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CASE STUDY ON INDIA'S TELESHOPPING MARKET

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Introduction:

Teleshopping networks emerged in India during the mid-1990s but gained significant traction in the early 2000s. These networks introduced products through infomercials, often featuring exaggerated claims and testimonials. Despite initial skepticism, teleshopping gained popularity as consumers showed interest in innovative products. However, what attracted the most attention was the nature of the products offered by these networks. Most of the infomercials featured products that claimed to provide miraculous results. There were products that could help you lose weight and get in shape without exercise or dieting. There were other products that promised to make people quit smoking and improve posture. The product range included creams, potions, solutions, toys, etc. Analysts questioned the reliability of such personal care products that claimed to beautify and tone the body within days. They considered these infomercials, which show ordinary people using the product and explaining its effectiveness, farcical. They claimed that these people were paid to speak well of the products. Analysts have criticized teleshopping networks for trying to trick viewers into buying products they believe they have actually used. Despite these allegations, teleshopping as a concept was gaining popularity in India and more and more customers were showing willingness to try the innovative products. This Case study dealt with how tele shopping business successful by offering Miraculous Product.

"Wondering how to reduce 'extra body hair' in a few hours? Would you like to grow hair on your bald patch in a few days? Just watch TV and order 'miracle' products advertised over the phone." Welcome to the world of teleshopping networks, a phenomenon that became a part of Indian television viewers' lives in the early 2000s. Day after day, customers were inundated with images of models showing off their "wonderful flat bellies" -free skins," selling disease curing teas, amazing kitchen and home appliances on almost every TV channel.

Consumer marketing channels can generally be classified based on the number of sales levels between the producer and the consumer. One-two-three-four level channels are most commonly used and include wholesalers and retailers (also called mass marketing). Direct marketing is a zero-level channel where marketers communicate with the customer on an individual basis (see Example I for a comparison between mass marketing and direct marketing and different types of direct marketing techniques). Direct response marketing motivates customers to take quick action.

The prerequisites for a promotional technique to be considered direct response marketing included placing the order directly in front of the prospect and prompting the customer to take immediate action (such as asking for additional information or making a purchase decision). Teleshopping is another name for direct response television (DRTV) shopping, a concept that originated in the US in the mid-1980s. It is one of the direct response marketing techniques. Other major direct response marketing techniques included catalog and direct mail retail and interactive/online home shopping.

While in catalog/direct mail retailing, product details are communicated to the customer through a catalog or mail (letters, brochures, pamphlets), in interactive/online shopping, product details and images are sent directly to customers through an electronic medium such as the Internet. Since the 1990s, two types of infomercials have been used. Some featured people from different walks of life using and benefiting from the product.

These were scheduled between TV programs. At the end of the infomercial, the teleshopping networks provided their phone numbers (usually toll-free), inviting viewers to call for further questions or to place an order. Other infomercials were 'in-studio' productions with a live audience. The companies tried to convince the viewers that it was a regular show and not just an advertisement to entice them to buy their products.

Some teleshopping networks proposed 30-60 minute programs in which they presented their assortment and conducted in-depth product demonstrations. In countries such as the US and Australia, teleshopping networks had dedicated 24-hour home shopping channels that offered extensive information regarding their product line, such as product details and price. Although the concept received a lukewarm response in its early years, it began to gain popularity in the mid-1990s.

In 2000, the US teleshopping market was valued at approximately $2 billion. There are currently two major teleshopping networks in the US - Home Shopping Network and QVC, which have their own exclusive 24-hour teleshopping channels. These channels offer products aimed at specific customer groups at different time slots so that viewers can schedule their viewing time accordingly. In 2000, the US teleshopping market was valued at approximately US$2 billion. However, teleshopping has not been as successful in other parts of the world as it has been in the US.

This was due to several problems, which included low television penetration, lack of innovative offerings, poor promotional and advertising techniques, and lack of awareness among customers. But with the growing popularity of satellite and cable television in the late 1990s, lifestyle changes and a general improvement in living standards, teleshopping gained momentum. By 2001, the total volume of teleshopping network business in the world was more than 5 billion USD (see Table I for the main teleshopping networks in different countries).
Teleshopping networks began to operate in the country in the mid-1990s, their presence was never felt as strongly as in the early 2000s. Most of these infomercials1 were dubbed as English (or other foreign language) versions. Many consumers found it extremely amusing to see foreigners chanting chaste Hindi (and other regional Indian languages) while advertising these products. However, what attracted the most attention was the nature of the products offered by these networks. Most of the infomercials featured products that claimed to provide miraculous results. There were products that could help you lose weight and get in shape without exercise or dieting. There were other products that promised to make people quit smoking and improve posture. The

product range included creams, potions, solutions, toys, etc. Analysts questioned the reliability of such personal care products that claimed to beautify and tone the body within days. They considered these infomercials, which show ordinary people using the product and explaining its effectiveness, farcical. They claimed that these people were paid to speak well of the products. Analysts have criticized teleshopping networks for trying to trick viewers into buying products they believe they have actually used. Despite these allegations, teleshopping as a concept was gaining popularity in India and more and more customers were showing willingness to try the innovative products. This Case study dealt with how tele shopping business successful by offering Miraculous Product.

