

# Kunst vacuum pumps and the vacuum pumps market



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In the growing marketplace of the vacuum pumps in the world and particularly in the United States, Kunst Vacuum Pumps had decided to penetrate into the new market segments by offering the Kunst 1600 Dry Piston Vacuum Pump. Notably, well understanding of the Business to Business (B2B) marketing management tactics and strategies are becoming more and more crucial for the Vacuum manufacturers around the world in order to enjoy a sustainable competitive advantage in this highly severe and strongly competitive market. In this particular report, the main issues of the case are going to be discussed and will follow with an analysis and discussion on multiple theories. Finally, it is concluded with a few recommendations in order to maintain the company's competitive advantage consistently.

## **The Firm and the Product**

Kunst Vacuum Pumps is the recently acquired U. S. Division of Atler GmbH. This firm is involved in manufacturing of expensive vacuum pumps which are to be used in the highly demanding laboratories, industrial applications and health care. Kunst Vacuum Pumps headquarters are located in Frankfurt, Germany and its revenues exceeded by 5 billion. The reason why Atler acquired Kunst was to penetrate some of the new segments in the U. S. market. Alter produces diversified lines of high-quality compressors, monitoring devices and high measurement instrument. Alter is a very well known and famous company in Europe and has enjoyed a good reputation for its scientific discovery powers, its reliable products and also for their competency when it comes to the technical service. Kunst 1600 Dry Piston Vacuum Pump is an injection-molded aluminum pump, fractional horsepower

with a pumping speed of 1.6 cubic feet per minute (CFM). It weighs 16.5 pounds. In addition to it, Kunst 1600 is oil-free as well. Due to its compressor, the Kunst 1600 can run longer and cooler than the conventional vacuum pumps, which is an additional advantage which enables Kunst1600 to function more efficiently at lower pressure levels than any other competing products. Moreover, the fact that the Kunst 1600 is injection-molded means that in comparison to the traditional models it has fewer working parts.

### **Main Issues in the Case**

According to (Kotler, Brown, Adam, Burton, Armstrong, 2007), segmentation is defined as dividing the market into groups of buyers who might have some common characteristics or buying behavior and who might need different products or marketing mixes while targeting is defined as evaluating each segment's attractiveness and then deciding on which segments to go for and target them (Kotler, Brown, Adam, Burton, Armstrong, 2007). Even though Evan, the senior product manager at Kunst Vacuum Pumps, had confidently predicted and thought that the Kunst 1600 along with the Kunst reputation will be the "Mercedes" of Vacuum Pumps in the U. S. and even though he had set some decisions to address the important issues like identifying and targeting the high potential market segment and developing a value proposition for each segment, he had faced the following problems that can be summarized as the following.

Among two of the segments that the management was trying to target, residential AC repair and Home and Light Commercial Refrigerator repair Segment, Evan was not able to determine which segment to select and target even after conducting the market research.

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For instance, in case of the Residential AC Repair segment, technicians had to carry the pumps to unusual locations at job sites, they felt that the lighter the pump would be the more better it is. It was considered to be lighter than its competitive models because of its aluminum body. However, they wondered and it made them worried if the aluminum would make it more vulnerable to breakage. In addition to it they thought that the acids exhausted from the Kunst1600 would accumulate which would result in the aluminum housing to corrode more rapidly and quickly. Moreover, the technicians strongly believed that reducing the vacuuming time would not necessarily reduce the total job time because what is considered to be an idle time from the Kunst management is actually helping those technicians in completing their other tasks like repair tasks, writing invoices and developing a more personal relationship with the homeowner.

Most importantly, the discussion of oil changes gained contradictory and confusing results as the owners and technicians both agreed that the vacuum pump instructions called for the oil to be changed after every job. While in fact repair technicians saw changing the oil as a dirty little job as it took for about 30 minutes to complete it.

Finally, the participants responded that they are not interested in the Kunst 1600 having 1.6 CFM rating because they regarded it to be too small to handle a residential AC repair job. Regarding the other segment, Home and Light Commercial Refrigerator Repair, on the home refrigerator jobs, the participants did not see any advantage in reducing the amount of vacuuming time. There was another problem which was related to changing the oil in the home and light commercial refrigerators as the technicians change the <https://assignbuster.com/kunst-vacuum-pumps-and-the-vacuum-pumps-market/>

oil during working hours between jobs. It is also important to note here that after specifying the segment any firm wants to target, managers need to identify the correct value proposition for each segment as well as delivering the proper and superior value to that particular segment.

