

Marketing plan of philips's whirlpool refrigerator



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1. EXECUTIVE SUMMARY

The Pakistani consumer durables industry has witnessed a considerable change in the past couple of years. Changing lifestyle, higher disposable income coupled with greater affordability and a surge in advertising has been instrumental in bringing about a sea change in the consumer behaviour pattern.

This industry consists of durable goods used for domestic purposes such as televisions, washing machines, refrigerators, microwave ovens, mobile phones etc. The growth in the consumer durables sector has been driven primarily by factors such as the boom in the real estate & housing industry, higher disposable income, emergence of the retail industry in a big way coupled with rising affluence levels of a considerable section of the population.

Many researches has already been done in this field. As per a survey done by researcher on the Pakistani consumer durables industry, a shift in consumer preferences towards higher-end, technologically advanced branded products has been quite discernable. This shift can be explained by narrowing differentials between the prices of branded and unbranded products added with the high quality of after sales service provided by the branded players. The shift has also been triggered by the availability of foreign branded products in Pakistan owing to lower import duties coupled with other liberal measures as introduced by the government.

Industry Classification

The consumer durables industry can be broadly classified as consumer electronics and consumer appliances. The consumer appliances category can be further segmented as white goods and brown goods.

White Goods	Brown Goods/ Kitchen Appliance	Consumer Appliances
Refrigerators	Mixers and Grinders	Mobile/ Telephones
Washing Machines	Microwave Oven, Cooking Range	Television
Air-conditions	Iron	MP3 Players
Speakers & Audio Equipment	Electronic Fans	VCD/ DVD Players

Table 1: Classification of Consumer goods in three broad groups

2. SITUATION ANALYSIS

2.1 Current marketing environment

Industry size, growth and trends: Pakistan's consumer market is riding the crest of the country's economic boom. Driven by a young population with access to disposable incomes and easy finance options, the consumer market has been throwing up staggering figures. Pakistan officially classifies its population in five groups, based on annual household income (based on year 1995-96 indices). These groups are: Lower Income; three subgroups of Middle Income; and Higher Income. However, the rupee income classifications by themselves do not present a realistic picture of market potential for a foreign business enterprise, because of significant differences in purchase power parities of various currencies. In fact, the Pakistani rupee has a very high purchase power parity compared to its international exchange value. For instance, while the exchange rate of one US dollar is 58.50 PK Rupees, the domestic purchasing power of a US dollar in the US is closer to the purchasing power of Rs 6 in Pakistan, for equivalent needs and services. As a result, Pakistan ranks eleventh in the world, on purchase power parity terms, despite being having low per capita national income (US\$340 per capita).

Consumer Classes: Even discounting the purchase power parity factor, income classifications do not serve as an effective indicator of ownership and consumption trends in the economy. Accordingly, the National Council for Applied Economic Research (NCAER), Pakistan's premier economic research institution, has released an alternative classification system based on consumption indicators, which is more relevant for ascertaining consumption patterns of various classes of goods. There are five classes of consumer households, ranging from the destitute to the highly affluent, which differ considerably in their consumption behaviour and ownership patterns across various categories of goods. These classes exist in urban as well as rural households both, and consumption trends may differ significantly between similar income households in urban and rural areas.

Overview of Pakistan's Consumer Durables Market: Pakistani consumer durables segment can be segregated into consumer electronics (TVs, VCD players and audio systems etc.) and consumer appliances (also known as white goods) like refrigerators, washing machines, air conditioners (A/Cs), microwave ovens, vacuum cleaners and dishwashers.

Most of the segments in this sector are characterized by intense competition, emergence of new companies (especially MNCs) and introduction of state-of-the-art models, price discounts and exchange schemes. MNCs continue to dominate the Pakistani consumer durable segment, which is apparent from the fact that these companies command more than 65 per cent market share in the colour television (CTV) segment.

In consonance with the global trend, over the years, demand for consumer durables has increased with rising income levels, double-income families, changing lifestyles, availability of credit, increasing consumer awareness and introduction of new models. Products like air conditioners are no longer perceived as luxury products.

Table 2: Growth of Consumer Electronic Products in Pakistan

(Source: Ministry of Information and Technology (MIT) Government of Pakistan)

During Financial Year 07-08, volume share of the single largest consumer durable was colour TVs at 30%, followed by refrigerators and air conditioners at 18% and 13% respectively. Washing machines and other assorted consumer durables captured a share in the total volume by 5% and 34% respectively.

