery business with its well-known brand Tanishq. The company soon realized that Tanishq was perceived as a premium urban brand amongst the Indian customers.

Therefore, given the 60 per cent of the unorganized gold jewellery market at the bottom of the pyramid, the Future Shock initiatives of Tata evolved with a classic intervention, namely 'GoldPlus' in 2004-2005. After the success of the pilot projects in Erode in Tamil Nadu and Ratlam in MP, the company finally launched the brand at Bheemavaram and 15 other places across Tamil Nadu, Madhya Pradesh, Andhra Pradesh, and Maharashtra. The brand performed up to expectation in these regions, but the company almost immediately realized that the fortune was at the bottom of the pyramid; therefore they needed to cater to the smaller towns and villages. The context of such intervention from company perspective was even more alluring given the projection of growth trajectory in the rural market for the next five years (\$11.4 billion in the market price at that point of time).

However, the following characteristics of the middle income and the BOP market in India posed serious challenges for the Tatas, to call their GoldPlus initiative a path-breaking success.

- The bottom-end jewellery market was highly fragmented, unorganized, unprofessional, and unscrupulous.
- Gold was purchased as '*Stridhan*' at the time of wedding and for future investments in turbulent situations (all gold were of 22 carats purity). Therefore, the

demand for jewellery was seasonal pivoting around the Diwali and wedding seasons.

- Given the low awareness level of purity, transparency, or quality of the low-end customers about gold, the local goldsmiths are socially and economically bonded with them across generations.
- Recycled gold constitutes almost 30 per cent of the jewellery market.
- Perception of design and style largely varies across the geographical segments
- Given, the growth phase of the said market, new entrants like Gitanjali, Adora, Cimme, Kisna posed serious price and design competition to GoldPlus. Besides, the local brands were also coming up with a wide price range and packages along with a variety of designs.
- There exists significant negative correlation between several gold purchase parameters and selection of GoldPlus as an alternative.

To overcome these challenges, the company opted for various strategies. The pros and cons of these strategies, are discussed in the next section.

Marketing Strategies at BOP: A Critique

In the subsequent section, we discuss a few key propositions that Titan should consider for fine-tuning its market strategy for rural and BOP segments:

- Goldplus as a brand should denote a meaningful value to semi-urban and rural customers. Therefore, to say that GoldPlus is targeted at BOP is strictly not correct, since BOP may not be able to afford gold or gold jewellery. The questions that customers in Tier 2, Tier 3, and Tier 4 towns and villages would ask themselves is: What does GoldPlus stand for? This question is essentially one of positioning the GoldPlus brand in the minds of the semi-literate and not so sophisticated customers, who think very differently from the urban customers who are being targeted through Tanishq brand. Titan cannot afford to think GoldPlus merely as Tanishq's poor cousin. It is as much an aspiration brand for its target segment as is Tanishq for urban customers.
- While gold is still a multi-faceted product in India (a combination of a commodity used for jewellery, a safety net for rainy day and a *Stridhan* for the daugh-


ters), the rural customers – as many rural marketing companies have recently discovered – can be equally or even more discerning than their urban counterparts. Since purity is important for customers, it is no longer a viable differentiable positioning strategy as Titan found to its dismay. Therefore, rural customers need much more beyond trust (in the retailer as well as the product).

- The fact that rural customers incur higher transactional costs to buy gold (they go to nearby city to buy gold) shows that it is indeed a high involvement and an emotional purchase situation where almost all women in the family play a very important role in the buying cycle. So, one of the important positioning elements for Titan would be whom to target. Should they target the daughter who will inherit the gold during her wedding, or the mother who buys for her daughter? Alternatively, should it be the father who pays and looks forward to gift it to his daughter on her wedding. The purchase of gold in India is also intricately linked to the social custom of dowry, where gold is an integral component of dowry; when a daughter gets married, dowry accompanies her to her new home.
- Given the liberalization in the customs and traditions of the Indian society (and even rural and BOP households), will purchase decision for gold change in near future, or will it remain the same? That would be an important question for Titan for determining its future strategy for Goldplus.
- Pricing would be one of the most critical questions for sustainability of the GoldPlus brand given the price-sensitive nature of these segments as well as the low margin game that Titan is currently involved in. Packaging is another related concern. Rural customers are habituated to buying most household goods (such as grocery, food items, etc.) in loose, or in small-sized packs. So, can Titan do with GoldPlus, what CavinKare did with Chic Shampoo sachet? Also, the Tata name made customers perceive the price of GoldPlus to be higher than a similar product from a traditional jeweller. Can Titan change this perception? Moreover, Titan was associated more closely with gold than diamonds, and that perception too needed a makeover.
- The important question is: What would be the product form for the market segments – designer jewellery,

traditional jewellery, gold biscuits, gold coins, or something else?

