

# Strategy of the robert bosch group



James King 1851, Hamilton Smith 1858, William Blackstone 1874, Alva J. Fisher 1908 (Bobolicu, 2008) must have been thinking ahead of their time when they began the process of inventing the washing machine. And they must also have been thinking about the modern woman/man, changing times and global evolution in the marketing scenario.

This report based on Robert Bosch GmbH (one of the world's largest distributors of electronics) is taken from different perspectives and brings out clearly the role of the washing machine in the African context today. The investigative analysis takes a journey of Bosch's standing today in the global arena. The SWOT analysis identifies some gaps that the company should into in the Kenyan market. Their distribution network in the region appears lacking and possibly with new marketing strategies they may penetrate deeper.

The heart of this report delves deep into strategies that I have recommended for Bosch to consider in the future in order to give it an edge against its main competitors and to reach a niche market that is ready. Today the washing machine has revolutionized from the scrub board invented in 1797 to the electrical powerhouse of many homes.

The Strategic planning is the process where companies establish their mission, future goals and objectives, strategies both corporate and marketing that lead to a marketing plan. Once target markets have been identified the marketing mix is then developed to meet the needs of the consumers in that market; this is Marketing Strategy. For a Marketing strategy to be successful it should reflect the direction the company is

headed to and include all the functional areas. When implemented well and controlled the Marketing strategy leads to the achievement of the overall goals (Pride & Ferrell, 2010).

This report is based on the Marketing strategy of Bosch GmbH one of the world's largest suppliers of automotive, technological and consumer goods products (Bosch, 2010). More specifically it is based on the performance company's washing machines under the consumer goods section.

## **1.1 Background**

I grew up when our folks taught us to be responsible and do our own chores including washing our clothes by hand. If you didn't, Mum knocked some unforgettable senses into your head. That was almost 20 years ago. Today the world has evolved. We have many choices and the opportunity to make one that suits us.

Studies by the Nordic Journal of African Studies (Suda, 2001) shows that mainly due to poverty labour in Kenya is cheap and most middle class homes have maids. An article by Seemungal (2008) shows that the urban middle class in Kenya is growing but after talking to a few of my colleagues none of us own a washing machine yet we have access to funds to do so. The question is why and what are the players in the market doing to break through to this niche market?

I visited one of the largest Supermarket chains in Kenya Nakumatt (Afrik News, 2008) where I observed various brands, makes and models of washing machines and pin pointed on the Classixx 6 varioPerfect. Whilst doing my

investigative analysis the question that lingered was “ in today’s context is the washing machine a luxury or a necessity?”

The beginning of the report gives the reader an introduction to BOSCH and to the Classixx 6 varioPerfect washing machine model followed by an investigative analysis on where the company stands today globally and in the Kenyan context. My report then recommends strategies that will give this company a bigger market share, profits and a distinct differential advantage. The last part will summarize the main aspects and gives the reader a clear and concise conclusion that will make even the most skeptical make an informed decision.

## **1. 2 Importance**

This report will be of great importance to Bosch giving them an insight on how to break into this niche market and make their presence felt. Marketers and Researchers and students will also appreciate my un- biased views of the current scenario and could borrow a leaf or two from my suggestions. Lastly my colleagues and peers who have been pondering on this issue will benefit from the information contained herein.

## **2. ROBERT BOSCH GmBH**

### **2. 1 History**

The origins of the Bosch Group dates back to 1886 when Robert Bosch founded the “ Workshop for Precision Mechanics and Electrical Engineering” in Stuttgart Germany (Bosch, 2010 pg. 4-5). Today it has a representation in roughly 150 countries including sales and service partners. (Bosch, 2010)

## **2.2 Mission, Vision & Internal Policies**

As illustrated in the company's CSR Report (2007/2008) its mission is represented in the word BeQIK; stands for 'greater speed in everything they do, Quality (Q), Innovation (I) and Customer orientation (K) for the German word Kundenorientierung'. The Vision is based on Creating value – sharing values. Their strategic slogan "Invented for Life" stands for its innovative strength and quality. (Bosch, 2007-2008)

## **2.3 Businesses**

Bosch business is divided into 3 sectors (refer to appendix 1). The washing machines fall under the Consumer goods and Technology

## **2.4 Bosch Classixx 6 varioPerfect**

An article on Bosch free standing appliances (2010) describes the Classixx product line as the simpler of the Bosch washing machines. The Floor Manager at Nakumatt informed me that the Classix 6 is most moving machine as its features are less complicated than the other brands. He also informed me that due to its price; Kshs. 71, 000 (approx. £515) its sales are not as high as its competitors (Kariuki, 2011)

## **2.5 Bosch in Kenya**

According to Mr. Kariuki Bosch washing machines and its other products are distributed by Salute Holdings Ltd (Kariuki, 2011). I interviewed Mr Fayaz the brand manager at SHL who informed me that the machines come from Bosch South Africa and SHL then re-distribute to high end supermarkets and up-market household stores.

