

White goods industry management of information systems marketing essay



Heavy consumer durables such as air conditioners, refrigerators, stoves, etc., are referred to as White Goods or White-ware. They are called as “ White” goods as previously they used to be painted only in white enamel finish. Although they are available in different colors now, they are still called white goods. They can be divided into two distinctly different groups:

Household linens

Household appliances: These include Water Heater, Refrigerator, Clothes Dryer, Air Conditioner, Dish Washer, Microwave Oven, Washing Machine etc.

We will be focussing on Household Appliances only through the course of this project.

The major players in the White goods sector are:

Single Brand Outlets: LG Electronics India Ltd., Samsung India, Whirlpool, and Videocon.

Multiple Brand Outlets: Tata Croma, Reliance Mart, Future Bazaar.

White Goods Industry Status

The White goods sector is characterized by emergence of MNCs and intense competition. There is also growing importance given to exchange offers, discounts and customer service by customers. India will have the fastest growth of any nation annually through 2013, benefiting from low penetration rates and rising standards of living. Also, microwave ovens will post the fastest gains of any product group due to their shorter lifespan compared to other major household appliances. Refrigerators, freezers and other conventional ranges will continue to benefit from rising income levels. But <https://assignbuster.com/white-goods-industry-management-of-information-systems-marketing-essay/>

dishwasher demand will be limited by price, size and cultural considerations that will prevent these items from becoming commonplace in most areas where they are not already established. The market share of MNCs in White goods segment is 65%.

MNCs mainly target the growing middle class of India and offer superior technology to the consumers; while the Indian companies compete on the basis of firm grasp in the local market, their well-acknowledged brands, and their hold over wide distribution network.

The industry has seen significant transition from one stop shops with all locally assembled appliances being sold along with few available branded appliances to the emergence of dedicated branded stores which houses all possible appliances available of one brand under one roof. These stores only take care of after sales service and customer complaints. With advancement and new emerging consumer class, the mixed stores are becoming a new buzz today. They house all products of all brands along with their own brand and offer special discount deals. The consumers love this concept as they get to compare the features, the products and prices without having to move from one shop to another.

White goods appliances account for 70% of the energy consumed in homes. Along with this, their greenhouse gas emission levels are usually high. So, there is emerging focus on recycling of electronic waste and many exchange offers can be popularly seen nowadays. E-waste management and energy saver appliances are gaining popularity. With the advent of technology, homes are being transformed into “ smart” homes with a wide range of

home appliances covering the home space. Now, sixth-sense technology is available in air-conditioners, refrigerators and televisions. All these can be operated with a message sent from a cell-phone. Technology is changing every minute by leaps and bounds and effective application of Information technology in ensuring better relationship with suppliers, employees and customers along with proper supply chain management can play a huge role in differentiating one brand from another.

Typical parameters of the Industry

The USP of the industry is that: Seems difficult to live without them.

These goods have become an integral part of our lives and modern households. They have made our lives more comfortable and easy by replacing human labour by machines. The industry is continuously improving with the invention of more sleeker and better products with each passing day giving the consumer better choice and variety.

The following are the key performance indicators of the industry:

Maximum age of hardware assets: This indicates the maximum useful life of the hardware. This parameter is very useful in accessing the repair cost, maintenance and service that has to be provided. Companies can estimate their service costs also. More the maximum age of hardware, better will be the product.

% of hours devoted to training technical staff: Training costs form an integral part of the costs of labour. Efficient utilization of working hours can help a

company reduce cost. IT systems can help in better training facilities for the staff members.

Risk Level matrix: Risk indicates the probability of the success or failure of a particular event. Decision trees are drawn to assess the risks involved in decision making and the risks are computed through complex statistical estimates. This calculation for risk is made easier by using available statistical software.

Resolution time of identifying capacity bottlenecks: Resolution time is the time taken to resolve issues. Bottlenecks are the barriers in the process and the resolution of the problems in the process basically depends on the resolution of the problems of the bottlenecks.

