

CASE: BAJAJ FANS

THE MARKET SCENARIO PRE-2000

Electric Fans is a high market penetration product category. The domestic market size of fans in India is around 20 Million units. The share of the organized sector is 45 % and of the unorganised sector at 55 %. These figures were exactly the opposite in the early Nineties. Low technology manufacturing process, quality norms, lower overheads and tax evasion methods have enabled the unorganized sector to gain larger share of the market by ensuring a significant price difference. The local/unorganised brands are quite appealing to a large section of the price-conscious Indian consumers, for their lower price points.

The organized sector is dominated by national brands that have built their brand image over a period of time, through sustained advertising and a good dealer network. Bajaj had a basic presence in the Fans Business since the Fifties and was a respected household name in the country.

There are 6 major brands in the organized sector namely: *Crompton, Orient, Polar, Khaitan, Usha and Bajaj*. All large players in the industry have their own manufacturing facilities, reaping the benefits of economies of scale. Intense competition in the market has transformed the fan industry into a high-volume, low-margin business. To remain profitable and competitive, it becomes imperative to have high-volumes and a reasonable market-share, to enjoy the related economies of scale.

BAJAJ FANS - BEFORE APRIL 2000

Bajaj fans had the lowest share in the organized sector with a market share of only 7.6 per cent and a market share of only 3.6 per cent of the total market. Bajaj was also present mainly in the premium ceiling fans segment; that meant that it was targeting only 14 per cent of the total Organized Sector market for fans of which Bajaj had a 20 per cent market share and was considered as a strong player. The brand's advertising Share of Spend was only 12 per cent of the total category spends on advertising. The brand was not in the consideration set of many consumers as word of mouth franchise was weak.

The channel used by Bajaj to market the fans was an Indirect Distribution Model thanks largely to the legacy of the Appliances business of Bajaj Electricals, which is still based on an Indirect Distribution model:

Company → Distributor → Retailer → Consumer

The consumer perception of Bajaj brand in the Electrical trade has been good overall. However, the brand's presence in the fans category in the minds of the consumer was missing. As a result the brand was not included in the consideration set of the consumers for fans purchase.

Bajaj also has a very strong all India logistics with around 20 Branches and a strong after sales service infrastructure with around 200 Service Franchisees and a good synergy of its Appliances product lines in the channel, many of which also sell fans.

The marketing division of Bajaj Fans pondered over the entire issue and came up with a new marketing strategy which was immediately implemented.

THE NEW MARKETING STRATEGY

The management thought of a realistic yet challenging marketing vision: "To be a leading player in the fans market in India, by understanding and effectively meeting the consumers stated and unstated needs, so as to achieve a sustained competitive advantage, while pursuing the path of profitable growth for the Fans BU and its brands."

The Competitive Stance:

- Increase the width of the product line and launch new categories / products.
- Move towards a Direct distribution system, benchmark the market leaders network reach and expand the retail network aggressively.
- Price the products competitively with a higher deliverable value.
Create a unique positioning by capitalizing on a core category benefit, hitherto not appropriated by any other competitor.
- Use the power of the large organizational infrastructure, good brand equity and resources to take on major players head on and invest to grow the business.

Market Segmentation

To have a dominating position in the fans market based on the strengths that company had in terms of brand, infrastructure, management capabilities and understanding of the fans market, the company decided to target most of the segments in the fan market by following a micro-segmentation strategy. The Company believed that the Right Product at the Right Price Point for the Right Target Consumer was the Right approach to creating the Right Competitive Advantage.

The Positioning

Although Bajaj Fans decided to target nearly all the segments in the fans market, it was imperative to have a differentiation and concentrate on a set of customers in each segment, which would value the core benefit, to be offered by the Bajaj brand in each segment.

Existence of the product segments such as table, pedestal and Freshair fans is largely necessitated by the desire to meet the customer needs in a price segment with a different product line i.e. a premium end customer can have a need for a ceiling fan as well as a table, pedestal and Freshair fans. Therefore the Company decided to launch sub brands under the mother brand Bajaj to target each of the customer segments, segmented on the basis of price and launched a range of different types of fans under those sub brands for premium, economy and sub-economy segments. The role of the sub brands was to create a differentiation in the mind of the consumer regarding the brand image. Thus, the image of the Crown sub-brand was built to appeal to the Premium Fan customer belonging to SEC A1, A2 and B1; whereas the Bahar sub-brand was aimed at the lower end customer.