The Indian Scenario

In the early 1990s, Indian laws prohibited customers from importing products without prior permission from regulatory authorities. These laws also restricted the repatriation of money (from India) without prior permission from the country's central bank, the Reserve Bank of India (RBI). This was the main reason for the development of teleshopping in India, unlike in the US, where teleshopping evolved due to changing societal norms. During the mid-1990s, Telebrands India, a wholly-owned subsidiary of Telebrands Corp., pioneered the concept of teleshopping in India and soon grew into the leading teleshopping network in the country.

In mid-1995, TSN (another large American teleshopping network) and Asian Sky Shop (ASK), owned by the media giant - Zee2, also entered the market. Other major players in the Indian teleshopping market were TVC, TSNM and Star Warnaco. All these networks adopted the following modus operandi.

• Buying time slots on popular channels that had high penetration and enjoyed good viewership among target customers. These time slots ranged from two minutes to 1 hour and included infomercials/product presentations explaining the usefulness of the product.

• Providing a special product code for each product and displaying it along with its price.

• Setting up call centers in different cities based on scale of operations and expected scale of penetration.

• Provide viewers with the phone numbers of these call centers and ask them to call the nearest call center for further inquiries or to order the product. However, the Indian teleshopping network has grown at a very slow pace due to factors such as lack of education and awareness among people, low standard of living, low female employment rate and low television/telephone penetration. Moreover, unlike in Western countries, shopping for the average Indian has traditionally been an occasion for 'social outing' and entertainment. The "feel and touch" factor has always been given a lot of importance when buying almost anything.

Teleshopping chains initially had a hard time making the concept acceptable. Companies have developed several strategies with respect to product offerings, promotional practices, pricing, and distribution to overcome the above barriers and achieve success in their teleshopping initiatives.

How the Indian Teleshopping Market was Won

During the late 1990s, the traditional Indian social order of joint families gave way to nuclear families. In the metro and even in some smaller cities, the number of families where both husband and wife pursued careers increased substantially, leaving little time for shopping outside.

Teleshopping companies believed that this segment offered tremendous marketing potential and would easily transition to shopping from the comfort of their homes. In addition, networks have chosen to target premium end TV viewers with high purchasing power. The growing sophistication of these customers has increased their willingness to try new, innovative products, even at a premium. When deciding on the product mix, teleshopping networks focused more on offering innovative and cost-effective products that were otherwise not available on the market. . These were mainly impulse buy products, the aim of which was to attract viewers and make them make a quick purchase decision. A selected range of imported products was thus offered, which mainly included electronic goods, fitness equipment, household appliances and toys. The chains sourced their products with the help of their agents (both in India and abroad) who identified and certified the quality of these products.

In some cases, product manufacturers have turned directly to networks to market and distribute their products. India-based chains such as ASK also offered made-in-India products in addition to their imported range. In the early 2000s, many local players entered the teleshopping market and began offering products on local cable channels. However, the imported products were more successful compared to the Indian products offered.

Analysts attribute this to the novelty of imported products and the inherent customer orientation towards foreign goods in India. In the early 2000s, chains began to offer various customized products, such as stone jewellery, which became very popular. New products were constantly being introduced to attract the attention of customers and fend off the competition. The products on offer were broadly divided into two categories, utility products (fitness equipment, medical/car care, home appliances and electrical equipment) and value-expressive products (jewellery, clothing and home decor). To ensure success, teleshopping networks paid special attention to their pricing strategies. In the early years, most of the products offered by these chains were lifestyle products that came last in a typical Indian household. Although the products offered by various chains in the late 1990s were priced as high as Rs 5,003, most of them were priced higher to target the upper classes.