Ratio of IT management and prevented IT incidents cost: IT management costs relate to the amount of costs a firm invests in setting up and maintaining the Information technology required to assist in all its processes. The prevented IT incidents costs relate to the opportunity cost that the firm has gained by the setting up of IT infrastructure.

% of planned and unplanned failures: Often a lot of planning goes into planned activities that are put on hold, whilst money is thrown at unplanned interruptions. It is easy to compile a budget for scheduled activities. But allowing for the unplanned- how do you do that. Most people use experience and make some contingency or have a " bucket" they can draw from.

Random failures quite often fall into the category of unplanned failures. But a random failure leading to " Fix on Failure" is a legitimate strategy where

monitoring or inspection activities, and redesign/modifications are not applicable.

Critical time failures and outage: Number of failures of IT services during so-called critical times. Critical time is the time that a service must be available, for example for financial systems during closing of the books (at the end of month, or end of quarter). Mean time between failures (MTBF) is the predicted elapsed time between inherent failures of a system during operation. MTBF can be calculated as the arithmetic mean (average) time between failures of a system. The MTBF is typically part of a model that assumes the failed system is immediately repaired (zero elapsed time), as a part of a renewal process. This is in contrast to the mean time to failure (MTTF), which measures average time between failures with the modeling assumption that the failed system is not repaired.

Lead time to change execution: Measures the amount of lead time from the point a change is submitted to the point at which execution will occur. It is a measurement of an organizations ability to plan while being reactive.

% growth of IT budget vs. the growth of revenues, % IT outsourced:

Measures the ratio of IT growth to business growth. When IT growth is less than business growth it can indicate economies of scale, improved efficiencies or underinvestment.

% of current initiatives driven by the business - Percentage of current

business initiatives that are considered innovations that are driven by the

business, i. e., the idea originates within the business functions i. e. not

within IT.

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% of IT labour outsourced – Percentage of IT labour (e. g. in FTE) that is outsourced.

% of current initiatives driven by IT – Percentage of current business initiatives that are considered innovations that are driven by IT, i. e., the idea originates within the IT function or IT leadership or from a group in which IT plays a dominant role

% of IT time associated to IT investment – Percentage of time (from workforce) associated to IT investment (instead of IT maintenance of existing IT services) relative to all IT time within the measurement period.

% of growth of IT budget – Percentage of growth of the IT budget relative to the previous measurement period (for example quarterly or yearly).

% of IT costs associated to IT maintenance – Percentage of costs associated to IT maintenance (instead of IT investment in new initiatives) relative to all IT costs within the measurement period

% of IT costs associated to IT investment – Percentage of costs associated to IT investment (instead of IT maintenance of existing IT services) relative to all IT costs within the measurement period.

% of IT initiatives/projects championed by the business – Percent of IT initiatives/projects championed by business owners

% IT Budget of Total Revenues – Percentage of IT budget of total revenues of the company.

% IT Capital Spending of Total Investment - Percentage of IT investments of total investment of company.

IT Spending per Employee - Average IT spending per employee (in FTE)

CRITICAL SUCCESS FACTORS OF THE INDUSTRY

Brand Image

After Sales Service

Technology

Pricing

Quality

Distribution Strengths

Features & aesthetics

CHALLENGES

Quantifying category attractiveness of sales territory

Identifying trade-price points which indicate change in the buying behaviour

Product categories sensitive towards trade promotion investment

Points at which loyalty membership lifecycle, promotions should be targeted

Detecting fraud stockists and ensuring optimum inventory levels

“ Best-in-class” organization

Major players: LG Electricals, Samsung, Videocon, Philips, Voltas, Blue star, Whirlpool, Bajaj Electricals, Haier.

All companies are not available in all categories.

There is no specific “ best-in-class” organization in this sector as different companies have different strengths and customers opt for a particular brand based on their requirements.

For e. g. the preferred are:

Refrigerators – LG, Videocon, Whirlpool.

Air Conditioners – LG, Voltas, Blue Star

Washing machines – Whirlpool, Samsung, IFB.

