

Consumer Behavior – 2022 – End Term

Consumer Behavior – End Term Exam

Instructions

1. The exam is for 25 Marks and accounts for 30% of the course's total evaluation. There are a total of five questions. Each question carries five marks. All questions are linked to the case provided to you.
2. The exam is open book, open notes, open computer. However, you will not be allowed to use the internet.
3. “Brevity is the soul of wit” -Shakespeare. In that spirit, keep your answers contained within 3 pages (1.5 sheets). You can use rough pages for calculation, organization of thoughts, etc.
4. You can make use of upto 3 hours to answer the questions.
5. This was case written by Dr. Karthikeyan Balakumar for the purpose of class room discussion. He does not intend to illustrate either effective or ineffective handling of a managerial situation. Please do not reproduce, store, or transmit this case without the prior written consent of the author.

All the best!!

Shining, Shimmering, Splendid? - The Case of Tanishq

April 14, 2020,

Chennai.

The onslaught of the SARS COV 2 virus continued on full spree. When Geetanjali woke up, the first thing she did after waking up was to open the front door and pick up the newspaper immediately. She was relieved she did not live in an apartment complex since most of them had completely stopped newspapers from being delivered inside their premises. The rationale: fear of ‘The Virus’. The newspaper and the TV were her only real connections to the outer world at this point. Her years as the Chief marketing officer at Tanishq made her adept at reading hundreds of pages of reports and culling out the information she needed. This time however, she did not have to turn any pages to find the information she needed. Over the last few weeks, the front page of every newspaper in town had transformed into a scoreboard for a test match between the virus and all of human kind. Everyone was afraid.

The last twenty one days was nothing short of a horror show. Geetanjali had watched as migrant laborers walked from Chennai to their homes in northern states like Uttar Pradesh and Bihar. Having been locked all alone in her 3 BHK home had made way for all sorts of insecurities to surface. More than the increasing numbers of cases registered at different parts of the country, Geetanjali was worried about how consumers would react to this threat in the near and long term.

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With all Tanishq stores remaining shut down during the national lockdown initiated on March 22, Geetanjali looked at twenty one days of lost sales, and possibly, many more. According to most internal sources she maintained in the government, marriages were going to be severely regulated once the lockdown was lifted. It was rumoured that citizens would have to limit the number of attendees. The word in town was that no more than 50 attendees would be allowed for any marriage. Those permitted marriages were also expected to hold them only in ventilated spaces, not air-conditioned halls that people were now used to. Attendees were also expected to follow covid appropriate behaviour (CAB) and maintain social distancing at all times when in the marriage halls. The police and other State machinery could technically cancel the marriage if guests violated these rules.

Geetanjali was understandably worried given that marriages were the prime reason consumers purchased jewels. It was common knowledge that jewels were an integral part of any marriage celebration in the subcontinent, regardless of religious and community background. Both sides (bride and groom) gifted each other gold jewellery during marriages. The greater the value of jewellery gifted, the greater the standing of the family in society. It was not uncommon for families to splurge years of earnings on the shiny metal. More often than not, both sides were jointly involved in purchasing jewellery. Considering the stores were now shut down and may be allowed to operate with severe restrictions, what was to follow remained a mystery to everyone.

Industry Overview:

Unlike western markets, Jewellery in general, and Gold in particular is a sensitive subject in India. Gold has been the storehouse of wealth in the average Indian family for ages. It played a critical role in the lives of average consumers from the day they are born until the day they pass on. At birth, it is customary in most Indian households to gift the new born baby with anklets, ear rings, and necklaces made of the shiny metal. When they grow up, they wear gold chains, earrings and bracelets to signal their wealth and social stature to others. At marriages, gold is often given between families, and the newlywed couple uses the gold as a form of insurance against events beyond their control. While several other metals such as platinum and silver compete in the same mind space as gold, gold seems to have retained in timeless character as the metal of choice due to it being perceived as a form of currency. Several banks and financial lending institutions provide loans backed by gold as collateral. There were also several financial products such as gold bonds that were catching on in recent years. Furthermore, most investors consider gold an effective hedge against drops in the equity markets that have been increasingly growing in recent years. According to reports by the World Gold Council, India consumed about 797.3 Tonnes of Gold in FY 21, with much of the demand being generated at the Urban pockets of the nation.

