

# Various marketing programmes of whirlpool corporation



The aim of this report is to study and analyze Whirlpool Corporation through research on their various marketing programmes. Starting with analyzing the current situation of the company related to their present and upcoming businesses.

With an understanding and evaluation of internal and external environment, firm is operating various approaches of PESTEL, SWOT analysis & Porter five forces of competition will be used to analyze the Return of Interest ( ROI ) of firm related to these factors will be established.

Studying the present marketing strategies of the company to analyze the current position as well as forecast for the future growth of the company and provide solutions to the company in areas where new ideas could help them sustain in the industry.

These solutions would be recommended by understanding the present scenario of industry and economic and globalized climate the company is operating into.

## 2. 2 Corporate Profile

From his humble beginnings as Life Insurance Agent, Lou Upton in 1911 established an Electric Wringer Machines factory in Michigan, USA. With his constant emphasis towards innovation and quality, he was able to manufacture one of the first Electric machines capable of washing clothes effectively ( WhirlpoolCorp, 2011 ) . With growing popularity of machines and increasing customer orders, Mr Upton along with his uncle Emory Upton set

up a manufacturing unit capable of producing large orders and started manufacturing for companies such as Sears and Reobuck & Co.

In 1929, the company was incorporated as Nineteenth Hundred Corporation through a merger with Nineteenth Hundred Washer Company due to which the company could utilize a larger manufacturing base and have a direct access to a large dealer network ( Whirlpool Corporation Limited, 2010, p. 5 ). With going developments in the field of Line assembly engineering and a decade of developments in the field of thermal and electrical technology the company started marketing its products on a national level with the name of Whirlpool.

Quickly understanding the effects of new Globalization and mobilization of population, Whirlpool products were diversified into various others segments ranging from Dryers, Kitchen Appliances and Refrigerators. With an ongoing process of constant development and Innovation today Whirlpool stands as the largest home appliance manufacturer in world with revenue of USD 19 Billion and over 60, 000 employees globally ( Whirlpool Corporation Limited, 2010, p. 6 ).

Company Brand Portfolio - Whirlpool Corporation manages and markets several strong brands that have developed market and established as a unique and differentiated brand in several countries and regions. The Core Brands of Whirlpool Corporation is Whirlpool, Maytag, KitchenAid, Jenn-Air, Consul, & Gladiator.

## 2. 3 Mission, Vision and Values

A mission statement is one of the most fundamental values of a company. The main aspect of mission statement is the company's core purpose " which sets the company apart from the other companies in its industry". Also it is essential to verify that " mission statement should lie neither in product-specific nor in monetary related target. But it should reveal how the company should conduct to accomplish major milestones along the way to achieving company's vision" (Sabrautzi, 2010, p. 3).

Whirlpool has strategically formed their long term mission as well key vision through which they plan to operate and grow.

#### Mission

' Everyone, Passionately Creating Loyal Customers for Life'

Through this the company establishes and instils an approach of commitment and dedication towards each customer by their employees.

#### Vision

Every Home..... Every Where with Pride, Passion and Performance

With a clear and concise vision Whirlpool believes to reach out to every home regardless of its income potential in one way or other and touch lives of people and fill it with joy of owning its products.

### **3. Part 1: Investigation and analysis**

#### **Current situation: differential advantage& competitive edge (USP)**

An Evaluation of the current strategies used by Whirlpool Corporation to develop markets as well as position products across different market segments which can bring robust revenue prospects in the nearby future. Also comparing with competitors across the market with differences in their product features and price will give an clear insight over a focus area which can sustain growth at Whirlpool for a long term

#### **Current situation of Washing Machines and Whirlpool**

Due to globalization, the world of commerce has come closer to each other than ever before thus resulting in hectic lifestyle and nuclear families. Nevertheless, this has also resulted in a more independent lifestyle with more focus on luxury and comfort. Washing Machines in the white goods category due to their ease of use and practicality has been a boon to countless man and woman around world for their daily needs of laundry. In between 2005 - 2010, washing machine market alone grew by steady growth of 10. 4% annually. Now the requirement of washing machine for each household is none the less than a necessity in the developed countries whereas in the developing countries the market is growing at rapid pace. Alone in 2009 the markets of China, India and Brazil have been prime contributors of growth to the washing machine manufacturers.

Whirlpool since its beginning has been a pioneer in the industry for providing quality and efficient washing machines. Constant up gradation of the technology and innovative approaches has always made whirlpool, the first  
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choice for millions of customers around world. In the recent years due to high competition, neck to neck pricing and lower profit margins, profit of whirlpool has gone down by 10 % in 2009 last quarter. Whereas the weak economic climate, job losses in Europe and USA and high competition of Asian Manufacturers such as Haier and Samsung has affected the sales by more than 30% on annual basis in the last three years. The product line due to cost cutting and high material cost is limited thus providing competitors to offer better and similar products at lower prices.