However, over the years utility products have increased and the price of products has also been reduced to make them more affordable. In 2002, the price of the goods offered ranged between Rs 200 to Rs 12,000, with most products falling in the range of Rs 1,000 to Rs 5,000. Teleshopping chains competed to offer the same benefits at lower prices. This has been seen especially with various weight loss products. All the networks sold various gadgets that claimed to reduce weight, mocking the offerings of competing teleshopping networks that claimed to be cheaper and far more effective. There was also hectic activity on the promotional front, with networks offering early bird prices, price cuts, money-back offers (if you're not satisfied with the product), free accessories and double bundles of products for the same price. To effectively distribute their products, the chains focused on strengthening their franchise base across the country. All major networks in India had their franchises in major metros and semi-
meters in the country. By the end of 2001, Telebrands India's franchise network had expanded to more than 90 cities across the country, while ASK's network included 60 cities. The chains provided the phone numbers of all their distributors at the end of their infomercials, so customers could call their nearest distributor for further questions or to place an order.

After receiving the order from the customer, the goods were delivered to him by courier. Payment was usually made upon delivery of the product. Unlike the late 1990s, when products were delivered only for cash payment, in the early 2000s chains began accepting credit cards to encourage customers to respond to their offers. As a result of all the above initiatives, awareness of the advantages of teleshopping has increased. Following global trends in lifestyle and product usage, customers began purchasing teleshopping products and the market gained momentum. In 2001, the market registered an annual growth of over 20% and stood at Rs 500 crore. In 2002, Telebrands led the market with an estimated turnover of over 250 million, followed by ASK with a turnover of over 200 million.

Market Dynamics*:* Teleshopping operates as a direct response marketing strategy, where products are demonstrated on TV and viewers are prompted to order via phone. This method, also known as Direct Response Television (DRTV), gained momentum globally but faced unique challenges in India due to cultural preferences and pricing strategies

.***Success Factors in India****:* The success of teleshopping in India can be attributed to targeting urban, dual-income households seeking convenience and novel products. Companies like Telebrands India and ASK capitalized on this trend by offering a range of imported and local products, supported by extensive marketing and distribution networks.

The success of teleshopping in India can be attributed to:

- Targeting urban, dual-income households seeking convenience.
- Offering innovative products not readily available in local markets.
- Utilizing effective pricing and promotional strategies.
- Expanding distribution networks and integrating online platforms.

Advertising Methods: Teleshopping networks used infomercials and in-studio product presentations on popular TV channels to reach their target audience. These shows featured demonstrations and testimonials to convince viewers to make purchases..

Challenges and Future Prospects*:* Despite growth, teleshopping in India struggled with imitation products, pricing issues, and cultural barriers. However, the market holds promise due to increasing consumer sophistication and lifestyle changes. Future strategies include expanding distribution and integrating online platforms to tap into broader consumer segments. The case suggests potential growth opportunities for teleshopping in India due to increasing consumer sophistication and lifestyle changes. Strategies include expanding distribution networks and enhancing online shopping platforms.

Despite growth, the teleshopping market faced challenges such as:

- Competition from imitation products.
- Cultural preferences for physical shopping experiences.
- Skepticism towards product claims and pricing.

Teleshopping Traumas

Although the teleshopping market showed a positive growth trend, its growth rate was far below the expectations of the players involved. According to the report4, most teleshopping networks in the country did not generate any profits. In fact, TSN ended its teleshopping activities in 2002 and focused only on online retail (www.tsnshop.com). According to market sources, Telebrands was the only network that was able to sustain itself and generate profits – although much of this was attributed to the strong support it received from its parent company, Telebrands Inc. There were many reasons for the slow growth of the teleshopping market in India, the most important of which was the abundant supply of imitations.

Local entrepreneurs copied the products advertised on television and very soon the markets were flooded with copycat versions of these products. These products were not only cheaper compared to organized sector products but also offered consumers a chance to touch and appreciate them personally. Mahesh Panna of Telebrands said, "What happens is that we come up with a product and it is immediately copied by a local player. They obviously sell it at a lower price. That way the whole market is out of our hands." To address this issue, chains such as Telebrands and ASK have opened dedicated retail outlets in all major metros and mid-metros to allow customers to personally appreciate the products on offer before making a purchase decision. In addition to new products, companies also sold those products that had been taken
off the air (to free up new products) but still had the potential to be sold. However, local retailers still enjoyed a significant cost advantage over teleshopping chains due to local production, low transportation costs, and elimination of distribution/delivery costs.