For the last 20-30 years, the gold jewellery market has been steadily growing and being dominated by organized players. Tanishq is one of the most trusted brands in this industry. It is operated by the Titan company, a prestigious Tata group of companies subsidiary. It was founded in 1984, as a JV between the Tata group and the Tamil Nadu industrial development corporation. The idea behind Tanishq was very novel. It transformed the commodity purchase experience into a retail purchase experience. The Indian consumers, for ages, had purchased gold from local goldsmiths for marriages and other auspicious occasions. However, recent technological innovations in gold and the emerging middle class population were demanding more from the traditional artisans. Consumers expected firms to make use of the latest machining techniques and provide them with the best designs from around the world. This need in the minds of the consumers had helped Titan, and Tanishq in general to carve out a niche for itself in the market. Over the years, Titan had built a strong brand for itself with a portfolio

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comprising watches, jewellery and eyewear. Last year, the firm had generated an annual revenue of \$ 2.8 Bn. This year, the expectation on ‘the street’ was that Titan would grow by least 20%.

As a 25-year-old brand, Tanishq has reached high levels of presence across India. At the same time, there is significant scope for expansion in the smaller towns and cities where it is either absent or under-penetrated. To reach out to these aspirational customers, it pursued the ‘Middle India’ focussed expansion programmes. During the year, allied to this strategy, many stores were opened across tier 3 and tier 4 towns. A mix of company-owned stores and asset-light franchise model is further enabled them to strengthen their reach. Tanishq increased its physical footprint by adding 40 new stores in the year 2019-2020 with a total 327 stores as of March 2020 with its presence in 204 towns in India (details presented in Exhibit 2). It needs to be highlighted that much of this growth was at the expense of small and medium sized goldsmiths that dotted the landscape.

Impact on consumers:

By the start of April, there were over 800 positive cases of Covid detected across the country. The numbers were expected to rise quickly in the days and weeks to come. Calling for a full on lockdown of the economy made people unleashed the worst of their imaginations. Many sections of consumers tried to avoid any sort of contact with the outer world if they could afford it. Instances of housing societies banning healthcare workers from entering the premises were becoming common place. All marriages and social gatherings that were scheduled to be held in the forthcoming months stood cancelled.

When the first lockdown was finally lifted on May 31, 2020, Geetanjali and many others breathed a slight sigh of relief. Something led them to believe that things were getting better. If the numbers reported in the papers were any indication, this was certainly not the case. In the brief meetings that were now being held offline, Geetanjali discussed with her seniors if there would be two or three more Covid waves to tackle in the months to come.

After two weeks of observing the marketplace and analysing the data from her website and stores, Geetanjali presented five key observations from the marketplace that she had dutifully sourced from her reportees to her boss, the CEO.

First, she reported that consumers are reluctant to step into the store. Even when they did, purchase decisions are postponed until the further notices issued by the government. This was worry worrisome since Tanishq stores were always crowded and filled with much fanfare. In addition to maintaining the workforce and paying exorbitant rents, the additional cost of implementing the appropriate covid protocols was expected to stress the firm’s coffers. Added to this, the uncertainty was causing the sales force to feel very anxious and demoralised. Many were afraid that the circumstances were so dire that the famous Tata group (of which Tanishq was a part) would lay off employees to protect its financial interests (More financial and market performance details are furnished in exhibit 1).

Second, When making purchases, consumers were noted to use make group WhatsApp video calls to their near and dear ones to make purchase decisions. They did so to circumvent the limits Tanishq had placed on the number of companions each shopper have in the store. However, this meant that a disproportionately large amount of time was spent per customer. Geetanjali had spent some time in organizing webinars to train her sales team for what was believed to be the ‘new normal’. Geetanjali

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believed that the company may also have to offer its customers free high speed Wi-Fi to facilitate this mode of communication and not make use of 4g cellular connectivity.