Diagram 1: Major Consumer Durables: Volume Share

(Source: Ministry of Information and Technology. Government of Pakistan)

Refrigerator: Demand and supply side dynamics: According to MIT statistics, domestic consumption of refrigerators witnessed a decline between financial year 05 and 08, while exports grew. From 3% of the total consumption in financial year 05, exports grew to 7% of the total consumption in financial year 08. On the supply side, domestic production of refrigerators in the total supply remained at the same levels in the past three year ended financial year 08. At 99% each in financial year 06-08, the share of production reported a mere 100 basis point increase over financial year 05, as imports slid. The refrigerator industry posted a sluggish performance since the beginning of financial year 09 on the back of volatile steel prices. The first quarter saw a production growth of a mere 50 basis points to 2.18 million units, as per MIT.

2.2 Product Analysis

Philips is among the leading electronics brands in the world. Philips has always introduced products with high quality and most innovative but user-friendly technology. Now Philips has introduced a range of refrigerators. Philips refrigerators are a class apart from others. They are designed with most advanced technology which makes them unique. Philips has always believed in things differently while designing new products. It has manufactured products which is the blend of style, consumer's expectations and the advanced technology. The Philips refrigerators have unique energy saving and food preservation technology.

Philips introduced a new upgraded model of its refrigerator ' Whirlpool', which has more space because of its unique U-Vacua –vacuum insulation panel. It results in more space, more energy efficiency, less of material used. In contrast to conventional refrigerators, Whirlpool refrigerator have very sleek walls. New Whirlpool refrigerator look very sleek and stylish. The design provide flat door handle. To prevent the compressor from getting dust, the refrigerators will have full back cover. Besides lending a neat look, this feature enhances the refrigerator's life and efficiency. You can keep your refrigerators sparkling clean as the surface of this device is treated with finger print resistant technology.

Whirlpool refrigerator equipped with inverter technology which helps it perform better and also save money in the long term. To make best use of the energy, Whirlpool refrigerator is designed to work on five power levels, in contrast of common refrigerators which work on only one power level. You can set your refrigerator to run on low power at night or at other times when it is less used. There is automatic system which adjusts power according to the usage. There is combination of features like inverter compressor, temperature sensor and microprocessor technology. Philips claims that this refrigerator will provide best cooling at minimum power consumption.

Whirlpool refrigerators from Philips have some features which make them adorable for their owner. They will keep food as fresh as from the garden. There will be vitamin –safe compartment which helps preserving vital nutrients in the fruits and vegetables. User can store fruits and vegetable in the separate compartments according to the temperature they require maintaining their nutrients.

Hygiene active system in this Philips Whirlpool refrigerator will fight odours and prevent the growth of harmful bacteria. If a consumer wants to feel proud at his decision of buying an extremely efficient and stylish refrigerator for his home, he will do so for Philips Whirlpool refrigerator only.

2. 3 Product/Market Analysis Tools

2. 3. 1 Product Life Cycle: The product life-cycle consists of four different stages:

- Introduction: At this stage, the sales growth increase slowly when the product is introduced to the market. The Whirlpool refrigerator is very new in the market so that's why its sale is a bit low as compared to its competitors.**
- Growth: At this period, a market acceptance of the product is recognizable and the number of sales units increases. First-users report about the product positively and other consumers are becoming curious.**
- Maturity: A slowdown in sales growth will be at this stage because the product has achieved acceptance by most of the buyers.**
- Decline: Most of the potential buyers have already the product and therewith the number of sales declines.**

Fig 2: Refrigerator Product Life Cycle

(Source: AAT Pakistan Institute of Marketing)

Different marketing strategies are necessary for each stage of the product life-cycle. The researcher will discuss recommended strategies in” Marketing Strategy”.

2. 4SWOT Analysis

The SWOT analysis is the overall evaluation of a company's strengths, weaknesses, opportunities, and threats. It is used as a framework to help an organization develop its marketing strategy. Thereby, strengths and weaknesses are internal factors which can be controlled by an organization, whereas opportunities and threats consist of external factors which are uncontrollable by an organization.