- Another important concern is the growth of the gold market in these segments. Currently, these segments constitute 60 per cent of gold consumption in India or almost 480 tonnes annually. What would be the key to growth in future? Will it be customization? Given the diversity of choice in the North and the South, what should be the level of customization? Will customization increase input costs for Titan and further erode its profitability? So, the related question can be, should Titan control the extent of customization that it wants to offer to its customers? Would this mean more localization, and more co-creation of designs with customers?
- The nature of retail formats for these target segments is also another point to ponder. Rather than copying the Western models of franchisee, can distribution and retailing of GoldPlus products evolve its own retail formats that resemble the traditional neighbourhood jeweller? If yes, how should Titan go about it? Can Titan add value to the rural and semi-urban customer as a retailer, over and above as a gold jeweller? Can it match the local services and close relationship of a traditional goldsmith that has existed in the Indian society for ages?

Conclusion and Recommendations

The case raises a very pertinent problem of mismatch between the positioning strategy of the company and the supporting marketing mix for the company. Tata Gold plus was really taking the risk of adopting a top-down approach for the bottom-of-the-pyramid. What Gold Plus should look for is the need-based segmentation instead of just geographic segmentation. The survey was conducted only on the customers. Nonetheless, in order to follow a bottom-up approach, the viewpoints of the local goldsmiths should also be taken into consideration. Given the taste and preference pattern of the target segments, a careful analysis may be done to see whether the traditional goldsmiths can be incorporated in the integrated system to ensure value co-creation chain involving the three major entities concerned (the Tata GoldPlus, customers, and local goldsmiths). So, Titan has to tread a careful path for not everything that glitters is gold! 

Case Analysis II

Dinesh K Gupta

Professor
University Business School
Panjab University
Chandigarh-160014.
e-mail: dkgupta@pu.ac.in

Smriti Sood

Professor
University Business School
Panjab University
Chandigarh-160014.
e-mail: smriti@pu.ac.in

Karamjeet Singh

Associate Professor
University Business School
Panjab University
Chandigarh-160014.
e-mail: krjsingh@pu.ac.in

The Case relates to the successful introduction of TATA GoldPlus brand of jewellery in the semi-urban and rural markets of Southern India. The company is toying with the idea of penetrating the North Indian market and invites certain actionable strategies for the same. In this context, the Case has been analysed on the basis of Strengths, Weaknesses, Opportunities and Threats (SWOT), and Product, Price, Place, and Promotion (4P's) frameworks.

The deposits of gold, which equal more than half of the US GDP, are limited. Till date more than half of all the recoverable gold has been mined. It has been estimated that the world's gold reserves are sufficient to feed one ounce of gold to each member of the total world population¹.

India has a large market for Gems and Jewellery with a future scope of growth. It comprises of various kinds of precious metals like silver, gold and platinum, variety of gem stones and diamonds. RNCOS, a leading market research and information analysis company, in its report on *Indian Gems and Jewellery Market Forecast to 2013*, has projected an annual compound growth rate of 13 per cent during 2011-13².

The jewellery market in India is segmented among branded players, big family/regional players and small fragmented players. Of these players, 96 per cent of the market is held by the unorganized sector comprising individual/family jewellers³. The business of these jewellers is driven by relationship. They offer poor shopping experience, unsure quality, and lack of transparency. Further, the income levels of urban and rural India have grown considerably over the past decade and the gap in the expectations and aspirations of the two has decreased.

As per the 2009 estimates of the World Gold Council (WGC), quoted in the case study, Rural India's per capita income has increased by 17.9 per cent to Rs. 54, 835 in 2010-11 from Rs. 46, 492 in 2009-10⁴. The average net worth of the Indian household is expected to grow from US\$ 12,000 in 2007 to US\$ 57,000 in 2017. The annual household income in the top 20 Indian cities is projected to grow by 10 per cent over the next eight years. India's urban population is expected to grow from 30 to 40 per cent by 2020. The population of high net worth individuals' in India is expected to treble from 2008 to 2018⁵.