Third, when purchases were made, it was becoming increasingly difficult for Tanishq to fulfill orders. The issue - suppliers too have been hit hard by the pandemic. Many suppliers experienced their employees, vendors and other dependents being affected by the virus. At the very least, Geetanjali believe that new lines of credit were required to restart operations in an efficient manner. However, she was uncertain if the newly provided credit lines would be used for the purpose of operations. Since the crisis in had was something no one had seen before, she would not be surprised if the funds were reallocated to other tasks that the suppliers considered more pressing.

Firth, Unlike organized players like Tanishq, many unorganized players were able to flout covid protocols and carry on business (albeit not in full swing). This meant that Tanishq (and other organized competitors) was losing business to smaller, less established players who were distributed across the marketplace. If Tanishq were continue holding its edge over its unorganized competitors, it needed to act fast.

Last, there was a growing segment of consumers who were beginning to return the products they had purchased. Given that salary cuts and job losses were beginning to rise, many felt that returning their gold and holding cash was a prudent financial decision. She also reported that several of her sales staff had also received unofficial enquiries about possibilities of gold loans from Tanishq. While the employees replied in the negative, they did empathise with their customers who were now facing tougher, more uncertain, times.

The Road Ahead:

June 30, 2020

After a long day of crunching numbers in her office, Geetanjali decided to step out of her office and head home. On the TV screen just outside her office, Prime minister Modi was addressing the general public. He said, "Since Unlock 1, negligence in personal and social behaviour is also increasing. At first, we were very cautious about the mask, about 'do gaz ki doori' social distancing, washing hands several times a day for 20 seconds. During lockdown, rules were followed seriously. Now the governments, local bodies and citizens need to show alertness in the same manner". Recognising that the pandemic was here to stay for some more time, Geetanjali grew a large breath and rushed out. In her mind, questions were competing with one another. She knew she could convert these challenges into opportunities somewhere in her heart.

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Exhibits

Exhibit 1: Performance metrics over the years

Metric	Measure	2020-21	2019-20	2018-19	2017-18
Brand Track Scores (Spontaneous)	%	75	78	77	72
Complaints per thousand	Nos.	1.43	1.66	1.57	1.36
Number of Buyers-Tanishq	Lakh	16.73	19.7	20.12	17.3
New Products Sale	` Cr.	2134	3403	2961	3792

Exhibit 2: Physical Store foot print

Number of stores added in FY	40
Number of stores as of March 31 2020	327
Number of towns where present	204

Exhibit 3: Managing Director’s letter to shareholders in Annual Report 2020 (released a few weeks before the events of the case)

“Dear Shareholders,

This is my first letter to you since succeeding Mr. Bhaskar Bhat as the Managing Director on October 1 2019. I would like to begin by acknowledging Bhaskar's immense contribution to Titan over the past 30 years. Notably, serving at the helm for over 17 years, he has been the architect behind creating a one-of-a-kind institution in the world of business. On behalf of the Board, management and all our employees, we extend our deepest thanks and appreciation to Bhaskar for his stellar stewardship and for building Titan into a company that is deeply rooted in values, passionately delivers on its commitments, and brings real value to all stakeholders. Reviewing the year gone by, it was challenging for most sectors, including retail and lifestyle. The slowdown in the growth of the Indian economy, subdued consumer sentiments and a significant rise in gold prices dampened our performance for the first half of the year. In the third quarter and the first two months of the fourth quarter, we delivered an improved performance which was in line with our growth targets, particularly for our Watches and Wearables Divisions. This was driven by product innovation and our strong presence on e-commerce channels. However, the nationwide lockdown to control the spread of the novel coronavirus outbreak resulted in lost sales with all our stores staying closed from March 22 till the 1st week of May. Additionally, in certain states, we had to contend with the closure of shopping malls even before the lockdown, as per the directive of the state governments, impacting the business of our stores located in those malls. Against a tough operating backdrop, we delivered a fairly satisfactory financial