Whirlpool 5 Year Key Performance Index

### **Differential: advantage and competitive edge (USP)**

The principle of differential advantage asserts that the firm should offer customers something they want but cannot get elsewhere. Differential advantage is similar to having a competitive edge, a unique selling proposition ( USP) , as it lies at the heart of every successful market strategy.

Whirlpool has been the leader of home appliance industry since over the last 70 years.

Quality Products :

Whirlpool has believed in providing quality products, which would ensure a strong brand reputation building. Customers perceive whirlpool washing machines to be little more expensive than the other competitors do.

However, customers also understand that products of whirlpool are of superior quality and make, thus a higher price for the products is justified.

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Superior customer service :

Whirlpool has one of the largest network of service specialist and distributor network, thus making it easy for customers to obtain product service as well as ask any query. The strong brand name has helped whirlpool to partner with large supermarkets and electrical outlets for selling their products.

Green and sustainable products :

Patented sixth sense technology of whirlpool front loading washing machines has been hugely popular in the U. S and European markets. This competitive edge of mixing sustainable products with green advantage of saving utility and long term service cost has been a strong competitive advantage of whirlpool

## **Porter Five Forces**

Figure 1 (Adapted from: Dess, Lumpkin, & Eisner 2010, p57)

The ' five-forces` model developed by Michael E. Porter has been the most commonly used analytical tool for examining the competitive environment.

Each of the five forces affects a firm's ability to compete in a given market. Together, they determine the profit potential of a company in a particular industry (Dess, Lumpkin, & Eisner, 2010, p. 56).

Threat of New Entrants:

Due to high capital requirements and necessity of strong marketing medium and extensive distributor and sales network, threat to whirlpool from new

entrants in substantially low. Also price plays important in this as washing machines are relatively expensive thus customers buying it focus on quality and brand name more.

#### Bargaining Power of Buyers :

Due to high competitive nature of this industry buyers have a high bargaining powers as they can buy washing machines of competitors which are relatively low priced than whirlpool products. Thus whirlpool should carefully and competitively price products for sustaining in market for long term.

#### Threat of Substitutes :

Compared to past now people are working more hours and have more stressful lives, thus leaving their needs for user friendly and time saving washing machines higher. In addition, substitutes such as neighbourhood laundry and home manual washing are out of this hectic lifestyle due to higher cost and high time taking task.

#### Bargaining Power of suppliers :

In the washing machine industry, most big companies outsource their manufacturing facilities to other smaller companies with a fixed term of tenure at a fixed price. Thus suppliers bargaining power for exploitation or rendering higher cost is low. But same time if suppliers stop production then companies can be forced to give in for their needs.

#### Rivalry among existing firms :

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With similar product line and close pricing, the competition in household appliances is very high. Whirlpool faces high competition from manufactures such as haier and Samsung. Whirlpool has lost a considerable market share as these competitors produce with lower cost high quality products .

Competitive profile matrix tool helps company in understanding the positioning of themselves against the competitors. Whirlpool Corp has many established competitors but its long existence and expertise gives it a strong foothold in the market across regions and segment.

Management of Whirlpool is one the key success factors of the company as its is effectively run Senior Ceo Jeff Fettig, who has implemented latest technology and also innovative ideas from company efficiently, whereas also the focus of company is on shareholders return to improve and become an attractive investment.

Haier and Samsung also provides similar services compared to Whirlpool at a better price, but brand reputation and strong distribution and retail network helps Whirlpool old marketing strategy and high products have resulted in low market share..

## **SWOT Analysis of Whirlpool**

### **Strengths**

### **Weaknesses**

Strong Brand Image

Robust revenue growth in Latin America

Increasing Cash Flow from Operation

Low Margin

Declining private label sales to Sears

## **Opportunities**

### **Threats**

Acquisition of Maytag

Growing Asian Markets

Increasing Raw Material Cost

Intense Competition

New EU Directives

(Adapted from: Bensoussan & Fleisher, 2008, pp. 195)

### **Strengths:**

**Strong Brand Image:** The most significant strength of Whirlpool is its brand equity. The company boasts of a portfolio of strong brands which have helped it enhance its unit sales in diverse markets. Whirlpool's strong brand equity has proved to be a successful platform to launch new products in the market place through brand extensions, which have helped it lower its advertisement expenses. Furthermore, on the employee front strong brand equity has helped the company hire and retain some of the best talent in the segment

**Robust Revenue Growth in Latin America:** Whirlpool has recorded strong revenue growth in Latin America. Revenue from Latin America increased from \$1,350 million in 2009 to \$1,962 in 2010, a CAGR of 21%. This high revenue growth in Latin America offset lower revenue growth in Europe and North America.