The jewellery in India is crafted by using gold as prime raw material. The demand for gold has grown by 25 per cent despite a 400 per cent price rise of gold in the decade ending 2010, thus indicating clearly that India is the key driver of global gold demand which is expected to increase by over 30 per cent in real terms⁶ by 2020.

According to the Investment Commission of India projections, by 2014, the total Gem and Jewellery industry will acquire a size of US\$ 30 billion. By 2015, Gold and Diamond Jewellery segment will account for 82 per cent of the total Gem and Jewellery market.⁷

TATA GOLDPLUS

The House of Tatas, a conglomerate, enjoys its own brand equity. It is known for delivering to the consumer what it claims. It diversified into jewellery under the brand 'Tanishq' in 1995 to capitalize on fragmented market

1 Moore, Tara, "Gold Rush," *Fortune*, June 13, 2011, p. 10.

2 <http://www.ibef.org/industry/gemsjewellery.aspx>. Retrieved on August 8, 2011.

3 *Ibid.*

4 http://articles.economictimes.indiatimes.com/2011-05-31/news/29604458_1_capita-income-national-income-economy-at-current-prices. Retrieved on August 17, 2011.

5 *World Wealth Report 2009*. Available at http://www.capgemini.com/insights-and-resources/by-publication/2009_world_wealth_report. Retrieved on August 17, 2011.

6 World Gold Council, *Press Release*, March 31, 2011. Available at http://www.gold.org/media/press_releases/archive/2011/03/gold_demand_in_india. Retrieved on August 9, 2011.

7 <http://www.indiaonline.com/Markets/Company/Fundamentals/Management-Discussions/Shree-Ganesh-Jewellery-House-Ltd/533180>. Retrieved on August 17, 2011.

operating with no brands in urban cities. In 2005, it launched its second jewellery brand GoldPlus to cash in on the opportunities in small towns and rural areas. As 40 per cent of the 800 tonnes of gold consumption is accounted for by the Southern states of India (as per the case study), GoldPlus was initially launched at Bheemavaram and at fifteen places across Tamil Nadu, Madhya Pradesh, Andhra Pradesh, and Maharashtra and was received well in these states. As per the Case, the Indian jewellery market is pegged at about 1,00,000 crore. Currently, this market is dominated by small mom and pop jewellery stores which are local in nature.

The gold market in India is governed by culture, traditions, and religions, and is an inseparable part of our belief system. Normally, gold is bought during wedding and festival seasons. Apart from this, gold is also bought for gifting and investment purposes. Over the years, the gap between the expectations of the urban and rural consumers has narrowed. Consumers at large seek wide variety on all occasions, purity, discounts, affordable prices, trust and good retailing experience. Despite some known branded players entering this market, the gold jewellery business is still fragmented. The small players offer traditional designs and are able to provide jewellery based on the trends picked up from the cities but often practice under-caratage, and follow inconsistent pricing practices. This leads to an identifiable gap between the expectations of the market and what they are offered, indicating scope for potential market in the semi-urban and rural areas. As on date, GoldPlus being a fairly new brand, is operating at thirty locations and does not have a substantial market share. But if we compare the markets in which GoldPlus operates, it competes with over 10,000 big and small jewellers and has an average share of more than 20 per cent which indeed is an achievement. Experts in the field of gold jewellery business project significant increase in the size of the rural jewellery market in the next five years.

India is the largest gold consuming country in the world followed by China and the Middle East. Sixty to seventy per cent of the jewellery is sold during the wedding and festival seasons as cited in the case study. The period during which the gold jewellery sells in India is between October and November which marks the major Indian festivals and the wedding season. During the weddings, gold is gifted to the daughters as *Stridhan* to serve as a post-marriage security and hedge against any eventual-

ity which may crop up in the lifetime of a woman. According to the Indian belief, receiving and giving gold is considered auspicious. In addition, gold is also an integral part of many traditional healing systems, like, *Ayurveda*, *Unani*, and *Tibetan* medicine systems.

Swot Analysis of Tata Goldplus

SWOT Analysis is a strategic tool which helps an organization to identify its strengths and weaknesses amidst the opportunities and threats prevailing in the environment. The development of this tool has been enriched by Andrews⁸ and Ansoff⁹. Figure 1 depicts the SWOT analysis of GoldPlus.