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performance. Revenue from operations grew to ` 20,010 crore in FY 2019-20, up 4.9% from ` 19,070 crore in FY 2018-19. We achieved significant success in reining in our overheads to levels similar to last year, despite the addition of new stores across our various businesses. This enabled us to safeguard our profitability with EBITDA for the year standing at ` 2,564 crore, up 17.6% compared to ` 2,181 crore in FY 2018-19. Profit after tax was up by 10.4% to ` 1,518 crore compared to ` 1,374 crore in FY 2018-19. As I write this letter, India continues to tackle the health crisis unleashed by the pandemic. Over the next few months, it is expected that customers will postpone shopping at malls and stores due to the contagion of hitherto unimaginable proportions. For Titan, with most of our products being discretionary and in the 'touch-and-feel' category, sales are likely to be under additional pressure during this period of uncertainty. Notwithstanding the challenges, we are determined to find ways to become more customer-focussed and more efficient. We have implemented stringent safety measures across all our stores, which will help us in reassuring our customers and moving much faster towards normalcy. We are also accelerating our omnichannel marketing strategy with a renewed focus on e-commerce as customers look to increasingly shop online. Further, we are reimagining customer convenience by offering options such as 'try-at-home' to 'endless aisle' to video shopping. We also remain focussed on driving relevant product innovations across our different businesses to capture mind and market share. To explain further, in the Jewellery Division, we are working extensively on creating a strong product portfolio at affordable price points. Smart wearables, along with other differentiated collections continue to be a focal point for our Watches and Wearables Division.

While the current crisis is unprecedented, we also firmly believe that on the other side of every crisis is an opportunity; we are working resolutely towards capturing the same. Following the outbreak of the pandemic, the perception of gold as an asset class has improved considerably. Large scale weddings and international holiday travels are expected to reduce, freeing up funds for jewellery purchase. We may also witness a spree of 'indulgence consumption' after the lockdown is lifted and the situation is near-normal, opening up growth prospects for our products in the category of Watches and Fragrances. Titan is staying prepared to seize this expected demand. The transformed economic scenario necessitates that we re-evaluate our operations to ensure adequate liquidity. In December 2019, well before the lockdown, we commenced a 'War on Waste' programme for our overhead costs and capital expenditure. Given the external crisis, we are re-emphasising the relevance of this programme across all our functions and divisions. Costs will be another major focus area in these trying times. At the same time, in line with our commitment to being a trusted partner to all our stakeholders, we are reaching out to all our associates, vendors and other business partners to ensure that they are capable of managing through the crisis and there are no disruptions in payments to vendors, particularly MSMEs. We are also extending our full support to our dedicated employees to navigate these uncertain times. In closing, I would like to extend my sincere thanks to everyone who has contributed to our success as a company over the past twelve months. In particular, I want to express my gratitude to our Board for their strategic guidance; our customers, partners and suppliers for the trust they continue to place in us; our shareholders, for their support and confidence; and finally, our employees for their dedication. Notwithstanding the potential impact of external factors, Titan is committed to stay agile and create a more efficient and stronger business that is primed for a resurgence in improving market conditions.

Best regards

C K Venkataraman

Managing Director”

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Questions (Each question carried 5 marks):

After carefully reading and analysing the case, help Geetanjali plan the road ahead by answering the following questions:

1. What factors contributed to the new behaviour since the onset of the pandemic. Use the theory of planned behaviour to organize your thoughts.
2. Now that you have identified the key influences on behaviour, what do you think Geetanjali could do to improve the attitude consumers exhibited towards indulging in jewellery purchase?
3. Observe that consumers are showing signs of positive predisposition to online interfaces. How would you go about taking advantage of this shift in behaviour? Argue your case.
4. What would you recommend to Geetanjali to tackle the post purchase dissonance consumers were feeling?
5. Could Gitanjali make use of her understanding of consumer behaviour to leapfrog over the imminent supply chain issues that Tanishq currently faces? If yes, How?