

Aqualisa quartz: simply a better shower, case study

[Business](#)



Hence, the company's managing director, Harry Rawlins, a HUBS graduate who has the 'itch to think big' is faced with many key decisions regarding the company's marketing strategy.

He is re-evaluating their existing strategy regarding the overall positioning of the product, distribution channels and effectively pricing and promoting Quartz. This report analyzes Quality's existing strategy, beginning with market segmentation and customer behavior leading to the ups (Product, Place, Price and Promotion).

Based on the analysis, recommendations have been provided that will help Squalid in developing an effective marketing strategy. U. K Shower Market U.

K. Shower market is consists of customers who are quite uninformed about the showers and do not understand the product options. Based on the information in the case, they can be divided into mainly two categories of customers: individual buyers and property developers. Each of these is further subdivided based on two variables: price and customer behavior. The table below, lists a few characteristics Figure 1: Market Segments based on Price v.

Customer Behavior A detailed description of the above figure is as follows, along with the product that Squalid offers to cater to their need. Quartz is a new product for Squalid, and once identifying the characteristics of their existing customers is important. Squalid needs to develop an effective positioning strategy for Quartz, so that it does not cannibalize their existing products and also gains substantial entry into the market at the same time.

Generally speaking the customers in the individual market segment have one common feature. They are faced with problems of low water pressure.

But, within this Individual customer category there are sub-segments based on varying needs. However, the property developers do not tact the problems to water pressure and are faced with the different set of issues. The three distinct customers in the individual category based on price are: Value Customers, Standard Customers and Premium Customers. Property developers who form an entirely different category are quite price-sensitive with the exception of a few luxury developers.

One interesting group of people in all the categories, who are not the consumers and hence could not be placed in the above figure are the plumbers - people who actually install the showers so that the customers can actually gain the benefits that they seek. As mentioned earlier, the consumers' knowledge of showers is very limited.

Hence the information search / evaluation during the buying process is largely influenced by these plumbers. Following the description of the above customer categories is a discussion of the behavior of plumbers, which is essential to understand the true nature of the market.

Although they are not the end consumer, their role will be significant for Aqualisa when creating an effective marketing strategy. Value Customers: Customers in this category are mainly concerned with low price and convenience. Style or looks is not their primary concern; but, functionality plays an important role. Since, price is very important to this category they

do not like to spend money on solutions that require excavations (as they would increase installation costs).

Hence, ease of installation is very important to them.

The consumers' decisions are largely influenced by the plumber – either the plumber selects the shower or advises them on the type (not the brand).

Final installation was usually carried out by the plumbers. This also includes a category of customers called DID, consisting mainly of landlords and apartment dwellers – who install and select their own showers. Products offered by Squalid for this category are: Johannesburg, Quavered and Sequestrate Manual ranging from 95 to 480.

Standard Customers: Customers in this category are mainly concerned with reliability and performance.

Assuming that they fall in the middle of the two categories, style would be a consideration but not important. They also rely on the individual plumber to not only recommend or select a product for them but eventually install it.

Products offered by Squalid for this category are Johannesburg, Quavered 609 and Sequestrate Thermostat ranging from 1 55 to 670, offering better quality and state-of-the-art technology. Premium Customers: Customers in this category expected performance and service as a base criteria to be on their qualifying list of products. Style is what dominated their selection.

They usually shopped at showrooms which had technical experts to explain the various product options and help them in evaluating and selecting the right product. Being better informed than the other two segments, plumbers

had very little influence on this category. The showrooms also offered installation service. The only product offered by Squalid for this category was Squattest at 230. Developers: Customers in this segment are quite price-sensitive and require showers that are reliable, stylish and flexible I.

E. Those that could work in multiple settings.

They do not require showers that have premium valves because the new homes are built with high-pressure systems. Also, they do not rely on the individual plumbers while making purchase decisions. However, they do have relationships with the plumbers. No will install the showers that the developers select.

Squalid offered the Showrooms brand to this category at a significantly lower price than their other products and fewer features. Plumbers: Although the plumbers are not Quality's prime customers, they have huge influence on the individual market segment, especially the value and standard customers. Their major concern is reliability, performance and ease-of-installation because they would have to bear the costs of any unforeseen problems. Hence, they would familiarize themselves with a product brand. They are quite loyal to the brand that they have chosen and are apprehensive of any product innovations.