Strengths

Tata is an established brand name with a trusted image which has subsequently become generic in nature. Tanishq – a Tata brand of jewellery – has already created a niche for itself in the urban jewellery market particularly in the Southern part of India, which accounts for 40 per cent of India's gold consumption. GoldPlus is an attempt to replicate the strengths of Tanishq in terms of purity, certification, transparency, and rendering rich customer experience in the semi-urban and rural Indian market. Because of the price-sensitive nature of the market, GoldPlus uses cost leadership strategy in order to capture semi-urban and rural market. In line with this strategy, GoldPlus enables its customers to exchange old gold jewellery at a very nominal exchange rate, and buy new jewellery in quantity as small as one gram.

GoldPlus has already captured 20 per cent of the market share of the South Indian market in its first five years of operation and thus has gained the first-mover advantage. It operates in an organized, professional, and scrupulous manner through well-trained and motivated front-line staff which is subjected to 'mystery audit' from time to time in order to find gap(s) in the customer service. It employs innovative and unconventional methods of promoting gold jewellery and offers to its customers wide range of finely crafted jewellery at reasonable prices.

It employs the franchisee model to cash in on the prominent local jewellers' network and gains a better under-

8 Andrews, Kenneth R (1987). *The Concept of Corporate Strategy*, Homewood: Richard D. Irwin.

9 Ansoff, H I (1965). *Corporate Strategy: An Analytical Approach to Business Policy for Growth and Expansion*, New York: McGraw-Hill.

standing of and contact with the local customers.

In line with Tata's corporate social responsibility initiatives, GoldPlus has contributed in certain social welfare activities which will further strengthen its image and help it to expand its market share.

Weaknesses

GoldPlus is a relatively young brand having presence only in South India. Being a part of the Gem and Jewellery industry, it is capital-intensive and low-margin business. Further, it does not offer liberal credit facility to its customers as given by the local jeweller.

Threats

Besides the already established unorganized sector, GoldPlus also faces competition from other Indian manufacturers and foreign players of branded jewellery in semi-urban and rural areas. Because of the rising price of gold, it is getting out of reach of the rural low-income group and silver is becoming a potential alternative. As far as the upper and middle income groups are concerned, diamond poses a threat to gold jewellery in these areas. Customers still blindly trust the traditional family jewellers, who provide them unsecured credit and offer loan against gold ornaments in the hour of need.

Opportunities

There is a substantial rise in the disposable income of the rural and semi-urban India as is evident from the recent consumption patterns of various luxury items. The psyche of the older generation is to buy yellow metal as a long-term investment instead of immediate use. Therefore, their emphasis is more on purity of gold. The earning younger generation, which is rising in number, is of the view that the gold is meant to be worn as a tool of enhancement of personality and prefers finely crafted jewellery, light in weight with modern and trendy designs. Another opportunity which can be tapped by GoldPlus is to consider the unexplored men-segment. The existing players in the market are fragmented and low on transparency.

The government has initiated the promotion of gem and jewellery industry across India.

There is a large untapped market for branded jewellery in North India where the consumer has a better capacity to pay. In due course of time, they have become more value- and brand-conscious as a result of easy access to information and exposition to branded jewellery. The basic nature of the North Indians is to exhibit their material possessions as a symbol of their status. Jewellery helps them achieve this objective.

Figure 1: Swot Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Tanishq, a niche in urban jewellery market • Largest market share in South India • Established brand name • First-mover advantage • Cost leadership • Superior craftsmanship • Innovative marketing strategies • Professional and scrupulous practices • Well trained and motivated front line staff • Wide range at varying prices • Established franchisee model • Age-old tradition of CSR practices 	<p>Opportunities</p> <ul style="list-style-type: none"> • Rise in disposable income • Emergence of three distinct market segments • Government initiatives • Untapped market in North India • North Indians flaunt material possessions • Changing preference of customers
<p>Weaknesses</p> <ul style="list-style-type: none"> • Major presence only in South India • Capital intensive and low margin business • No credit facility • Limited outlets 	<p>Threats</p> <ul style="list-style-type: none"> • Growing competition from other Indian manufacturers and foreign players • Trust in traditional family jewellers • Rising price of gold • Silver and diamond as potential alternatives • Presence of a large unorganized sector • Unsecured credit and loan by local jewellers

The traditional jewellers are successful in retaining their consumers purely on the basis of perpetual relationship. Their *modus operandi* is to sell impure gold jewellery under the garb of pure jewellery. When a consumer who had reposed full trust and faith in his family jeweller, through some means finds out that he is cheated and approaches the vendor, the latter in turn offers to buy back the jewellery at current gold price. This reduces the dissonance among the consumers. In the process, the jeweller earns consumer loyalty and continues to sell impure jewellery. Thus GoldPlus has an excellent opportunity to gain the trust of customers by positioning on purity and transparency planks.