### **3. SITUATIONAL ANALYSIS – Where is Bosch today?**

Kotler (1997) says “ A company’s marketing environment consists of actors and forces outside marketing that affect Bosch marketing management’s ability to develop and maintain successful relationship with its target customers”. It consists of two elements,

#### **3.1 Macro Environment**

Hollensen (2010) describes the macro environment as the societal forces that affect the whole micro-environment. Pride & Ferrell (2010) stress on two general approaches; accepting them as uncontrollable or attempting to influence and shape them for overall benefit. Illustrated here below is examples of a PEST scenario that Bosch should consider: -

The effects of the 2007 post elections violence in Kenya and the upcoming 2012 elections

Kenya Government introduction of the PVoC regulations (KEBS, 2005)

New Constitution – what are the changes affecting imports, new entrants

#### **POLITICAL**

Benefits of the East African Community and COMESA, Kenya being a member.

In 2010 Consumer Price Index (CPI) increased from 107.86 to 109.38 (increase in purchasing power). The Kenyan economy grew to 6.1% by the 3rd quarter of last year. Inflation decreased from 4.36 to 4.08 (KNBS, 2010)

The Kenya Vision 2030 presents a brighter future for Bosch and other players (Gakuru, 2007)

## **ECONOMICAL**

### **SOCIAL**

Habits of the growing middle class who frequent shopping malls and their spending patterns.

Kenya's urbanization growth rate of 4% and the rise of the middle class (Deloitte, 2010)

The availability of the required technology to handle the complexity of Bosch washing machines in terms of parts and servicing.

## **TECHNOLOGICAL**

### **3.2 Micro Environment**

Kotler (2005) says these are forces close to Bosch that will have a direct impact on its strategies and affect the company's ability to serve its customers as illustrated here below: -

#### **Employees**

A cultural environment that promotes motivation, and commitment

#### **Suppliers**

Good relationship to ensure prompt deliveries and negotiate lower prices to reduce production costs

## **Customers**

Household owners, Hotels, Re-distributors, International markets (ensure satisfaction)

## **Stakeholders**

Financial institutions, shareholders, Governments who have a vested interest in the company's performance

## **Competitors**

Such as LG, Samsung, Whirlpool as well as cheap substitutes. Ensure competitive edge

It is also important to identify some of the competitive challenges the Classixx 6 may face. Michael Porter (1980) identified five forces: -

Competition - In Kenya Bosch is dealing with competitors such as LG & Samsung. The competitor bands are priced significantly less than the Classixx 6. The ability of LG having its own service centre based in Nairobi through Hotpoint Ltd (Hotpoint, 2008-2009) gives it an edge. Bosch will have to up their game in terms of marketing strategies (Porter 1980) and give priority to after sales services.

Threat of new entry - The Kenya Government through KEBS (2005) introduced what is known as the PVoC Programme which is aimed at assuring Kenyan consumers of quality goods that enter the market and protecting the manufacturers from unfair competition.



Supplier power – Since the washing machines are imported from South Africa suppliers in the Kenyan environment do not have much impact on the company.

Buyer Power - Nakumatt being one of the largest supermarket chains have buyer power over Bosch if they decide not to buy its washing machines. Bosch needs its more distributors to be able to maintain some form of control.

Availability of substitutes – Substitutes come in the form of consumers washing their own clothes, hiring of house helps or take the clothes to be dry cleaned. If Bosch has loyalty then consumers will not move to competitors.

