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Context to the nugget

Ambi talks about how leaders like Karsanbhai Patel of Nirma have an intuitive understanding of the customer need. He specifically talks about the “chaiwalla test”, a concept he discusses in his book, to talk about how some leaders find smart ways of getting a quick pulse from the real demographic rather than making misleading assumptions.

Transcription

Deepak Jayaraman (DJ): CEOs of large organizations, what have you seen them do in not losing touch with the consumer, sometimes when you are leading a large company you can sort of get buried in the hierarchy, what have you seen good leaders do to ensure that they have the pulse of the consumer that they are serving?

Ambi Parameswaran (AB): If you ask me do they do the standard stuff to do like market visits and meet customers and all, I think they do a lot of that stuff but a more intrinsically I think they feel for the customer inherently they are conscious about who their customers are? They don't get carried away by all the hoopla around them, so you taking Nirma and then the toothpaste which was the nice toothpaste they had made, so we done the research and we went to them and said look people are accepting this product and even the Nirma brand name they are accepting but then his call was, he said look given the current cost material CUT going back to that Karsanbhai Patel and the Nirma story, Nirma was then ruling the roost it was a number one detergent powder the Nirma beauty soap was doing very well and when they had developed this product Nirma toothpaste they gave it to us we did some research in rural India, rural Maharashtra, rural UP and consumers quite liked the product, so we went back and told Karsanbhai that look this Nirma brand as a toothpaste people are willing to accept it because Nirma stands for good quality product but he said look but looking at the cost of raw material today I cannot launch it, so we asked, why? So he said no, for a comparable pack size if Colgate is Rs. 10. I cannot price Nirma more than Rs.5 If I price it Rs.5. I need to give my trade at least Rs. 2. Margin total between retail and wholesale so I got to ship it at Rs. 3. I can't do that so we will not go ahead with the project, so I said, why? He said no my consumer for Nirma brand they will want something of that value, they will not be able to pay more and we respected that thing, did he go and do any research? No! But intrinsically instinctively he knew that this is what my consumer wants this is what I stand for in my consumers heart and mind and he took that call and I respected him for that.

DJ: And that instinct may be just to persist with that Ambi, does it come because he is a consumer of the product of he belongs the demographic, he is selling to I am sure he is grown beyond the demographic he is selling to but do you have a sense of where that instinct come from?

AB: It is possibly because he came from that demographic, he came from that demographic so he knows that mindset while he may be sitting in a palatial big office his mind is still there. He still knows the consumer instinctively, a lot of us lose touch, I mean we do both, there was another nice story in the book called 'Chaaywala test where we flip it the other way, we think that our target customer is very crude he will not understand this, he will not like this and the 'Chaaywala test' story when I said look Pradip Guha just called the 'Chaaywala' and asked him to choose among the four options which the agency presented and the Chaaywala picked the one which the marketing head of the company thought was too sophisticated for the lower income groups, so he said look if you think this is too sophisticated for lower income group this boy is from lower income group look at what he has selected. So a lot of time we make that mistake also, saying this is too sophisticated, we think we understand, lets dumb it down. A lot of advertising in India today because of this problem that a lot of it is aimed at the SEC, the middle of the pyramid the bottom of the pyramid you dumb down stuff really badly and then you realize that you know consumer thinks our brand is cheap or brand is bad because you dumbed it down, consumer didn't asked you to dumb it down given a choice every consumer would like to use fancy soaps and fancy clothes and drive in fancy cars, they can't afford it, which is fine.

Reflections from Deepak Jayaraman

DJ: The key insight for me from the Chaiwalla test example is that some CEOs have a smart way of tapping into the perspective of the end consumer. Am sure you have a process-response to this, which is market visits, consumer research and so on but the good CEOs find a "quick and dirty" way of doing a smell test on an idea or a decision to ensure that they don't make the wrong assumptions.

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End of nugget transcription

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About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work [here](#).

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