Actionable Marketing Strategies for Tata Goldplus

The focus of Tata GoldPlus is to capture semi-urban and rural markets. They have gained a significant market share in Southern India in a short span of time. However, due to increase in the income level of rural and semi-urban masses along with change in mindset and awareness level, there is a scope of expanding its base in untapped Northern and Western India. In order to suggest a marketing strategy framework for Tata GoldPlus in North India, the following analysis has been made as per the 4P framework propounded by McCarthy¹⁰. Figure 2 summarizes the proposed marketing strategies for GoldPlus.

Product

Gold jewellery is a high involvement, infrequently purchased, and high-priced product. Consumers buying jewellery entrust the jewellers with their dreams and hard-earned money. So, the choice of jewellery is an issue. It is bought for a number of purposes including investment, marriage, festivals, and gifts. The customers like to check on various criteria like purity, weight, price, craftsman-ship, and variety in designs. There is a rising demand for fashionable daily wear items, light weight and innovative designs. GoldPlus should be positioned on the basis of purity, affordability, and transparency. In order to attain this, GoldPlus should develop low-cost new designs on a continuous basis keeping in mind the local tastes and customs of North India. It should take advantage of the already established image of Tanishq brand of jewellery by positioning itself on the plank of purity and low cost.

Packaging is a strong marketing tool for promoting jewellery. The red and golden jewellery box with blue Tata logo will build confidence and promote the brand. It should be accompanied by a certification regarding purity (in terms of percentage, fineness, and carat), weight, buy-back guarantee, and regular free-cleaning service.

In order to cater to different segments of the market, GoldPlus should come out with separate product lines for women and men.

For the women's segment, there can be a number of product lines. For occasions like marriage and festival, the product line should contain heavy ornamental jewellery. To cater to the working women segment, the jewellery offered should be light in weight and trendy. For non-working women, the jewellery offered should be of such designs which are easily maintainable.

In the rural areas, it is considered auspicious to purchase jewellery for men. GoldPlus can explore the potential opportunity of entering the men's segment by offering them products like *kara*, bracelet, ring, chain, and pendant.

For the purpose of investment, gold coins and bars of varying grammage can be thought of. In order to encourage online sale, various designs of jewellery, along with price, should be displayed on the company website. For this purpose discount can be offered especially on auspicious occasions like *Akshaya Tritiya*, *Dhanteras*, *Deepawali*, *Gurpurab*, etc., and the wedding seasons.

Price

As suggested earlier, GoldPlus should penetrate the market by following cost leadership strategy. In order to implement this strategy, it is necessary to better understand its cost. Primarily, there are three components of cost of gold jewellery, viz., acquisition cost, conversion cost, and carrying cost.

Eighty-eighty-five per cent of the total cost of jewellery is comprised of the acquisition cost of gold which is dependent on highly volatile market forces and is virtually impossible to control. The Reserve Bank of India prohibits direct import of gold. It can be imported only from the overseas suppliers who are members of the London Bullion Market Association (LBMA) through nominated agencies which include foreign banks, nationalized banks, and a few public sector undertakings including the Minerals and Metals Trading Corporation (MMTC) and the

10 McCarthy, E Jerome (1960). *Basic Marketing: A Managerial Approach*, Homewood: Richard D. Irwin.

State Trading Corporation (STC). The nominated agencies have Associate Dealers, who reach the jewellers through a number of intermediaries further in the channel. GoldPlus is an Associate Dealer. The family jewellers, who operate in the unorganized sector, do not have the advantage of back channel, i.e., acquisition of gold from the nominated agencies. So, GoldPlus should leverage this opportunity by using prudence in acquisition of gold. The overseas suppliers keep gold in the vaults of nominated agencies on 'consignment basis' with 'unfixed price'. An Associate Dealer spells out his specific requirement to the nominated agency, which in turn asks the overseas supplier to quote the price which is finally charged to the Associate Dealer on 'outright basis.' In this mode, gold costing is done on the ongoing rate of gold in the international market multiplied by prevailing US\$/Rupee rate, and the custom duty, local duties (VAT, etc.), and handling charges of the nominated agency are added to arrive at the acquisition cost of gold.