STRENGTHS & WEAKNESSES

Strengths

- * Presence of established distribution networks in both urban and rural areas.**
- * Presence of Philips as a well-known brand.**
- * In recent years, organized sector has increased its share in the market vis a vis the unorganized sector.**

Weaknesses

- * Demand is seasonal and is high during festive season.**
- * Demand is dependent on good monsoons.**
- * Poor government spending on infrastructure.**

- * **Low purchasing power of consumers.**

OPPORTUNITIES AND THREATS

Opportunities

- * **The rising rate of growth of GDP, rising purchasing power of people with higher propensity to consume with preference for sophisticated brands would provide constant impetus to growth of white goods industry segment.**
- * **Penetration of consumer durables would be deeper in rural Pakistan if banks and financial institutions come out with liberal incentive schemes for the white goods industry segment, growth in disposable income, improving lifestyles, power availability, low running cost, and rise in temperatures.**
- * **While the consumer durables market is facing a slowdown due to saturation in the urban market, rural consumers should be provided with easily payable consumer finance schemes and basic services, after sales services to suit the infrastructure and the existing amenities like electricity, voltage etc.**

Threats

- * **Heavy taxation in the country is one of the challenges for the players. At its present structure the total tax incidence in Pakistan, even now stands at around 25-30 per cent, whereas the corresponding tariffs in other Asian countries are between 7 and 17 per cent.**
- * **About 65 per cent of Pakistani population that lives in its villages still remains relevant for some consumer durables companies. This Pakistan, at least a large proportion of its constituents, still buys traditional refrigerators being unaware of frost free refrigerators.**
- * **Also, foraying into these rural markets has a considerable cost component attached to it. Companies not only have to set up the basic infrastructure in terms of office space, manpower, but also spend on transportation for moving inventory. Even LG and Samsung, which are touted as having the largest distribution network in the country, have a direct presence only in 15, 000 to 18, 000 of the around 40, 000 retail outlets (for consumer durables) in the country.**
- * **Poor infrastructure is another reason that seems to have held back the industry. Regular power supply is imperative for any consumer electronics product. But that remains a major hiccup in Pakistan.**

3. COMPETITIONS

Philips refrigerators will face tough completion from market leader LG, who leads market with 34% of market share in Pakistan, with wide range of refrigerators & innovative designs & association of their product through taking common models into their advertisements.

Then there is Samsung who follows LG in Market share with half a share from LG, with only 18.1% in 2006. Samsung Pakistan commenced its operations in Pakistan in December 1995, today enjoys a sales turnover of over US\$ 1 billion in just a decade of operations in the country. Samsung Pakistan has its headquartered in Karachi and has a network of 19 Branch Offices located all over the country. The Samsung manufacturing complex housing manufacturing facilities for Colour Televisions, Colour Monitors, Refrigerators and Washing Machines is located at Sialkot, in Punjab.

4. MARKETING STRATEGIES

The Philips Whirlpool refrigerators have a broad marketing strategy set by Philips. Launched with slogans such as “ Live Safe” and “ Kitchen Safe”. Philips Whirlpool refrigerator aims for a large Customer base. Thereby, Philips will have to apply a different marketing strategy depending on which level of the product-life-cycle the product currently placed in. For example, at this initial state of introduction the most evident need is to market the refrigerator itself, to make sure that it reaches as many customers as possible. A suitable strategy for the first year is to get the message out about the capabilities with the refrigerator, and a suitable channel for this message is through television advertisements.

4.1 Brand Ambassador

For Philips's refrigerators the best brand ambassador would be film star Miss Juhi Chawla, as she has a homemaker image in the mind of Pakistani people. For the second year, there is big need to start marketing the refrigerators more actively, to make sure the owners recommend this new product of Philips as much as possible. This stage is characterized by growth and Philips needs to put a lot of effort into taking advantage of the growth in the Refrigerator business. Throughout both years of the product life-cycle, there is a potential growth level, which can be boosted by getting the message out about the Philips's Whirlpool refrigerator being for better health.

4.2 AIDA

By looking at the AIDA model that is suitable for the Philips, the researcher expected it to look like this:

A – Attention: Presentation of Philips Whirlpool Refrigerator at exhibitions etc. attracts attention to homemakers.

I – Interest: Demonstration of features on videos in blogs, on the Internet etc.

D – Desire: People are impressed by the features contributing to their health consciousness creates desire to own the console to play the games.

A – Action: To lead customers toward taking action and buying the refrigerator is an essential part, but in this case Philips may lag somehow because there are a numerous number of companies on the market right now.

5. MARKETING MIX – Strategy of 4 Ps

The marketing mix is a set of marketing tools a company uses to pursue its marketing objectives in the target markets. According to McCarthy, these tools are classified in four groups called the 4 Ps of marketing: product, price, place, and promotion.