Microwave ovens – LG, Samsung

An organization in the industry

First of its kind: Croma is India’s first national, large format, specialist retail chain for consumer electronics and durables

Widest range of products: 6000 products across eight categories

They help you buy: Sound and knowledgeable advice from well-trained advisors to help one make informed buying decisions.

A name you can trust: Croma is promoted by Infiniti Retail Ltd – a 100% subsidiary of Tata Sons, a brand that stands for trust and reliability globally.

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Woolworths, one of the world's leading retailers, provides technical and strategic sourcing support.

Great deals and offers: Croma periodically offers exciting deals on all customer's favourite products.

Customer commitment: Croma not only offers a world-class shopping experience, but also backs it with great after-sales service.

It also manufactures its own electronic items which include- kettles, iron boxes, washing machines, dryers, I-pods, microwave ovens, fridges etc. apart from a host of other gadgets.

Business Operations of the Organization

Croma is an Indian retail chain for consumer electronics and durables. Tata Group Company Infiniti Retail runs Croma stores in India. Presently, there are a total of 42 Croma and 5 Croma Zip stores in India. The stores are spread across the states of Maharashtra (Mumbai, Pune, Aurangabad), Gujarat (Ahmedabad, Rajkot, Surat, Vadodara), Delhi NCR, Karnataka (Bangalore), Tamil Nadu (Chennai) and Andhra Pradesh (Hyderabad). The Croma Zip stores are an outlet for portable electronic items and meant for the mobile consumer. The first Zip store was opened on Jun 22, 2007 at the Mumbai domestic airport. Croma claims to offer 6000 products across 8 categories.

Croma is India's first national, large format, retail chain for consumer electronic and durables. Croma simply believes in the philosophy " We help you buy." At Croma, well-trained store advisors, who have an in-depth

knowledge of the products, guide, and advice and help their customers, choose a product that's just right.

The aim of Croma is to ensure that their shoppers make informed purchases.

Croma stores are large (15, 000-20, 000 sq ft), well-planned and designed to make shopping a pleasure. The world class in-store experience is backed by robust after-sales service.

Croma is owned and run by Infiniti Retail Limited, a 100% subsidiary of Tata Sons. Woolworths Ltd, the Australian retail giant, provides technical support and strategic sourcing facilities from its global network.

Croma's first store opened on October 9, 2006 at Juhu in Mumbai, and it's rolling out many more stores across India. So, no matter where you are, if you want high-quality products, backed by advice you can trust, head for the nearest Croma store.

Technology simplifies life. Croma simplifies technology. It offers shoppers one of widest ranges of products and brands in consumer electronics and durables and a shopping experience that's truly world-class. One can choose from over 6000 products across eight categories. Croma's trained and knowledgeable advisors help one arrive at an informed decision with their personalized advice.

Whether you want to increase your productivity with the latest notebook, tune into your favorite music on the go, keep your cool in steamy weather with an AC, talk nineteen to the dozen on your mobile phone or do your

laundry in a jiffy with a fully-automatic washing machine, Croma can help one make the right choice.

Products Offered:

Appliances

Imaging

Music & DVD's

Commutations

Gaming

Home Entertainment

Computers

IT Implementation Track Record

Time line

Croma's first store that was opened in Mumbai in 2006 has installed AS/400 – for inventory management and purchase order management and POS for billing purposes. Croma's website was up in the same year and some of the operations and marketing was also done through the website. From 2006-2011, croma has replicated the same IT implementation in all other centres across India. By end of 2011, Croma is planning to implement SAP in all the retail stores. The time-line of IT implemented is represented pictorially below.

Point of Sales System (POS):

An ordinary checkout till is called a point of sale (POS) terminal. The one present at Croma is an EETPOS (Electronic funds transfer point of sale) includes a computer, cash drawer, receipt printer, customer display and a barcode scanner along with an integrated credit/debit card processing system. The POS system currently present at Croma is an outdated one and doesn't have touch screen facilities.

Croma has installed AS/400 (Application system/400) server to manage its POS and inventory management applications. AS/400 is a midrange server developed by IBM and is designed for small businesses and departments in large enterprises. Though now it is redesigned so that it will work well in distributed networks with Web application, Croma has not upgraded the old server. The one installed at CROMA uses the PowerPC microprocessor with its reduced instruction set computer technology. Its operating system is called the OS/400.

