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# CASE 1 RURAL COMMUNICATION: A CASE STUDY OF PHILIPS CONSUMER ELECTRONICS\*

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## Objectives

This case has been designed to help you:

- develop suitable communication objectives for a rural promotion effort,
- identify the nature of the communication task in view of the situation presented,
- develop an appreciation of the appropriateness of the message concept and media
- strategy chosen in the situation described,
- use the learning from the case in applying rural promotion concepts.

## The Company

Philips India Limited is a subsidiary of global electronics giant Philips and a leading player in the consumer electronics and electrical lighting segments backed by superior design and technology. It also makes domestic appliances, electronic components, telecom equipment etc. The parent company Koninklike Philips Electronics N.V. (KPENV) has acquired 91.5% stake in the company through 2 open offers.

A major portion of Philip's revenue (86%) is derived from consumer electronics and electrical lighting divisions. Domestic appliances, electronic components, industrial electronics etc. contribute the rest. Share of the various dimension in total sales is as given below:

Division	Rs. mn	% contribution to Turnover
Lighting	6812	45
Consumer Electronics	6213	41
Domestic Appliances & Persona Care	661	4
Semiconductors & Components	146	1
Enabling Technologies Group	471	3
Others	952	6
<b>Total sales</b>	<b>15255</b>	

One of the most important characteristics of the Indian market is that it is highly price sensitive. Opening up of the economy has attracted a host of global majors, who have launched the latest technology products. Increased pressure due to competition and overzealous capacity creations has resulted in lower margins.

## The Consumer Electronics Market

In 2001 the Indian television market was valued at Rs 39 bn. Colour televisions remain the largest segment of the industry accounting for about 70% of the market. In value terms, during 2001 the colour television (CTV) market did not grow at all, while black & white television (MTV) declined by 15%. The flat screen segment registered a strong growth on the low base. The CTV market in India was estimated at 5.4 mn units in 2001 and was expected to touch 6mn units in 2002. Philips has improved its market share in the CTV segment to 5.2% in 2001 up from 3.7% in 2000. The company plans to cease marketing black & white televisions in the country in 2002, as a result of declining volume sales for the product in India. It also planned to make a determined bed for the rural market in phases.

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\* This case is prepared on the basis of inputs provided by Mr. R.V. Rajan, MD Anugrah Madison, the agency which handled the rural promotion efforts for Philips. The background details about the company and its consumer electronics market were included by taking inputs from the Philips India page on [www.indiainfo.com](http://www.indiainfo.com) by the Course Coordinator.



In the **audio equipment market**, PIL is a market leader. In a market characterised by intensifying competition from both overseas and domestic players, the major players are Philips (market share 37%) Sony (14.5%), Aiwa (7%) and Panasonic (6%). The Rs.16 billion audio industry in India recorded a decline of 10% in 2001. The product segment wise analysis however showed interesting trends. The market for traditional analogue based products sales has been declining while CD based product sales has been growing. Radio sales are riding high on the back of the launch of several FM channels during 2002. However cheap (Rs. 60 - Rs. 120) imported pen-sized radios are freely available in the market and were expected to impact Philip's radio sales in 2002.

In Audio systems as the domestic leader. Philips integrated operations make it a low cost producer. It manufactures the entire range - from pocket radios to Hi-Fi CD systems with VCS and MPS playback capabilities. Philip's market share in the audio segment increased from 27% in December 2000 to 37% in December 2001. CD based products witnessed rapid growth in 2001. However, the decline in audio analogue products was not fully compensated by the increased in CD based audio products. Philips launched FW V250 Mini Hi-Fi MP3 CD Playback compatible Systems, Lifestyle Micro Music System MC 70 and Light Weight Headphones Range during 2001. Sizable market share gains were achieved in the Mini Systems and Portable Audio Systems category. Mini-systems with VCD now constitute about 30% of the audio market Philips in 2001 had a 33% share in this segment as against 8.5% in 2000.

Philips Television sets are sold under the Powervision series of 14" 20", 21", 25" and 29" sizes and the Matchline series of 29" and 32". Widescreen 32" CTV is the product from its international range of pro-logic controls and Dolby sound system. In 2001 the company revamped the product portfolio according to market requirements, strengthening its presence in the 14" and 20" segments. Appropriate price positioning and integrated trade and consumer marketing programs also enabled the company to improve market share. Philips launched a 32" High Definition Plasma Flat TV, a 15" LCD TV Pc Monitor with PIP (Picture in Picture), a 21PT3462D CTV, a 43" rear-projection DVD system and DVD Recorder DVDR100 during 2001.