### **3.3 Internal Environment – SWOT**

Apart from its external environment Bosch also has to pay attention to its internal strengths and weaknesses (Kotler & Keller, 2006). Hollensen (2010) describes SWOT as a technique specially designed to help identify suitable marketing strategies for the company. Based on the above situational analysis I would summarize Bosch's SWOT analysis as follows: –

## **Opportunity to expand more in the African market**

**Large global market share**

**The distribution network has the opportunity to push new products into markets**

**Changes in perception and buying power of the middle class in Kenya**

**One of the world's leader's in electrical appliances**

**Strong brand name (Bosch) and advertising strategy "Invented for Life"**

**Good differentiation strategy**

**Wide range of products in many categories**

**Wide distribution network**

## **STRENGTHS OPPORTUNITIES**

Competitors

Bosch products highly priced compared to competitors

Entrance of cheaper substitutes especially from the Indian market.

Government regulations on entry

## **WEAKNESSES**

Lack of expert operators for more complex machines

Difficulty in penetrating markets where labour is cheap

Distribution in Africa not extensive as main depot is in South Africa

Lack of network with resellers and agents in the international market

## **Internal to Bosch**

## **External to Bosch**

### **Significance**

From the situational analysis it appears that Bosch have made great efforts to position themselves in the global arena, but not much has been done in Kenya. While Bosch delivers quality the complexity of the machines and the lack of service/repair outlets in Kenya appears a major weakness. The perception still seems to remain that a washing machine is a luxury as they have not made great efforts to appeal to the niche of the urban middle class.

## **4. RECOMMENDATIONS**

The following objectives are aimed at increasing Bosch market share through upped up awareness of the Classixx 6 model by targeting the urban middle class niche then based on Porter's generic strategies Focus on this segment to gain competitive advantage.

### **4.1 Objectives & Goals**

Short Term - to immediately increase awareness on Bosch brands more specifically the Classixx 6 varioPerfect through advertising campaigns that appeal to the middle class by 2012

Mid Term - to increase investment opportunities and the size of our operations in Africa by including Nairobi as an operations base by 2018.

Long Term - to gain a 75% share of the Kenyan market by 2030

## 4.2 Segmentation, Targeting & Positioning

### 4.2.1 Segmentation

According to Kotler (1997 pg. 201), "Organizations that sell to consumers and business markets recognize that they cannot appeal to all buyers . . . rather than trying to compete in an entire market against superior competitors each company must identify the parts of the market it can serve best" this is segmentation.

Bosch is currently using multiple segments: -

**Geographic** - Is located in over 150 different countries by representation, dealers and agents.

**Demographic** - The Classixx 6 varioPerfect based on its price is aimed at the upper middle class earners.

**Psychographic** - Salute Holdings Ltd supplies the Bosch washing machines to Nakumatt Supermarkets and other upper class household

I recommend that Bosch pays a bigger attention on Demographics based on (i) the growing urban middle class, Gender and Single people. A class that have demanding jobs, have families and always on the move.

Changes in technology are bringing about behavioral changes too. Gadgets have become the in thing. From the Iphone to the Ipad to the flat screen even I am inclined to include the washing machine in my household. C'mon Bosch we want to see that advertising campaign that will appeal to me and make me buy the Classixx 6 varioPerfect and wrap it in a package so neat that even my grandma will buy it.

<https://assignbuster.com/strategy-of-the-robert-bosch-group/>

## 4. 2. 2 Targeting

Kotler (1997) continues and brings out 3 strategies (1) Undifferentiated - going after the whole market; (2) Differentiated - targeting of several market segments and (3) Concentrated - going after a small share.

Currently Bosch adopts a Differentiated target marketing where it targets several market segments and offers different types of washing machines as shown here below (Bosch 2011).

Bosch ecoLogixx 7 targeted towards the energy saving conscious market

The Classix 6 varioPerfect a simpler washing machine fit for small households

Exxcel washer dryer is targeted for larger families who have small drying space

Whilst this strategy maybe working globally I recommend that in Kenya they concentrate on Niche Marketing and further subdivide these segments to customers who have that distinct set of needs (Kotler & Keller 2006). As mentioned in my introduction, the middle class in Kenya is growing and this group frequents the shopping malls, have credit cards and can spend more to get quality.

Bosch should work with the banks to promote these products through the use of VISA credit cards as a form of promotion. This will go a long way to reducing the perception that the washing machine is a luxury item.

### **4. 2. 3 Positioning**

Kotler (1997) breaks down positioning strategies into three; (1) on specific product attributes, (2) directly against a competitor and (3) for different product classes.