**Increasing Cash Flow From Operations:** Whirlpool has recorded a strong increase in cash flow from operations in recent years. Cash from operations increased from \$744 million in 2009 to \$881 in 2010, a CAGR of 9%.

Increasing cash flow from operations allows the company to enhance revenue growth through organic and inorganic initiatives.

### **Weaknesses:**

**Low Margins:** The Company's profit margins have been trailing the industry average in recent years. In the five year period 2005 - 2009, the company's operating margins was 5.5%, compared with the industry average of 6.9%. Similarly the company's net profit margins, for the period 2005 - 2009 stood at 2.6%, as compared to an industry average of 4%. Whirlpool's lower than industry average operating margins indicate as inefficient cost structure; the relatively low net profit margin, meanwhile, suggests scope of improving capital structure.

**Declining private label sales to Sears:** Whirlpool's private label sales to Sears are declining. Sears markets its refrigerators under its own brand, Kenmore.

Whirlpool has been the largest supplier of refrigerators to Sears. However, Sears is shifting to other vendors such as LG Electronics and Electrolux.

Whirlpool's supplies to Sears have declined in recent years. A decline in

private label sales to Sears would adversely affect revenue growth of the company.

### **Opportunities:**

Acquisition of Maytag: Whirlpool acquired rival home appliance company, Maytag in August 2008. With the acquisition of Maytag, the company has access to Maytag's products and distribution network in the US home appliance market. By integrating the manufacturing functions, the company hopes to save nearly \$400 million annually. The acquisition of strong brand name such as Maytag would strengthen the company's market position and result in economies of scale as well as an enhanced market share and position.

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Growing Asian Markets: Demand for home appliances is growing in Asia. The strong economic performance of most of the Asian countries is resulting in higher personal incomes, boosting demand for electronic appliances. The company already earns nearly 3% of the total revenue from Asia. Growing demand for home appliances in Asia will allow the company to improve its revenue growth and diversify revenue away from mature markets in west.

### **Threats:**

Increasing Raw Material Cost: Increasing raw material costs would raise operational costs for whirlpool. The climbing base metal prices and high oil prices could drive the costs of the company higher. In the fiscal year 2010, the base metal price and higher oil costs added \$150 million to the

company's operation costs. Increasing operating cost would negatively affect the operating profits of the company.

**Intense Competition:** The Company is facing stiff competition from home appliances makers from Asia and other continents. Companies like LG Electronics, Samsung and Haier are gaining market share in the US through their low cost and high quality product. In addition, Arcelik, a Turkey based appliance company announced its plans to enter the US market in 2009. The entry of new players, on top of existing competition, would further intensify the competition in the US appliance market and drive prices down. This would put pressure on the company's profitability.

**New EU Directives:** The Waste Electrical and Electronic Equipment (WEEE) Directive of European Union (EU) makes producers of electrical and electronic goods financially responsible for the specified collection, recycling, treatment and disposal of past and future covered products. Although some countries are yet to implement this directive, companies operating in this market became responsible for implementing their responsibilities under the WEEE in August 2007. EU member's states, which are yet to implement WEEE directives, are likely to implement by 2012. Whirlpool could incur sizeable costs liabilities under the new legislation.

## **Part 2: Recommendations:**

Due to the highly changing and competitive nature of the industry, it is very important for the firms to sustain for a long time in this nature of business to develop sound and well-evaluated marketing policies and programs that can withstand against different forces and new threats.

Due to average income level rising across all income segments it has been easier for people to invest into better and more useful home appliances to facilitate their busy lives. However, on other side people have become more conscious and watchful over environment thus preferring appliances that cost less, use less energy and are more water and environment efficient.

Marketing Recommendations for a company as big as whirlpool would be evaluated keeping these necessary forces in consideration and new approaches would be identified which can be helpful for the company in targeting and reaching to the new consumers spread across the developing countries.

Segmentation Targeting and Positioning :-

Markets as are spread across different segments ranging from different geographical locations to Education Level to Income levels. Thus, a clear approach towards identifying which product would suit across which segment helps in deriving successful marketing campaigns saving time and generating more returns. Marketers under four broad categories of demographic, social, geographical and ethnic segmentation segment markets. It is essential for companies to decide which category will be most relevant to their product.

For washing machines, whirlpool should concentrate their efforts on two primary categories.

Demographic Segmentation : Whirlpool should market it strategies more according to the needs of women who are primary users of washing

machines. Thus developing machines which trendy in looks as well less complicated would be more useful. Also now, there are many single bachelor men who live independently thus focusing on products which are compact and faster would increase demand.