Purchase Order Management System

Interfaced with the Inventory management system

Online entry of purchase orders and receipts and updates the stock file

Daily goods ordered and stock received reports printed

Master files in this system are:

Supplier name and address

Warehouses address

Supplier items

Item No.

Inventory Conversion details

Cost prices

Weights

Reports

Goods ordered reports

Goods received reports

Outstanding order reports

Purchase orders

Goods received notes

Payment register

Inventory Management System

Item Maintenance:

Items recorded at 1-999 warehouses

For an item at a warehouse, the following data is recorded.

Location

Unit of measure

Max balance

Min balance

Safety stock

EOQ

FOQ

Lead time(days)

Stock Transaction Entry:

The following values are recorded to maintain real time stocks information.

Sales

Credits

Receipts

Issues

Adjustments

Purchase Orders

Returns to Suppliers

Reserve stock

Transfer stock

Reporting

daily stock movements

stock status by item

stock status by supplier

theoretical stock valuation by warehouse/supplier

stock movement history

Customer Relationship:

All manufacturers and retailers of white goods industry wish to maximize repeat sales by retaining the loyalty of their customers. “ White goods” is an industry is characterized by longer inter-purchase time. Many customers seek informal opinion from friends and well wishers before buying expensive consumer durables. So, customer interaction, before, during and after sales is extremely critical for white goods industry. Many organizations have understood importance of providing profitable after-sales service but Croma still didn't give much importance to CRM. They do not have an installed CRM system. However, they manage their customer service and delivery issues through a database and through mails and Telephones manually.

Website:

The website is interactive and has updated information. A section “ Help Me Buy” takes a customer through a range of products offered in Croma with details about the models, price range etc.

Future Plans:

Croma is planning to implement SAP in all the stores by mid 2011. Systems Applications and Products (SAP) in Data Processing – software allows

businesses to track customer and business interactions efficiently. SAP is well-known for its Enterprise Resource Management (ERM) and data management programs. SAP creates a common centralised database for all the applications running in an organization. It provides customers with the ability to interact with a common corporate database for a comprehensive range of applications. SAP applications, built around their latest R/3 system, provide the capability to manage financial, asset, and cost accounting, production operations and materials, personnel, plants, and archived documents. The R/3 system of SAP runs on majority of platforms including windows 2000 and it uses the client/server model.

Croma is planning to leverage the implementation of SAP through the following enterprise applications offered by SAP

Customer Relationship Management (CRM) - helps companies acquire and retain customers, gain marketing and customer insight

Product Lifecycle Management (PLM) - helps manufacturers with product-related information

Supply Chain Management (SCM) - helps companies with the process of resourcing its manufacturing and service processes

Supplier Relationship Management (SRM) - enables companies to procure from suppliers

Human Resource Management System (HRMS)

Advanced Planner and Optimizer (APO)

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Business Information Warehouse (BW)

Most promising IT implementation

Most crazy IT implementation

Competition and its contemporary status

Porter's Five Forces Model

Although the Indian Consumer electronics market is highly competitive, the high growth rates that it promises make it a good industry to enter.

Threat of New Entrants

Capital Requirements and Economies of Scale:

In the case of retail stores, there is lack of good distribution network and lack of knowledge of consumer buying patterns which calls for large investment in distribution channels and research to improve the reach.

Economies of scale is required in as there are large fixed costs associated with setting up a manufacturing plant as there are problems of under-developed infrastructure, erratic supply of water and electricity in many areas, a high cost of capital and continuous up gradation of technical and managerial skills.

Supply Chain Issues:

The existence of too many intermediaries in the supply chain coupled with issues in logistics, management of POS data, pilferage and distribution and inventory management, eats away the profits of the retailer, making it unattractive for new entrants.

Product Differentiation:

Though the awareness is increasing amongst the Indian consumers, retailers and manufacturers are unable to increase brand loyalty. The Indian consumer is very price sensitive and hence he keeps hoping from one place to another, hunting for good deals.