## **Analysis, Theories and Discussion**

### **Market Segmentation**

The first theory that can be applied to this particular case is of the market segmentation. As it has been mentioned earlier that market segmentation according to (Kotler, Brown, Adam, Burton, Armstrong, 2007), is defined as dividing the market into groups of buyers who might have some common characteristics or buying behavior and who might need different products or marketing mixes. It actually illustrates us the fact that in every market there are buyer who have same needs and they firms cannot target everyone so they divide they market into segments who have same characteristics based on certain determinants. When they analyze them and look for the segment which is most favorable for their product they plan according to that segment and their entire strategy and marketing is formed keeping that particular segment in mind. After identifying the segments, a company must identify whether or not this segment is valid. Validity criteria as set by (Anderson, Narus, Narayandas, 2009) are

Any target segment should be able to fulfill the criteria of being measurable, profitable, accessible and actionable. In other words, we can say that a segment should be big or rescannable in terms of its size and growth and its

market potential and it has to be profitable as well that is the time when it comes to the marketing effort.

Secondly a segment also needs to be accessible or reachable successfully meaning that the particular segment chosen should be such that company can easily address to and reach at with the target of fulfilling their objectives that is when its successful.

Lastly, a segment should be actionable, meaning that marketing programs and efforts should be performed and applied successfully at this particular segment. That the entire strategy and plans should be executed effectively and in the right manner after which they are compared against the benchmarks that how successful they have been in achieving what they had planned for.

As for the case of the Kunst 1600 which we are looking into, the two segments were first identified and then targeted by Kunst Vacuum Pumps. The first one of them was the Residential AC Repair segment and second one was the Home and Light Commercial Refrigerator Repair segment. If we take a look on the two segments which have been offered in the case, it can be noticed that home refrigerator repairs are 60, 000 units whereas for the light commercial refrigerator repairs are estimated to be 40, 000 units and about 125, 000 for the residential AC repairs. This shows that the future market potential (Anderson, Narus, Narayandas, 2009) for these segments seems to be very promising. The number of units indicated from the market research is a very healthy and positive sign showing the huge potential of this market. With fewer manufacturers in the market which are like fifteen in this

business most of the firms in them are small in size and they limit their efforts and focus on one or two market segments which automatically opens the door for Kunst 1600 to explore the remaining segments and the target the untapped segment.

## **Designing Superior Value- Adding Marketing Channels**

This theory basically offers the concept of the Total Customer Experience which basically stands all the aspects and factors a customer usually encounters when dealing with a supplier firm (Anderson, Narus, Narayandas, 2009, p. 281). It is usually considered, for any product not in particular the one discussed in this case that once the product is sold, its all over and the accounts for the Total customer experience but it also includes the after sale services which is present almost for every product these days and its very important and accounts for a major portion in the customers opinion regarding the experience of using the product. This concept, Total Customer Experience, henceforth referred to as TCE, has four major goals which are positive experience, seamless and memorable interaction that matches customer's purchasing requirements and preferences. In the case of the Kunst 1600, where the management of the Kunst Pumps didn't know how to deliver a value proposition for each of the targeted segment for example in the case of the first segment , residential AC Repair Segment, where the technicians liked the idea of a lighter pump but hated this idea at the same time because of the fact of having doubts on it that whether the aluminum would make it more vulnerable to breakage as well as having doubts and fears regarding the acids exhausted from the Kunst 1600 accumulating and causing the aluminum housing to corrode rapidly. So when they were

thinking of one positive point of the product and its features they were worried about its negative points which had an effect on their impression regarding its overall working and functioning that it may cause them serious trouble afterwards rather than giving any benefit so instead of letting those kinds of fears spread and take its effect on the technicians, the management should have come up with some manageable and effective solution to these problems in order to meet customer's expectations and to eradicate their doubts over the use of the product. Once that is done, the next step would be assessing the customer value of the potential Total Customer Experience TCE elements through the service outputs and their repair monetary value which includes things such as emergency delivery and technical support and those two can be offered by Kunst Pumps to its customers and also assessing customer preferences which includes things such as getting help and learning. So they have to create a superior value of their product which has a great impression and impact on the mind of their customers with some problems and fears which they need to eliminate out of it and after that they will be able to succeed. Its all about creating a superior value, a value that is the focus of attention for the consumers and the value that takes the company ahead of its competitors. Its that value which the competition doesn't have and the company plays on it and moves ahead. This value was present in Kunst 1600 with superior product and a potential market segment but the underlying worries of the customer had pushed them to the back foot and was destroying them badly.