Geographical Segmentation : In certain parts of world water and electricity are in plenty whereas in some countries availability of either of both difficult for highly expensive. Thus machines in these places should be developed by whirlpool suiting the geographical market needs and not just similar design and utility machine for every market.

Primary Target Market

Developing countries

Woman and Single Men household

Rural Markets

Secondary Target Market

Energy and Environment conscious Customers

Marketing Objectives and Goals

A Marketing objective ensures that a company knows what its strategies are expected to accomplish and when particular strategy has accomplished its purpose.

Whirlpool has lost a considerable market share to Haier in the recent years whereas due to their high pricing strategy, budget conscious customers have shifted to cheaper and other reasonable manufacturers.

For establishing marketing objectives and implementing long term and short term goals, whirlpool would need to budget the new marketing program thus giving more freedom for spending and also an audit after first and second phase of marketing initiative.

## **Ansoff Growth Strategy Matrix**

Proposed Strategy A :-

Product Development in Current Markets: Consumers due to mass developments in media and education are getting more aware and conscious about environment. Due to which consumers have started favouring products that can provide better sustainability and energy savings in the form of green and environment friendly products. Thus whirlpool needs to develop more products which are highly environment friendly and energy efficient. Also new products of less weight and size which are compact and appeal to bachelors and households having less family members will help in increasing market share.

Proposed Strategy B :-

Market development in New Markets : Since the last two decades Asian, South American and African markets have been developing rapidly. Due to which average household income of millions of people and families has increased significantly. Whirlpool has a well established sales and distributor



network in big and metropolitan cities but push sales in large volumes, whirlpool needs to establish itself into millions of two and three tier cities in India, China and African Countries. Customers in these regions are price and service sensitive thus focusing on basic washing machines at cheaper price will help the company in establishing itself.

## 7 Marketing Mix

### Product

The Most visible and essential part of success for any organization is to have quality products as products with good quality have helped companies in achieving a brand image and sustain in industry for a long time.

Whirlpool brand name is attached with strong quality and commitment. The company focus should be on quality but consumers now also demand energy saving products that are compact in size and faster. Thus, whirlpool should design and market such products.

### Place

Presence of whirlpool products can be strongly felt in big cities and malls, but in developing countries, the larger population resides in small cities and towns. Thus company should market and advertise in these places to attract maximum population.

### Price

Final decision of every consumer is derived through evaluating the product features and comparing with its price. Thus, a great product with only a good and reasonable price can bring revenue back to the company.

Whirlpool prices are higher than the prices of its competitors such as Haier and Samsung, Thus the company should focus on Product line pricing where according to the features the products will be priced competitively thus sounding reasonable to the consumers.

### Promotion

Whirlpool big a large Corporate can avail services of several marketing mediums to target a mass market rather than feature specific market.

The company can use Internet and Television Mediums through which a mass appeal can be established. For target marketing, the company should use help of special magazines concentrating on specific reading audience, websites, Road commercials and Print media.

### People

People can make or break a marketing campaign, thus to indentify a clear audience to target products helps in narrowing efforts and saving revenue of organization. Target audience for Whirlpool products is primarily Woman who are key decision makers and Single Men, thus company should focus marketing on these two more.

### Process

A more simplifying process the more consumers are ready and eager to buy a product hence a clear, simple and short process developed can help whirlpool to reach more consumers in lesser time. Introducing home based shopping, loyalty programme and product benefit catalogues can help in simplifying process for consumers.

### Physical Evidence

Now consumers have become more exposed to information due to developments in communications and internet thus developing ways of providing physical evidence of product quality as well as a demonstration of its potential can help whirlpool in increasing sales.

### Boston Consultancy Group

Boston Consultancy Group matrix is designed specifically to enhance a multi divisional firm`s effort to formulate strategies to find out market share position and industry growth rate. BCG matrix was developed by Boston Consultancy Firm.

(Source: Kotler, et al., 2005, pp. 37)

Question Mark Quadrant :- In 2009 Whirlpool launched its duet series of front door machines with capability of washing and drying together. This machine saves 74% water than a traditional machine and saves up to \$894 in five year cycle. Due to its competitive price and unique features in the long run duet series can bring Whirlpool line of washing machines back on top again.

Stars Quadrant : Whirlpool model AWE6517, a top loading washing machine has been the highest selling machine in both European and U. S markets for the last two consecutive years. Also in top loading machines, Whirlpool has market dominance thus for nearby future this model if introduced into Asian market due to its cheap pricing and features can bring high profits.

Dog Quadrant : Whirlpool launched Cabrio series of washing machines targeting consumers requiring large laundry needs. However, due to spin and persistent motor problems, the machine break down became concern for company thus, Whirlpool initiated product recall. This machine series has been since a considerable time in the market but due to bad product reviews, the sale has dropped dramatically.

### **3. Conclusion**