Quality's Marketing Strategy (ups) and Quartz Until now, Squalid has had a successful marketing strategy, enjoying 25% net return on sales and a growth of 5% to 10% in a mature market. They have effectively segmented their markets and have products that cater to each segment's needs.

Their channel relationships are strong and positioning has helped them achieve a brand name in the market. Following is a brief discussion to Quality's 4 an emphasis on their new product Quartz. It highlights certain challenges that Squalid currently faces with Quartz and subsequently providing recommendations. Product: Squalid offers a wide range of products to cater to the needs of each of its market segments, as has been described above.

The recent introduction of Quartz showers has been a great leap for Squalid in terms of both product quality and cost.

The company spent almost 3 years and 3.8 million in developing the product. It was developed after undertaking a thorough market analysis and identifying the problems in existing products - resulting in a product that 'customers actually want' - the product is offered in two models - the Quartz standard (not requiring a pump to boost water pressure) and Quartz Premium (including the pump). The use of electronics has enabled the product to offer unique advantages, both in terms of features (the use of indicator light to signal that required temperature has been achieved) and in terms of installation.

Quartz provides high flexibility of installation - the use of remote processor to control the thermostatic mixer valve has overcome the need to excavate (since it can be conveniently placed anywhere close to the shower where there is access to water pipes) and has tremendously reduced installation times and costs. As such, the ease of installation makes it attractive for the most novice customer. In addition, no bulky boxes translate into better look

and style. Lastly, as described by Rawlins, Equate will open up doors for development of new products.

So, what are the issues that Rawlins faces? The use of electronics (which was a failure in the Quartz's) has caused plumbers to be skeptical about the Quartz.

But, that was 20 years ago and we have seen a great deal of technological advancement. Field tests that were conducted before the launch of the product to ensure that it met the needs of its customers resulted in the 'wow' factor. Secondly, Rawlins feels that Quality's existing products face the threat of centralization, especially their cash cow – the Quavered. So what should Rawlins do?

Following is Porter's matrix that suggests corporate growth strategies:

Source: Porter 2000 Clearly, Squalid falls in the Product development box. As suggested by Porter, this is riskier than the market development strategy.

While a firm pursues new markets with existing products in market development, Quality's strengths lie not only in relationship with its existing markets (being No.

3 in the market) but also with the product itself (the excellent engineering and R&D team involved in development). The suggestion is that Squalid should not change the product.

It is definitely a riskier approach, but is a calculated risk. I. E. Squalid has developed a product that its customers want, who are just not aware of its benefits. Secondly, Squalid can look at market penetration for its Quavered brand and develop market in other regions or geographical locations.

ere 'itch to think big' leading to adoption of such calculated riskier alternatives will lead Squalid to success. Place (Distribution Channels): Squalid offers its products through a wide range of distribution outlets - from trade shops, showrooms, DID Sheds, plumbers and contract outlets.

Quartz has been made available through all of Quality's distribution outlets, but in varying degrees. In addition, the Quality's sales team has also targeted its 'loyal' group of plumbers by introducing them to the new product. However, sales have not picked up since the four months of its launch.

Quality's sales team targeted 'their group' of plumbers by introducing them to the product. However, the plumbers are skeptical of Quartz (electronic and innovative products) for the reasons mentioned earlier. Hence, the trade shops (plumber's merchants) have seen very poor sales.

They have only been able to sell 15 units a day marred to an estimated requirement of 100-200 units a day to break through to the mainstream. However, one incident in the case suggests that once a plumber installs Quartz he is immediately a 'convert'. On the other hand, showrooms have shown better results.

They are able to offer customers (the actual users) with a display - which is a key to Quartz success. Once the customer has 'seen' the benefits, the product is sold and the 'love it'. Quartz has become the leading product of the showrooms, where it has gone on display. He case does not give enough evidence of Quartz being made available in the DID tortes. However, it can be assumed that Rawlins has not fully exploited this Channel, because he <https://assignbuster.com/aqualisa-quartz-simply-a-better-shower-case-study/>

mentions that they are careful of introducing any product in DID stores. Once a product goes into DID, it is almost impossible to back out.