The highly volatile market offers opportunities to the Associate Dealers to financially engineer the transaction of import of gold. This arrangement is solely available to the Associate Dealers and should be leveraged to earn higher profit margin. As per our observation of the international trends, currently, the US\$ lending rate in the international market is very low in comparison to the much higher deposit rate in the Indian market. This offers an excellent opportunity to the Associate Dealers to financially engineer the transaction of import of gold *vis-a-vis* unorganized players to reduce the cost of acquisition. It is proposed that GoldPlus directly, with the help of its bankers, makes a financial arrangement with the nominated agency to import gold on the Letter of Credit (LC) basis. Under the proposed arrangement, the overseas supplier of gold can be paid in foreign currency on 'outright basis' by arranging a foreign currency loan at the London Interbank Offer Rate (LIBOR). The repayment of the foreign currency loan can be deferred upto 180 days as per the existing rules of Foreign Exchange Management Act (FEMA). Further, to avoid any open position of the foreign currency loan *vis-a-vis* Rupee, a forward contract for the equivalent tenure should be made. The Rupee funds arranged for the purchase of the gold can be kept with the bank at ongoing deposit rate in the form of term deposit for the equivalent tenure of the foreign currency loan. Upon maturity, foreign currency loan can be paid from the proceeds of the term deposit. As per the prevailing US\$/LIBOR rate, the

forward premium rate, and the deposit rate, GoldPlus can reduce the cost of acquisition of gold through this 'arbitrage process' by 1.5-3 per cent which turns out to be a significant amount for an organization which is following cost leadership strategy.

The cost of conversion, i.e., cost of workmanship, can be controlled by centralizing the fabrication facility and mechanization, which will lead to economies of scale and will also save the incidence of Central Sales Tax by 1 per cent.

The cost of carrying jewellery can be reduced by classifying inventory into fast-moving and slow-moving categories, and taking necessary steps to substantially reduce the stock of slow-moving items.

In addition to this, a relatively low price of real estate in semi-urban and rural areas will reinforce the cost leadership strategy.

Agriculture is the main source of income of the rural population. The rural customer aspires to buy high value goods but has the capacity to pay only after the harvesting season. Further, his mindset is not to be under debt. In the light of this, it is suggested that the credit policy should be designed keeping in mind the harvesting cycle of major crops.

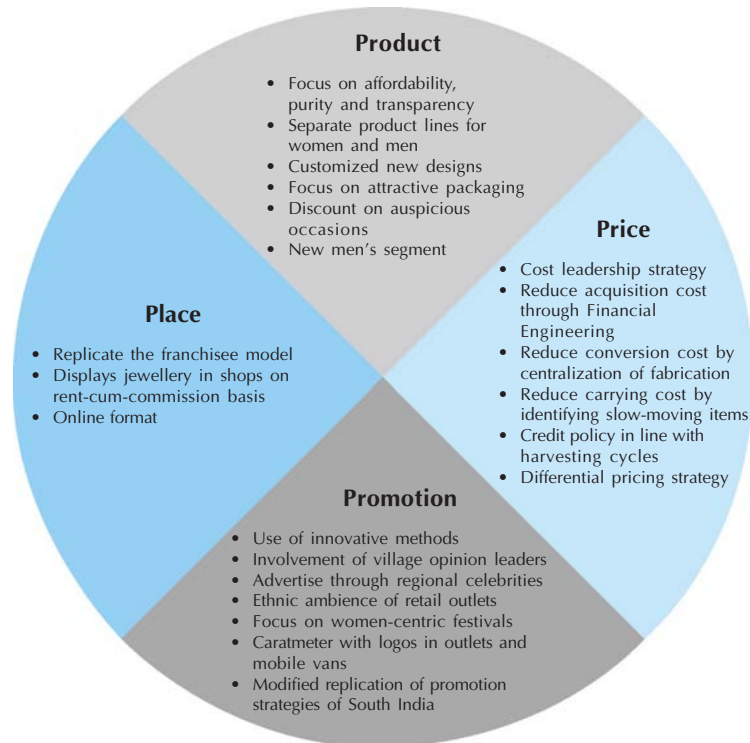
The traditional jewellers follow the practice of including, in the final price of jewellery, a fixed labour charge on per gram basis, whereas logically, the labour charges should be directly related to the intricacy of designs requiring higher dexterity in workmanship. The existing mechanism of price-setting by traditional jewellers does not take this aspect into account. Instead, they base the labour charges on the weight of jewellery. This gap can be plugged by GoldPlus by employing a differential pricing strategy.

