Twitter Thread by buildd

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Till 2001, local jewellers ruled the Indian jewellery industry.

Until Tanishq entered the game!

With 1 masterstroke Titans startup,

- CRUSHED the local jewellers
- went from Rs 150 Cr losses => Rs 23,268 Cr revenue!

Here's how Tanishq became the JEWEL in Tata's crown ■

Structure:

1. How it all started?
2. Tanishq's BIG problems
3. The masterstroke to win over India's gold market
4. But, how much did this cost Tanishq?
5. Trust stays forever!

1/ How it all started?

By 1990, Titan had established itself as the market leader in watches.

They had changed the consumer mindset from

"watches as commodities" → "watches as a fashion accessory".

The time was ripe for a cultural change across the organisation.

(contd.)

The next phase of Titan's growth was marked by the introduction of multiple new brands.

Tanishq, the first product brand, was launched in 1994.

The aim of Tanishq was to bring about a change in the way gold jewellery was designed, sold, and perceived.

(contd.)

You see, Titan realised that:

1. Indian jewellery sector was largely unorganized
2. the local jewellers were the absolute experts and consumers had to rely on their word
3. there was no way to compare products or price
4. there were no established quality standards.

(contd.)

The goal was to change this. They,

a) bought a whole new range of gold jewellery, designed to be worn daily.

b) trained their sales staff to be knowledgeable.

c) made the buying experience fun.

d) and, made gold jewellery affordable.

But, Tanishq was in for a BIG surprise!

2/ Tanishq's BIG problems

Tanishq first started selling 18 karat gold studded watches.

Now, there are 2 key points we need to know about gold.

1. The karat rating indicates purity

24 karat (purest & pricey) => 99.99% purity
18 karat => 19/24 x 99.99 = ~75% purity

(contd.)

2. The lower the karat rating the easier it is to mould it into complex designs.

Lower karat gold is more durable and scratch resistant.

So, in early years, Tanishq sold 18 karat gold jewellery with the hope that lower cost, more durable and modern pieces

would sell.

(contd.)

But, Tanishq missed out on 2 key points about Indian consumers:

Problem #1 => Gold is not just an ornament, but an investment!

GOLD = social status, wedding gifts, good luck.

So, for Indian consumers, design is a secondary concern & gold purity is a primary concern.

(contd.)

Problem #2 => Buy jewellery only from trusted local jewellers

Indian consumers prefer to purchase gold from trusted local jewellers, who have been in the business for decades.

More importantly, people would buy from the same trusted local jeweller across generations.

(contd.)

In such a scenario, selling 18 karat gold jewellery led to losses year after year for Tanishq.

By 2000-01, they had accumulated losses of around INR 150 crores.

The jewellery division was literally bleeding Titan!

3/ Winning India's gold market!

Once Tanishq figured out these problems, they immediately shifted to 22 karat gold jewellery.

But, they still had to do something BIG to remove the blind faith people had in local jewellers and win over their trust.

(contd.)

This is where Tanishq played its masterstroke.

A) The Karatmeter experiment

Now, Tanishq knew that consumers had no way to verify the purity and quality of their gold.

In such a case, it was easy for a jeweller to increase their margins by selling impure gold.

(contd.)

In fact, a survey by the National Council of Applied Economic Research (NCAER) found that nearly 44% of gold jewellery sold in India was of 18 karats or lower purity, as against the 22 karat purity that is considered standard.

Tanishq decided to tackle this problem!

(contd.)

They introduced in their stores the Karatmeter => a machine that can test the purity of gold in seconds.

The machine was available to all customers to buildd trust and credibility.

The response was overwhelming! Customers queued up to test their jewellery.

(contd.)

Out of all the pieces tested, ~60% of them were found to have lesser purity than claimed!

Half the job was done for Tanishq — people had lost trust in their local jewellers. But, Tanishq was yet to buildd its own trust among consumers.

B) "Impure to Pure" scheme

After installing the Karatmeters, Tanishq came up with a generous exchange scheme, called “Impure to pure”.

Here’s how the scheme worked:

1. You step into Tanishq to check the purity of gold

(contd.)

2. If the purity is between 19 to 22 karat, Tanishq would upgrade your jewellery to 22 karat for free!

3. All you have to do is pay the making charges for the new jewellery and Tanishq would bear the cost of the gold upgrade.

The scheme was a resounding HIT!

4/ But, how much did this cost Tanishq?

Before we get into the math, let’s quickly outline the process of jewellery conversion:

1. Tanishq takes the old piece of jewellery and separates pure gold out of it. So, they would get ~79% pure gold from 19 karat jewellery.

(contd.)

2. They would then add in more pure gold to make it reach 91.67% or 22 karat purity. In the above example, that would mean adding in ~13% of pure gold to the 19 karat jewellery.

(contd.)

A) Cost to upgrade gold for a single customer:

1. Cost of 10g gold piece = Cost of 10g gold + Making charge

Tanishq only pays the cost difference of the gold upgrade

So, the cost for Tanishq = Cost of 10g gold (22 karats) - Cost of 10g gold (old piece)

(contd)

2. Since the scheme exchanged gold between 19 karats to 22 karats, we assume that on average, (19 + 22) / 2 = 20.5 karat jewellery was exchanged.

3. In 2003-04,
Cost of 10g gold (24 karat) => INR 5600

Cost of 10g gold (22 karat) => 22/24 x 5600 = INR 5133

(contd.)

Cost of 10g gold (20.5 karat) = 22/24 x 5600 = INR 4783

4. So, cost for Tanishq = 5133 - 4783 = INR 350

INR 350 seems like a tiny cost to acquire a customer for life and for building a brand in a highly trust-based market.

(contd.)

B) Money made from a single customer

Let's quickly look at how much money Tanishq made on every customer conservatively.

1. Let’s say a customer purchases one 10g 22 karat gold piece.

Cost of one 10g 22 karat gold piece = Cost of 10g 22 karat gold + Making charges

(contd.)

2. Tanishq’s making charges = 15%

So, cost of one 10g 22 karat gold piece = 5133 + 15% of 5133 = INR 5903

3. Let’s say, it makes a 5-10% profit

5% ⇒ 5903 x 5% = ~INR 295
10% ⇒ 5903 x 10% = ~INR 590

So, Tanishq actually makes back all the money it spent on a customer

5/ Trust stays forever!

Tanishq’s Karatmeter experiment changed the way consumers think about jewellery.

It made them feel that Tanishq is willing to stand for its quality commitment no matter what.

As a result, Tanishq built trust with the Indian consumers.

(contd.)

A trust that showed that the brand stands for quality and transparency. A trust that stays forever!

But Tanishq didn’t stop at this. The brand took this learning further and applied it to the entire product line.

(contd.)

From the design of the jewellery to the communication, everything was aligned to the consumer’s need for quality and transparency.

The result? Tanishq is now the most loved jewellery brand in India!

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> — buildd (@_buildd) August 25, 2022

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