However, Quartz flexibility of installation makes it a DID product. Also, it does not give enough evidence on the product being made available to property developers. This group forms 15%, a substantial portion of the market.

In addition, their decisions are not influenced by the plumbers but the product. The plumbers in turn are introduced by the property developers. Quartz seems to offer exactly what the developers want - a value product with much desired flexibility.

Hence, it is suggested that Squalid concentrates more on exploiting these three channels for the next six months. I. E DID stores, the property developers and the showrooms. These in turn will have a trickle down effect on the plumbers (a major Channel partner for Quartz), since they are forced to install what the customers want in the above cases.

Once the plumbers have been influenced and there are many converts', Squalid should make Quartz available in the trade shops (since they tend to carry the products that are in demand). As for now, Squalid should not focus its resources on the trade shops and plumbers. Promotion: Squalid enjoys a good reputation and brand name in the market.

Its existing products, being of high quality and performance have helped it attain number 3 position having close to 18% market share (325, 500 units

of 1.8 million). Quartz is an improvement over Quality's existing product range.

However, it is safe to say that Quartz is an entirely new product because of the advanced capabilities offered by it in terms of features, performance and flexibility. In order to promote Quartz, Squalid has adopted several approaches - exhibitions, face-to-face contact with plumbers, and advertisement in The Mail on Sunday.

The Quartz was awarded the top prize at the Bathroom Expo and received great reviews from all reporters. They were enthusiastic about the 'cleverness' of the product and 'elegant design'.

Rawlins points out that targeting the customers directly with an ad campaign will cost about 1 million to 4 million over two years and is very difficult for a company with net profit of about 17 million. So what should Squalid do? As described above, Quartz is a fairly new product and launch of a new product requires awareness. The customers need to be educated about the product and its features. As pointed out in the case, customers are generally unaware of product features and have limited knowledge. Only one company has been able to create some product awareness.

E. Triton.

Hence, Squalid should use its existing brand image and awareness in the market to launch the ad campaign for Quartz and build product awareness. It is agreed that the costs will be high and is a risky proposition. But, this should be viewed as an investment and not as a cost; since Quartz is going

to lead Quality's market for other electronic product innovations and success of Quartz will give Squalid the first mover advantage in the market.

Price: A few important facts can be seen from the table as below: Retailer margins across all product categories is fairly the same, ranging about 47%.

Quality's cash cow - Quavered has a manufacturer's margin of about 60% - : nonparallel to both the Quartz models. The cost of manufacturing Quartz is higher than that of Quavered - hence the higher retail price. As will be described below, Quartz offers good value for the end customers not only terms of product features but also price, even though it is their highest priced product. Comparing Quavered Value to Quartz Standard: A typical installation of Quavered will take from 1-2 days.

Assuming that plumbers charge on an average 70/hour (including labor and materials for excavation) and it takes 12 hours to install, customers would pay 840, over and above the retail price of 390 - the total being 1230.

Assuming similar labor charges (even though excavation is not required), and 6 hours installation time for Quartz - a customer pays approximately 420 for installation - the total cost being $420 + 850 = 1270$. Hence, the total cost for the customer is fairly the same in both cases. In addition, they receive a product that is much advanced and better in all respects.

Thus, it is suggested that Squalid maintains its current price for Quartz and use the above value proposition in targeting customers to show then benefits gained. Conclusion Squalid has truly developed a product that is

going to lead the market - however has faced challenges in terms of effectively positioning it and delivering it to the end customer.

Slow sales have worried Rawlins who was taught 'think big'. Introducing a new product in the market can be challenging for a company, especially when the customers have had a 'previous bad' experience with similar products.

But, we have to account for the fact that Quartz is a genius in itself and a lot of effort and resources has been put into its development, creating a product that customers 'want'. Technological advancement in the last 20 years has been tremendous and although customers are wary to innovations, it is not impossible to sell a technologically adept product to them. As pointed out in the case, once plumbers use the new Quartz, they are immediately a convert
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The post evaluation of purchase during the buying purchase is in favor of Squalid.