Place

The company should replicate the franchisee model of distribution in setting up its own outlets in North India. Wherever it is not possible to set up their own outlets, arrangements of displaying GoldPlus jewellery in the local jewellery shops and malls can be made on rent-cum-commission basis. The jewellery can also be sold using the online format.

As already suggested, GoldPlus should set up a centralized jewellery fabrication facility in North India. This

Figure 2: Marketing Mix Strategies



will also help in reducing the logistics cost.

Promotion

In addition to the conventional methods of selling gold, innovative methods, such as use of video vans, screening of movies in local languages, and sponsoring of community functions, festivals and *melas* should be adopted to create awareness among the masses regarding purity, affordability, and variety of attractive designs of jewellery. Some of the women-centric prominent festivals celebrated across North India are: *Teej*, *Karvachauth*, and *Ahoi*. These festivals provide a promising opportunity for GoldPlus to promote their brand and products. In order to promote GoldPlus brand, mementoes should be given to those persons who have excelled and contributed in the field of cleanliness, health, education, sports, etc. To identify such persons, the services of influential villagers and members of village *panchayats*, who can act as opinion leaders, can be utilized.

Banners and hoardings should be installed at prime locations including places of worship, educational institutions, crossings, and prominent means of public transport. Further, mannequins can also be used to display jewellery in GoldPlus outlets.

The company retail outlets should have ethnic ambience to make customers feel at home. Even refreshment corners can be set up in the outlets, catering to the palates of the local customers. The actual and potential customers should be attended to by courteous and pleasant frontline staff that belongs to the local area and is conversant with local customs, traditions, and dialect.


Caratmeter, a device which checks the purity and weight of jewellery, should be installed in all the outlets which also display the name and logo of Tata and GoldPlus. The use of this facility may be extended free of cost to anyone who is desirous of establishing the purity and weight of the jewellery he owns. Further, Karatmeter should be installed in the mobile modes of promotion like vans.

Regional celebrities should be involved as brand ambassadors in advertisement and promotion campaigns to promote the brand. The strategies for the promotion of GoldPlus employed in South India should be suitably modified and applied in the North Indian market.

CONCLUSIONS

Customers have begun to treat jewellery as a mark of identity. As a result, there is a gradual shift in the preference

of customers from the traditional to the branded jeweller. The analysis of the Case presented above has used the age-old and tested tenets of strategy formulation which focus on critically examining strengths and weaknesses of GoldPlus within the broad framework of the prevailing environmental opportunities and threats. Based on this, some marketing strategies in terms of 4P's have been suggested to successfully penetrate the North Indian market. Of these, some prominent ones are: Introduction of separate product lines for the sub-segments within the

women's segment, creation of the new men's segment, cost leadership strategy supported by financial engineering of the transaction of import of gold, centralization and mechanization of jewellery fabrication facility, formulation of credit policy in line with harvesting cycles, display of jewellery in shops on rent-cum-commission basis, focus on women-centric festivals, and installation of caratmeters having the logos of Tata and GoldPlus in the stores and mobile vans. 

Case Analysis III

Vinay Sharma

Assistant Professor
Department of Management Studies
IIT Roorkee
e-mail: vinayfddm@iitr.ernet.in

Rajat Agrawal

Assistant Professor
Department of Management Studies
IIT Roorkee
e-mail: rajatfddm@iitr.ernet.in

Titan Industries, a Tata Group company, has introduced a new brand of gold jewellery "Gold Plus" targeting rural and semi-urban market. This brand is positioned for those customers who consider the existing Titan jewellery brand, Tanishq, beyond their reach. The Case presents some typical characteristics of the targeted market as follows:

- These customers are potential buyers of gold jewellery but have resistance to purchasing premium brands like Tanishq.
- The size of the targeted market is 60 per cent of the overall Indian gold market.
- These customers have a strong bonding with their local family jewellers.
- The demand of targeted market is currently fulfilled in an *unorganized, unprofessional, unscrupulous, and fragmented* manner.
- Customers of this segment have varied expectations from jewellers ranging from jewellery for all occasions, purity, discounts, affordable prices, trust to good retail experience.