Introduction of Sub Brands

As many as five new Sub brands were introduced

1. **Bahar** as a low-price Sub economy fan in Ceiling, Table & Exhaust Fans
2. **Maxima** as a medium price Sub Economy Fan in Ceiling and Exhaust
3. **Grace** as an Economy Ceiling Fan.
4. **Crown** as a Premium Ceiling Fan and pedestal fans
5. **Bajaj Midea** as Premium pedestal fans in a tie up with GD Midea Holding Co.- A unique Co-Branding exercise with the world's largest fan manufacturing company based in China.

Positioning of the mother brand - Bajaj Fans

The fan consumer is an indifferent user. The category is a low involvement category and the decision-maker is usually the male head of the family. There is a widely held consumer belief, which was unearthed in a systematic probing of indifferent minds, through extensive research. This insight is that the fan that moves fastest gives the maximum air and hence induces maximum cooling and thereby gives the maximum comfort. As long as the body can 'feel the air' satisfaction is assured. Bajaj Fans decided to capitalize on this core category benefit sought by the consumer and decided to position the umbrella brand Bajaj Fans as a range of "Subse Tez" or "Incredibly Fast" fans and hence a range with the highest air delivery. The "Subse Tez" tag line also made the fans being perceived as "Technically Superior", which was an added consumer benefit.

The Product Strategy:

- Launch high quality decorative fans with better designs in the premium segment.
- Launch high quality decorative and non-decorative but contemporary fans in the Economy Segment corresponding to the consumer needs of this segment.
- Launch basic products without any frills to meet the needs of sub-economy segment aimed at providing an up-gradation platform to the customer from the unorganised sector.

Actions

- To bring the products in line with the positioning strategy the Revolutions Per Minute (RPM) of all products was increased from 330RPM to around 400RPM to ensure higher Air Flow Velocity.
- Launched the Bajaj Midea range of pedestal fans in the premium segment.
- Launched the Crown range of pedestal fans in the Premium segment.
- Launched decorative & non-decorative fans in the economy segment of ceiling fans - Grace, Grace Gold & Ultima.
- Launched basic models with no special features in the sub economy segment - Bahar & Maxima

Packaging Strategy

All the carton graphics were revamped in line with a new theme of "Elements of Nature". The Fans business being an Air business, took up the image of moving clouds as a graphical motif for its packaging

and a new set of Carton graphics were implemented for the entire product range. This theme was also incorporated in the Posters, POPs, the shop boards and all other communication elements to give Bajaj fans a unique and instantly recognizable in-shop identity.

The Pricing Strategy

The company follows a competitive pricing strategy in all major markets for all product segments. The strategy to enter the lower price segments was executed through launch of differentiated models aimed at the lower price segments. Earlier all Economy and Premium ceiling fans were sold at around Rs.1000 and Rs.1200 respectively to the customer. Sub-Economy ceiling fans were introduced at a customer price of less than Rs.900. The company introduced their Maxima ceiling fans at a customer price of Rs.900 and Bahar ceiling fans at a customer price of Rs.800. However, one of the organized sector competitors (say Competitor A) introduced a ceiling fan model at a customer price of Rs.700. Today the sub economy segment is being actively looked at by most major competitors.

The pricing innovation aimed at the Bottom of the Pyramid mass market has been a key element of the Bajaj Fans success story.

The Promotion Strategy

It was important to create high aided and unaided brand recall related to the fans category in the minds of the consumer. Fan as a product category has no major regional disparities in sale. Much of the sale of organized sector is in the metro, Class I and Class II markets. The cable and satellite penetration in these markets is very high. It was therefore strategised to shift from the traditional way of promoting fans in print media to TV advertising through major channels like Star, Sony and Zee.

TVC's of 10, 20 & 30 secs were developed based on a positioning "Bajaj Fans Sabse Tez" in Hindi and various regional languages such as Tamil, Kannada, Telegu, Malayalam & Bengali.

The company initiated various Ground level activities by hiring promoters in key wholesale and large retail markets for fans. These promoters were dressed in branded T-shirts and caps and were asked to distribute leaflets of Bajaj fans to the potential customers and to detail the products at the Point of Sale.