Switching costs vary amongst the electronic categories. For instance, the switching costs in mobile phones are high, as consumers who are used to one brand find it difficult to use another brand. However, for televisions, cameras, and even laptops, consumers are ready to try new brands based on price for features offered and service quality or reputation of the brand.

Government Policy:

By encouraging manufacturing zones and improving the infrastructure, the government is developing the entire manufacturing sector, which will help in boosting the electronics production in India, which has traditionally been a very small slice of the overall manufacturing segment. While the government is trying to encourage the growth of the retail and manufacturing industries in India, there are some policies which need to be looked at.

The duty structure for electronics adds up to 30% which is a significant amount. This is mainly due to the multiple tax structure which consists of 12% VAT, 8% excise, 4% Goods and Service Tax, 2% Central Sales Tax and Local taxes.

The FDI policy limits to 51% stake for foreign investors, which forces foreign retailers to use franchise arrangements, and in the manufacturing sector, the FDI is 100% favouring foreign investors.

Existence of the grey market due to poor government regulations to keep counterfeits at bay coupled with the lack of consumer knowledge and legal recourse encourages manufacturers to churn out spurious products which can lead to lost sales of the tune of 10-15%.

Red tapes and bribery in the Indian government system is also a stumbling block for new retailers or manufacturers.

Taking into consideration the positives and negatives, India still offers a good chance for new entrants and hence the threat is considered to be low to moderate.

Bargaining Power of Buyers

With the emergence of new channels like the internet, auction sites like rediff. com, the general consumer (buyers) who usually purchase electronic goods from electronic retailers, hypermarts, music and book stores, can easily compare prices and go for the best deals in town. Though the better brands can command a higher price, buyers are constantly comparing prices, service quality and product features and hence commands a moderate to high power in this industry.

Large chain stores like Tata Croma, E-Zone have distinct advantage over the smaller stand alone stores as they can demand good discounts suppliers. As brands play an important role in the electronics market, the retailers find it

difficult to integrate backwards to produce their own electronic goods as in the case of private food labels. Considering the market dynamics and the size of the market, the buyers have moderate to high power in the consumer electronics industry.

Bargaining power of suppliers

The biggest threat is the trend of large suppliers integrating forward as in the case of Dell, Apple, Nokia, by setting up their own retail outlets.

However, in the Indian electronic context, there are a large number of suppliers in the market who face overcapacities, poor distribution, large duties, and declining margins and hence the bargaining power for suppliers is less and competitive pricing comes into play. With more companies setting up the manufacturing plants in India, like Nokia in the south, the bargaining power of suppliers is definitely low to medium. Product differentiation is more and more difficult in the consumer electronics industry and the existence of cheap Chinese suppliers also adds woes to the suppliers.

Intensity of Rivalry amongst existing players

There are few key players in the consumer electronic market, but as they are part of big Indian business groups, they have a lot of muscle power and hence the intensity of rivalry can be placed at a mid level. Though factors such as high transport and storage costs, lack of differentiation, large investments, and low switching costs tend to intensify the rivalry, the fact that the market is only at the nascent stage with promises of high growth rates of 16% coupled with the diverse needs of customer groups, and an untapped rural market; the existing players seem to be enjoying a relatively low rivalry.

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Threat of Substitutes

The threat of substitutes for the manufacturers of these electronic goods is medium to high unlike the case of white goods. As new technology enters the market at increasing pace, the manufacturers and retailers need to understand the consumer needs. For instance the VCR was replaced by the DVD player which will soon be replaced by a Blue Ray Player. The incorporation of camera in the mobile phones is definitely a threat to the camera market. Hence product innovations in this segment are very high and players in this industry need to be mindful of this.