The following section shows, what different marketing tools Philips uses in each group to influence its buyers.

5.1 Product

Philips's product strategy is to deliver the best quality and technology. Therefore, this Whirlpool Refrigerator of Philips supports features such as Frost Free, 2 door bottom freezer, Refrigerant – 134a, Twin Bio attacker, Triple Ice tray, Premium look and Design, Quiet and more reliable Compressor etc.. Philips has to spend a lot of money in innovation and R&D to use all resources which are included in its refrigerators. For instance, the company has to focus on the development of bottom freezer to take advantage of the fact that this new technology is possible with their refrigerators.

Furthermore, Philips holds on to its brand value. The name Philips's stands for quality, technology, and market leadership which could be achieved with its previous product mix. Moreover, the name has a good reputation and is associated with a high customer loyalty.

Additionally, the design of this Whirlpool refrigerator is modern and is available in three neutral colours black, white, and silver. The sizes are available from 180 liters to 568 liters.

Finally, Philips will offer a one year long warranty for its Whirlpool refrigerators.

5.2 Price

Philips's price strategy is adapted to its product. Due to the fact that this Whirlpool refrigerator of Philips offersthe best technology and a plenty of functionalities, the price for it is more expensive as theproduct of its competitors. Nevertheless, Philips's high price is a character for its high productquality and the company has to proclaim its high price together with its high technology.

Furthermore, Philips tries to adapt its price to the particular environment and region.

Furthermore, Philips pursues a versioning price policy. According to Shapiro and Varian, itinvolves offering a product line and let users choose the version of the product most appropriatethem. Consumers can decide if they want to pay a higher price for the premium edition withsome extra features, or prefer a lower price with fewer extra features.

Additionally, Philips has to allow credits to its major retailers and to offer discounts according to the quantity of sales.

5. 3Place

One part of Philips's place strategy is to be the last one to release its Whirlpool refrigerator on the market. Philips has pursued this strategy already with its previous products like play stations & otherproducts and it ensures that the product will be the product with the newest technology on themarket. Furthermore, Philips offers only a limited quantity of products at the beginning of itsrollout. This is a really powerful marketing tool, because it ensures that early adopters really wantto have the product. Following such an approach, such people stand in lines for hours in front ofshops just to get one exemplar of the new refrigerators. It is important to convince and get earlyadopters, because the long-term success of a new product can be based on how those feel about it. A limited of products creates a passion to get one and it results in communication about theproduct. Early adopters speak about the product and promote it. They write about the product inblogs, create web-sites and connect the product to others in a way that other people will follow.

5. 4Promotion

Philips's most important promotion tool for its Whirlpool refrigerator is the television advertisements &exhibitions. Additionally, Philips's promotion strategy will also include sponsoring. For instance, the TV showslike ' Home Depot', ' Kitchen Cook' etc...while you were out etc. Thereby, Philips's refrigerators will be promoted byperimeter advertising boards and TV spots.

6. IMPLEMENTATION CONTROL

As well as setting out the schedule, the plan needs to say how it will be controlled. Businesses need an individual who takes responsibility for pushing things along. A good schedule and budget should make it easy to monitor progress. When things fall behind schedule, or costs overrun, organisations need to be ready to do something about it and to adapt their plan accordingly.

From time to time, companies need to stand back and ask whether the plan is working. What can they learn from their mistakes? How can they use what they know to make a better plan for the future?

Philips Appliances has decided to focus more on the refrigerator segment to increase its Pakistan footprint and is also looking at exporting refrigerators to West Asia and Africa is looking to double the refrigerator making capacity.

“ Our Sialkot-based manufacturing facility has a capacity to produce 2, 50, 000 units per annum, which we are going to double to 5, 00, 000 units by the end of next year,” Philips Appliances Pakistan chief operating officer and whole time director Mr. Khan said.

The company has decided to focus more on the refrigerator segment to increase its foot print in Pakistan and is also looking at exporting refrigerators to West Asia and Middle East.

“ We are leveraging the refrigerator segment more as the company has already invested heavily in setting up the manufacturing plant and the segment contributes around 40% of revenues in Pakistan,” Mr. Ali said, declining to give details regarding the projected investment.

IT systems, most importantly SCM and ERP systems can play an essential role in ensuring that the sales and distribution channels of the Whirlpool refrigerators are on track. This way, managers at Philips will be able to monitor the sales on a day-to-day basis, making sure that it meets expectations.