Bosch has positioned its washing machines based on product attributes. They advertise the Classix 6 varioPerfect as a simple time saving machine and the ecologicx 7 as an energy saving, environmentally friendly machine. The Exxcel washer dryer is positioned as a two in one; washer and dryer that also saves time and energy.

They should also take on the challenge of going head on with LG & Samsung especially on pricing.

## **5. 0 THE MARKETING MIX**

The Marketing Mix is that blend of tools that assists Bosch to satisfy the needs of the urban middle class niche market by understanding it through research into its characteristics (Pride & Ferrel, 2010).

Product - Kotler (1997) says " companies need to think about their products on three levels; core product which addresses the benefit the consumer will experience, an actual product is then built which includes its attributes and finally the augmented that offers additional benefits as illustrated here below for the Classix 6: -

### **Actual Product**

#### **Core Product**

5 Years Warranty

Classixx 6 varioPerfect

speedPerfect

## **WASHING MACHINE**

### **Benefit = Convenience**

Home Delivery

Front Loader

Service & Repairs

ecoPerfect (saves energy)

### **Augmented Product**

With high investments on innovation, research and development Bosch should package the Classixx 6 machine for the urban middle class in Kenya with additional attributes such as warranty, after sales service, repairs and maintenance and as put by hollensen (2010) offer good services that assures consumers that the company stands behind its products.

Price - Hollensen (2005) states that this is the part of the mix that will generate revenue. I recommend product line pricing for Bosch by using the premium pricing strategy since they have several versions of their washing machines with different attributes, those of the highest quality or versatility should be priced highest and those like the Classixx 6 being simpler should be priced to appeal to the urban middle class who are seeking product specific features (Pride & Ferrell, 2010).

This strategy will allow the company to penetrate this niche market quickly, attract a large number of buyers and in the long run gain market share.

Place - Refers to the process that Bosch uses to make its products available for consumption (Kotler, 1997). SHL are the main distributors for Bosch in Kenya and they import from South Africa (Fayaz, 2011). Africa is a hub ready to be tapped. It's about time that Bosch took advantage of this by opening a Bosch office in Kenya for its consumer goods. By having the company's presence here they will be able to deliver effectively to greater East and Central Africa.

If having a Bosch office in Kenya is not feasible immediately then a sole distributor is required. One who will specifically concentrate on pushing the company's products to the consumers.

Finally, hey I am also thinking that Africa is developing fast so why not Laundromats? We have big shopping malls in Kenya and no Laundromats (Otieno 2007). Bosch should move into this and do it fast. Open Laundromats in the malls with Bosch washing machines where this niche market who frequent the malls can come in and for a small fee wash their clothes, dry them and take them away. What a revolution that would be!

Promotion - Little if no advertising is done. If I had not made my way to the supermarkets, I would not have been aware of what is out there. I

recommend aggressive advertising through Media, Brochures, Posters, Billboards etc that will bring out the benefit of owning a Bosch machine. I want to drive along the highway and see a billboard such as the examples I have illustrated here below. We want the brand name in sight and in mind.

<https://assignbuster.com/strategy-of-the-robert-bosch-group/>



## **Available at all Nakumatt Supermarkets in Nairobi**

### **make your choice and revolutionize your home!**

Also Bosch should increase its visibility at Nakumatt such as what its competitor has done here below from a photo taken from my phone: -

But Bosch should go a step further and include sales people for person to person selling who are uniformed and who are well versed and informed on the products. Don't just display, inform!

## **CONCLUSION**

Robert Bosch said "I would rather lose money than trust". This is a powerful statement but it goes to show the emphasis he put on getting the best products out there that would put little or no doubt on the company. This is the backbone that has catapulted the company in the global arena.

The African continent is developing and opening up to embrace things that were once considered luxuries as necessities. The way forward for the company is to appeal to me and those in the same bracket. Gone are the days that washing machines were considered for the white man or for the rich. We are becoming technologically savvy as the years go by; its time to bury this perception.

I need to point out that I am so glad I begun this process because at the end of it I made the decision to purchase the Classixx 6 varioPerfect because I am a single mum whose lifestyle is on the move and I have a 10 year old daughter who at the end of the day looks like she has dragged herself through mud and of course the attributes of this machine appealed to me.

This is a clear indication to Bosch that they need to honour their founder Robert Bosch and the founding fathers of the washing machine King, Smith, Blackstone and Fisher by placing that trust in the heart of Africa starting with my beloved country Kenya.