Titan considered this segment as a good business opportunity which can be served with GoldPlus by using Tata's brand strength to offer standardization, purity, and better retail experience.

The Case is analysed with a perspective of business development, brand development as well as designing of distribution network. The analysis of the Case is done with a viewpoint of Mr. L Natarajan, V P GoldPlus as he is responsible for the key decisions with reference to business and brand development.

The time context of the case is year 2004-05, when the organization thought of capitalizing upon the target market decided for GoldPlus.

The Case does not mention much about what was the scenario in that particular year in relation to the market, Tata's own production, investments, plan, plan outlay, prices, and the future pricing perspective. Nevertheless it was an era that was good for gold because prices were rising and people were buying, and therefore the market had to grow.

As mentioned, the objective of Tata GoldPlus is to build a distinct market, while enhancing the market share. However, the central problem for the brand was a highly localized market where customers preferred to purchase gold from family jewellers. Secondly, people are secretive about buying gold.

Statistics support several clues associated with reference to peculiarities of this market but some fundamental paradoxes are worth mentioning:

- Most of the Indians like to possess gold, even if it is purchased with investment perspective.
- They mortgage or sell it in case of emergency and want good price but more than that immediate cash, plus a chance of regaining same ornaments if possible.
- Not many people wish to get their purchases accounted for although they want written guarantees and probably this is the reason that they rely on their family shops and goldsmiths.

It is a matter of concern that Tatas cannot oblige the customers in such situations in terms of allowing unaccounted business or initiating mortgages.

Case Analysis

Design of Distribution Network

There is a fundamental flaw in the franchise model, because the competitors might not let the brand develop as they want as they themselves would have to sell their products and GoldPlus cannot fully bring returns to their investment and cater to their market in one go.

The competitive strategy of GoldPlus is not in sync with the supply chain strategy. The success depends on matching of the supply chain strategy with the competitive strategy. The competitive strategy of Gold plus is based on purity at affordable prices. The Case highlights some of these issues which Tata recognized as an opportunity to enter into this segment. Now using local jewellers to distribute GoldPlus products is a matter of concern.

Further, there is already a proof of failure of a similar model in the market. Hence, alternative courses of action are suggested as follows:

- Tatas should develop its own showrooms. This will give GoldPlus better scope to highlight the aspects which are expected to be delivered from the brand.
- If they wish to go ahead with the franchise model, the franchisee should not be a prominent gold business store/organization in the locality.

Brand Development

Titan should position GoldPlus as a brand extension of Tanishq. It will be difficult for a customer to be differentiated as low price range customer when he is buying simi-

lar product as offered by Tanishq. The Purchase behaviour for gold is entirely different from that of the other products like automobiles or electronics goods. As the Case describes, 80 per cent of the gold purchase is for jewellery where design becomes the most important feature. Purity is also important, but it is mainly for investment purpose. In this case, customers should be encouraged to have the best shopping experience even in small towns.

Customers should not feel that they are demarcated. Moreover, Tanishq customers would not mind if low prices of GoldPlus are not prominently projected but still capitalized upon. This may be possible as they would have already initiated one-to-one contact.

Brand Promotion

This organization should be supported by lot of pull factor, where the byline should be – “Tanishq brings GOLD PLUS”. Titan should use the connection of Tanishq with Gold plus in a very effective and careful way so that it can leverage on the success of Tanishq.

Innovative Strategies

The Tatas should start design schools and develop gold designing as a vocation, launch contests especially amongst females and reward them to increase the depth of the brand. For example, they may be asked:

- How would you like your wedding ornaments to be designed?
- What would you like to be gifted on your next marriage anniversary?
- What designs you wish to wear on the next *Karvachauth*?

Finally, two important aspects:

- a) Initial campaigns should be educative highlighting everything that one needs to know about gold and for that a movie star of humble status associated with masses can be chosen.
- b) Also remember if price is the key, then customers should hold the key and Tatas are experts of such pricing like DOCOMO Tariff or NANO or even NANO Housing. 🐦

Copyright of Vikalpa: The Journal for Decision Makers is the property of Vikalpa, Indian Institute of Management, Ahmedabad (IIMA) and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.