When visiting the market, they would carry placards with the core communication message of Bajaj fans "Subse Tez". This created a lot of excitement in the market and customers started asking for Bajaj fans.

Attractive POPs, Display schemes and Mystery Customer Contests were also run for the dealers for better display of products and packaging on the retail shelves by the retailers and for a Channel Push.

Distribution Strategy

"Mission Excel Initiative": The aim under this initiative was to understand the reach of Potential of the retailer's of the company in the total market and ensure presence and high shop share at key retail outlets, which had a high share of the defined market. This enabled the Company to explore a larger part of the defined market potential by being present in larger retailers counters in a stronger manner. This activity leads to an improvement in both the width and depth of Distribution.

Retail Performance Standard (RPS): A research agency was hired to know the width of distribution of leading players in the market. The leading player was benchmarked and a Retail Performance Standard was developed for all markets, which were based on the ratio of Bajaj's presence in the number of retail counters vs. that of the benchmarked competitor.

An action plan was developed and executed to ensure that Bajaj brand gains an entry in the selected retail outlets where the benchmarked competitor was present, so as to achieve the targeted RPS.

Bajaj decided to reduce the additional layers of distributors wherever feasible, which was increasing the distribution costs for the company over that of the competitors. Instead a switch over was made to the industry norm of supplying fans directly to major fans retailers and whole sellers and allowing for adequate width of distribution as per the market forces.

Company → **Retailer** → **Consumer**

Separate Network for Sub-Economy fans

Bajaj clearly made it a policy to establish a parallel distribution network for the sub-economy fans, which comprised of dealers who were primarily unorganized sector fan dealers. The company also decided, as far as possible, not to offer the sub-economy fans to its existing dealers of economy and premium fans.

Wherever it had to offer sub-economy fans to some of its very important existing dealers, it insisted on a minimum growth of 20 per cent from such dealers in the economy and premium range of fans. It also did not advertise the sub-economy fans at all. The company's objective in introducing the sub-economy fans was clearly to take share from the growing unorganized sector market while sustaining growths in the economy and premium segments. A sub objective was also to take away some share from the Economy segment fans of the other organized sector players.

This distribution strategy enabled the company to:

- Sustain growth in the economy and premium range of fans.
- Successfully establish a new network, which was hitherto unavailable to it, comprising of dealers who were primarily dealing with unorganised sector fans.
- Ensure healthy Trade margins.

In the consumer durable market the consumer depends on the dealer's recommendation for a brand. Hence it was important to ensure that key dealers were encouraged to recommend Bajaj Fans to the customer. For this the Company ensured that:

- Attractive margins were given to dealers
- An attractive and comprehensive range of products was offered
- Efforts at gaining Dealer loyalty were undertaken

THE RESULTS ACHIEVED

Distribution Network: Company's overall distribution network increased from approximately 6000 retailers in 1999-00 to approximately 10000 retailers in 2002-03. The direct dealer network has been increasing every year at a healthy rate.

Sales Performance: The Sales have grown from Rs 5730 Lacs in 1999-00 to Rs 9350 Lacs in 2002-03. This achievement, in a sluggish market situation has been an extraordinary performance. Growth of Bajaj Fans was higher than the Industry Growth in all the years except 2001-02 & expected to be higher in coming years. In 2001-02 Trade Sales grew at 10 per cent. However, lost Sales of 40,000 fans sales (decline of 20 per cent) in CSD and 19000 fans sale (decline of 27 per cent) to Institutions, as Bajaj was not awarded D.G.S & D Rate contract.

Profit Performance (Contribution after Publicity): Sales performance has not been at the cost of the Profitability performance. The business is now on a self-sustaining profitable growth platform. The results in terms of Sales performance and improvement in the brand strengths have been achieved without a prohibitive increase in media spend.

Case Questions

1. Critically evaluate the Marketing mix strategy of Bajaj Fans. Identify where it still lacks the sting and suggest for further improvement in the mix.
2. Can Bajaj view the unorganised sector in the fans industry as an opportunity for further growth/penetration?
3. Analyze the positioning strategy of Bajaj. Suggest alternate positioning themes and justify your suggestions.