Consumer Electronics Retailers-Competition to Croma

Viveks – The Unlimited Shop

Viveks is one of South India's oldest consumer electronic retailer founded in 1980s, which set up a retail outlet at Chennai, with humble beginnings of housing fans, radios, fans, mixers, irons, heaters and other household equipments. Till 1994, it had set up only 3 showrooms, however, with a strategic initiative for rapid expansion, it established its dominance in the two states on Tamil Nadu and Karnataka with 51 showrooms covering a retail space over 1, 75, 000 sq. ft and boasting of a group turnover of Rs. 400 Crores and with wide product offerings. It plans of setting up of 50 more showroom.

E-Zone

E-Zone, an electronics specialty store, which has several brands all under one roof, was launched by Future Group, in 2007 at Lucknow. They have an interesting store format which consists of three dedicated zones – Liberation

Zone, Experience Zone and Home Zone to meet the electronic needs of the entire family. E-Zone competes with Croma, by offering the best deals and low prices and is positioned more towards the lower-middle and middle class customer segment. The company has expanded to 40 stores, all over India in about 2 years.

NEXT Retail India

NEXT Retail India, Ltd. is a subsidiary of Videocon Industries, Ltd and opened its first retail electronic store at Indore in 1999. Today, NEXT Retail India Ltd has more than 300 outlets across 16 states with a presence in 145 towns spanning metros and large towns and claim to be India's Largest Electronics Retail Chain; a giant in the organized retailing of consumer electronics, and home appliances. NEXT has more than doubled its last year's turnover in the current financial year. Their plans ahead are more ambitious with a targeted turnover of 1800 Crores for next year with 600 plus outlets.

Besides these top players, there are speciality stores dealing only with mobile phones, laptops and exclusive dealers for the big electronic brands.

Mobile Phones Speciality Retailers

The main players in the mobile phone retailer market are The MobileStore, UniverCell, Cellucom, etc. The MobileStore currently has more than 1050 outlets and plans to have a network of 2500 stores by 2010 across 650 cities, covering virtually every major town in every state across India.

Chennai-based mobile retail chain , UniverCell, currently has 300 company-owned stores across the four southern states including 70 in Andhra Pradesh, and is trying to touch 400 stores by March 2010 through the franchisee

mode. Cellucom which hosts mobile and laptops, first outlet was opened in January 2007 at Gurgaon. Currently there are 120 stores across 15 cities including top four metros. These outlets cover the entire value chain in formats like stand-alone stores in Malls, as well as Shop-in-Shop within Shopper's Stop, Lifestyle and other large-format chain stores

Laptop Speciality Stores

It is very interesting to note that there are very few multi-brand laptop speciality retail chains in India. Most laptop showrooms are local players or dealers for the big brands like Lenovo, HP, Acer, etc. Future scenario building for the industry

Future Scenario Building for the Industry

Indian consumer goods market is expected to reach \$400 billion by 2010. India has the youngest population amongst the major countries. Rural sector offers huge scope for consumer durables industry, as it accounts for 70% of the Indian population. Rural areas have the penetration level of only 2% and 0.5% for refrigerators and washing machines respectively. The urban market and the rural market are growing at the annual rates of 7%-10% and 25% respectively. A strong economy and low interest rates have spurred on a steady increase in housing over the past few years — homes that new owners will want to fill with electronics and appliances. A successful electronic retailer is one, who balances product selection, store environment, customer service, targeted advertising, good inventory management and low-price guarantees to boost sales.

Growth Opportunities

The growth opportunities for the sector are:

The demand for white goods is increasing with rising income levels, double-income families, changing lifestyles, availability of credit, increasing consumer awareness and introduction of new models.

The biggest attraction for the industry is the growing Indian middle class. Indian market is characterized with low penetration levels. MNCs hold an edge over their Indian counterparts in terms of superior technology combined with a steady flow of capital, while domestic companies compete on the basis of their well-acknowledged brands, an extensive distribution network and an insight in local market conditions.

One of the other critical factors those influences durable demand is the government spending on infrastructure, especially the rural electrification programme. Any incremental spending in infrastructure and electrification programmes could spur growth of the industry.

While CTVs and refrigerators have been around for many years, washing machines, microwave ovens, air conditioners and vacuum cleaners are beginning to make their presence felt in Indian households.

Globalization and digitalization is also one of the critical growth drivers for the industry. Consum