### **The Rural Initiative**

In view of the rising income levels in the rural market strengthening the market potential for audio visual products in rural India, the company planned to promote its audio visual range in the rural markets.

The Consumer Electronics Division, with an objective of promoting Philips audio visual range of products in rural Tamil Nadu assigned Anugrah Madison the responsibility designing and executing the promotional effort. It was decided that the promotional efforts will be first initiated in rural Tamil Nadu.

Anugrah Madison, an agency specializing in rural promotion based in Chennai has been involved for the last 15 years in Rural Communication. The agency has the ability to develop communications including creatives in all South Indian languages as well as Hindi, and has the capacity and plan and manage rural events.

**Anugrah Madison and the PIL rural communication effort** :Looking at the brief of promoting the Philips audio visual range of products in rural Tamil Nadu, the agency decided to, first of all, conduct an external research study in Tamil Nadu villages to get an insight into the prevailing knowledge, practices and attitudes towards the brand and the product category.



The findings of the research study revealed the following:

- Philips was perceived to be a 'quality' brand even "super" for its audio products.
- It was, however, not well known for its TV range.
- Brand choices for purchase of TV in the rural households were made by the head of the family in consultation with neighbours, relatives, local youth, cable operators and dealers.
- The actual purchase of the TV, however would be made from a nearby big town as rural dealers felt alienated from Philips.

On an analysis of the above findings the agency defined its communication task was two fold.

- To convert brand awareness and preference for Philips audio equipment into brand preference for Philips TVs.
- To build rural dealers confidence so that they would promote Philips products.

### **Concept and Concept Testing**

The agency decided to pretest three concepts in the poster format in the proposed market in rural Tamil Nadu. The concepts were:

- Concept 1: "Philips: A trusted brand for generations"
- Concept 2: "Philips: A super company whose products are like stars"
- Concept 3: "Philips: Sachin's Choice - My Choice"

The pretest results showed that there was no comprehension of Sachin endorsing the brand among. The other two concepts\_ elicited fairly enthusiastic response. Thus, the two concepts short listed were:

- "Superstar of my home – Philips"
- "Philips - always a superstar in the audio visual world"

### **The Promotion Plan: Reaching Dealers and Consumers**

The agency developed a two pronged media campaign targeting dealers and opinion leader as well as consumers.

In order to educate dealers and opinion leaders about Philips' plans for the rural markets, five Philips Super Shows were held in hotels in towns in Tamil Nadu. The activities included special invitation cards with lucky dip numbers, a special dealer motivation song, a telefilm, a skit by a leading comedian and distribution of prizes. An exhibition with the latest innovative products of Philips from the world over (like the flat screen TV, home theatre, DVD, etc.) was opened to the general public for the following two days and was heavily promoted in the local media (regional press, van announcements, banners, hoardings, etc.). A special contest was also held to generate a database of potential customers.

As a result of the above, Philips as a company was being talked about. Opinion Leaders has a favourable image of the company and its products, enquiries for Philips TV brands were generated, and dealers were happy that the company was at last caring for them.

To target the rural masses, an extensive campaign consisting of the regional press, radio, rural cinema and wall paintings was implemented. In "addition, an extensive audio-visual van operation across 2,000 villages was devised. Here activities included a karaoke contest with prizes, a theatre commercial, a telefilm, a painting contest for children, as well as distribution of prizes such as audio cassettes, t-shirts and



chocolates for children. Other activities conducted in the village for residual impact were the distribution of audio cassettes in teashops/ grocery shops. etc., the pasting of posters in important outlets, and the distribution of perpetual calendars to panchayat chiefs. In addition, a database of 12 opinion leaders from each village was collected for follow-up action.

The whole exercise generated a very high level of word-of-mouth publicity for the Philips brand.

As a result of the complete media campaign, in recessionary market situation, Philips was able to enjoy substantial sales growth for both its b/w TV and colour TV brands, and a high level of audio sales were maintained. A follow-up campaign using cinema, radio and the regional press in following year helped maintain these growth levels.

The company is now considering rolling out the rural promotion activity on a national scale.

### Discussion Questions

1. Critically evaluate the communication strategy utilized. Comment upon both dealer and consumer promotion giving your views of the media used in each case.
2. Can the same plan be scaled at national levels? Why and why not?
3. If you think variations in communication strategy would be needed region wise, suggests what these variations are likely to be in the case of
  1. Rural Haryana
  2. Rural MP
  3. Rural Orissa