## **Value Based Pricing**

According to (Mitchell, 2008), This is one of the fundamental theories in the Business to Business Marketing Management (B2B) and it basically states that, according to the equation, the value offering of the first company minus the price of it is greater than the value offering of the second alternative company minus its price ,

$$(\text{Value}(f) - \text{Price}(f)) > (\text{Value}(a) - \text{Price}(a)).$$

According to the equation as well as in the case it is clear that the value of Kunst1600 is much more as compared to its competitor due to its superior product features and quality. Once the price is subtracted out of it, the value is figured out which is higher for Kunst1600 than the alternative companies.

## **Value Proposition**

### **Brand**

Branding is very powerful tool today where many ordinary companies have worked hard in transforming themselves for an ordinary company to a brand which has changed their position and they have gone from strength to strength. Brand can enjoy high premiums because of their image of high quality, the status attached to them of using them and their name and reputation in the market of which everyone is aware of. One of the main strengths for Kunst Vacuum Pumps is its well established brand name in the market. Kunst Vacuum Pumps has been known for years for its reputation for precision, reliability and durability which really adds to their name.

## **Acquisition ” Parent Company”**

Another significant value proposition component would be Kunst Vacuum Pump’s parent company, Alter GmbH, which has big name and is well known for producing a very diversified, high quality and a high precision measurement instruments, testing equipments, compressors and monitoring devices for hospitals, scientific laboratories and others. Alter GmbH has a enjoyed great success over the years and has a great reputation in Europe for its scientific discovery powers, its reliable and accurate products and its competent technical services. Consequently, this will give Kunst Vacuum Pump a competitive advantage over other companies competing in the same marketplace since it has a very sound backing of a great name which already has a solid impression over the customers.

## **No Oil Change**

Another value proposition that is being offered by Kunst 1600 Vacuum Pumps to all of its major and potential market segments is that the technicians will not have to change oil. Consequently, not changing oil will also save the time wasted on cleaning the mess that usually occurs right after changing oil. This is an additional benefit to them which they won’t be able to find from the competing products.

## **Environmental Protection**

Another major value proposition offered by Kunst 1600 Vacuum Pumps is looking after the environment as most U. S. cities require proper disposal and recycling of all oil-based liquids so they have kept the protection of environment in consideration as well.

## **Light Weight**

As the Kunst 1600 Vacuum Pump is constructed from aluminum, so it weighs about five to ten pounds less than the other competing products and technicians will appreciate this since they are looking for light weight and avoid heavier weight products.

## **Recommendations**

As it has been mentioned earlier, if Kunst 1600 Vacuum Pumps wants to sustain in the market and they want to gain a competitive advantage in this highly competitive marketplace, they have to change their tactics and the management will have to adjust and change its current strategies into the three mentioned solutions or way.

First is that the management of Kunst 1600 Vacuum Pumps will have to re-define their marketing segments that means they need to change the market segments they are currently looking on and upon doing that they have to choose the best segment which they feel suit them and they are their potential market segment. Once they are able to do that, they finally start targeting it which means that their entire plans, strategies and tactics should be in accordance with that lucrative and potential market segment that they are going to be targeting.

Secondly, the management has to design superior value-adding marketing channels.

Lastly, they have to apply the concept of value based pricing so that to choose the best firm's market offering. Their pricing should be based on the value which the customer perceives to be getting from their product.

## **Conclusion**

Kunst Vacuum Pumps parent firm Adler GmbH produces high quality products which had a great name and reputation in Europe. With an intention to penetrate into the new segments in the U. S. markets Evan and will saw this golden opportunity to grow the sales and profits. The market research showed positive signs and there was an opportunity to grab a huge market potential. But there were some problems with the product which had carried a question mark on its proper functioning which made the customers reluctant to purchase it and had badly affected Kunst 1600. With the above mentioned recommendations, it seems that what Evan and his team have been unable to do is that they have not been able to convince the customer over their products proper functioning. They have not been able to provide them with a value proposition that assures them that they would not find any problems with them product. A challenge from one of the contractor that they need to show him how much will it cut his operating cost signifies one of the many things the customer are worried about. They need to come with a value proposition that is strong enough to convince the customer that there is nothing wrong with the product and it is absolutely perfect to use and won't cause them any trouble. They could come up with a strong after sale service to their customers which would be free of cost which will convince the customer that if they do find any problem with the product the company's staff and workers are here to fix the problem and help them.