Although the teleshopping networks claimed that their pricing strategies were in line with the profile of the target customer, the reality was very different. Higher prices proved to be the main brake on the growth of teleshopping networks. Most of the products were priced between Rs.1000-5000. It was found that customers were not willing to pay this amount for lifestyle products, which ranked rather low on the list of household purchase priorities. Differences in culture and language also posed challenges and hampered the prospects of the teleshopping market in India. As teleshopping networks needed to broadcast their programs in different regions, they transcribed most of their infomercials into regional languages. However, they had no impact on potential customers as they reflected the original culture of the region. Another big problem for teleshopping networks was the growing criticism of some of its products. There were a number of products that claimed to accomplish "seemingly impossible" tasks for consumers. For example, products promising to reduce weight, remove unwanted hair, improve posture, improve hearing and treat chronic diseases were viewed with suspicion by most Indians. Also, the "over-enthusiastic" and "barky" foreign models featured in the dubbed infomercials were criticized on the grounds that the spoken dialogues in Hindi and other regional languages are somewhat awkward. The problems were further exacerbated by the limited reach of teleshopping products. The networks mainly focused on metros and B-class cities, neglecting the cities and semi-rural areas, which also had a growing base of educated and premium end customers who craved convenience and novelty. To address this issue, major teleshopping chains have announced plans to expand their distributor base and extend their reach to every corner of India.

Future Prospects

Despite all the above problems, it was believed that the teleshopping market has a lot of potential in India. This was mainly due to a growing base of convenience seekers and a middle class population. As the standard of living of these people improved, they became more receptive to trying innovative products and concepts. Teleshopping networks have therefore focused on integrating their operations and increasing their reach for these customer segments. With the same objective, it was decided to offer online shopping services through dedicated retail websites.

By mid-2002, most major chains such as Telebrands and ASK derived their revenue from three sources - websites (www.asianskyshop.com and www.telebrandsindia.com), teleshopping and retail stores, with a large portion of revenue coming from teleshopping (franchise centers). Website revenue was low due to lack of customer awareness about online shopping and low credit card penetration in India. As the global teleshopping networks proved to be a huge success, it seemed that there was a good chance that they would be successful in India as well. But for that teleshopping networks would have to play their cards right. (See Exhibit II for key success factors of a teleshopping network), it would not be too far-fetched to consider 24-hour dedicated teleshopping channels in India in the future.

Questions:

1. What are the marketing channels involved in teleshopping ?

2. List out the reasons behind the success of Indian teleshopping market ? 3. Which methods of advertising were used ?

Teaching notes:

Synopsis:

In the early 1990s, Indian laws prohibited customers from importing products without prior permission from regulatory authorities. These laws also restricted the repatriation of money (from India) without prior permission from the country's central bank, the Reserve Bank of India (RBI). This was the main reason for the development of teleshopping in India, unlike in the US, where teleshopping evolved due to changing societal norms. During the mid-1990s, Telebrands India, a wholly-owned subsidiary of Telebrands Corp., pioneered the concept of teleshopping in India and soon grew into the leading teleshopping network in the country.

Target learning group:

This case study can be taught in universities which will be useful for the learners to be aware of the success of Indian teleshopping market.

Teaching objectives:

The following are the teaching objectives of this case:

• To know about the teleshopping market in India.
• To know the success behind the Indian teleshopping markets.

• To know the growth that were made in this sector.

The teaching strategy:

The prime requirement for this case study is that the learner must be aware of the channels that were used in this industry, their growth towards teleshopping and their success. The case may take a longer time to read and understand. Instead a group assessment can be given and each group can be allotted with different sub headings of the case. The group members can take notes and discuss with the other groups.

Individual assessment:

The students can be asked to know about the popular channels and the reason for their success in teleshopping market in India for the discussion of this case.

Group assessment:

The different sets of students can be separated among different groups for the discussion of this case which will be easier for them to discuss.

Teaching Strategy:

The case study is intended for use in educational settings to educate students about the teleshopping industry, its challenges, and strategic responses. It can be used to facilitate discussions on marketing channels, consumer behavior, and market dynamics in India

Teaching plan:

• Introduction (10 mins)
• About the case (20 mins)
• Reasons for their success (10 mins)
• Summary (15 mins)

Questions:

Based on the case study, here are some discussion questions for students:

1. What are the key marketing channels utilized by teleshopping networks in India, and how do they differ from traditional retail channels?
2. Identify and discuss the main reasons behind the success of the Indian teleshopping market as outlined in the case study.
3. Describe the advertising methods employed by teleshopping networks to attract and persuade consumers. How effective are these methods?
4. Considering the challenges faced by teleshopping networks in India, propose strategies for overcoming these challenges and sustaining growth in the future.

Conclusion*:* The Indian teleshopping market has evolved significantly, driven by consumer demand for convenience and novelty. While challenges persist, strategic adaptations and market expansion efforts continue to shape its future growth trajectory. The case study provides valuable insights into the evolution, challenges, and success factors of the teleshopping industry in India.

It highlights the importance of innovation, consumer engagement, and strategic marketing in achieving market penetration and growth

References:

• https://icmrindia.org/free%20resources/casestudies/teleshopping marketing%20case%20studies%20a.htm

Experience in using the case:

It provides the opportunity for learners to know about the various channels that are available and the growth of Indian teleshopping market.