**1.0 THE MARKET SCENARIO PRE-2000**

Electric Fans is a high market penetration product category and is very high in terms of purchase priority amongst durables. It is a matured product category with a stagnantgrowth rate during the period 1990-2002. The domestic market size of fans in India isaround 20 Million units. The share of the organised sector stands at 45 per cent and of theunorganised sector at 55 per cent. The figures were exactly the opposite in the earlyNineties. Low technology manufacturing process, quality norms, lower overheads and taxevasion methods have enabled the un-organised sector to gain larger share of the marketby ensuring a significant price difference. The local/unorganised brands are quiteappealing to a large section of the price-conscious Indian consumers, for their lower pricepoints.The organised sector is dominated by national brands that have built their brand imageover a period of time, through sustained advertising and a good dealer network. Themarket size in value terms of the fans category is quite large at around Rs.1500 Croresand it is the largest selling item in the brown goods category. Bajaj had a basic presencein the Fans Business since the Fifties and was a respected household name in the country.It had the potential to achieve a stronger presence in the Fans market and become aleading player in the category. What was required was to get the marketing, sales and theorganisation act right.There are 6 major brands in the organised sector namely: Crompton, Orient, Polar,Khaitan, Usha and Bajaj. All large players in the industry have their own manufacturingfacilities, which is helping them in reaping the benefits of economies of scale. Intensecompetition in the market has transformed the fan industry into a high-volume, low-margin business. To remain profitable and competitive, it becomes imperative to havehigh-volumes and a reasonable market-share, to enjoy the related economies of scale.With liberalisation of imports, low cost world-class manufacturers of Table, Pedestal andWall fans from China offer an active threat to Indian manufacturers.

**1.1 Market Segmentation**

The fans market is segmented based on price, quality and aesthetics.The Fan industry has the following Product based segmentation and shares:Ceiling Fans - 70 per centTable/ Wall / Pedestal (TPW) Fans - 20 per centFreshair Fans - 10 per cent

**2.0 BAJAJ FANS - BEFORE APRIL 2000**

Bajaj Electricals Limited entered the Fans business by distributing fans manufactured bya small fan company called Matchwel Electricals Pvt. Ltd. located in Pune in the ‘50s.Bajaj Electricals Ltd acquired a controlling stake in this company in the early ‘60s andthis subsidiary was merged with Bajaj Electricals Ltd in the year 1984. Bajaj fans had thelowest share in the organised sector with a market share of only 7.6 per cent and a marketshare of only 3.6 per cent of the total market.Bajaj was also present mainly in the premium ceiling fans segment; that meant that it wastargeting only 14 per cent of the total Organised Sector market for fans of which Bajajhad a 20 per cent market share and was considered as a strong player.The brand’sadvertising Share of Spend was only 12 per cent of the total category spends onadvertising.The brand was not in the consideration set of many consumers as word of

mouth franchise was weak.The channel used by Bajaj to market the fans was an Indirect Distribution Model thankslargely to the legacy of the Appliances business of Bajaj Electricals, which is still basedon an Indirect Distribution model:Company ð Distributor ð Retailer ð Consumer The consumer perception of Bajaj brand in the Electrical trade has been good overall.However, the brand’s presence in the fans category in the minds of the consumer wasmissing. As a result the brand was not included in the consideration set of the consumersfor fans purchase.Bajaj also has a very strong all India logistics with a round 20 Branches and a strong after sales service infrastructure with around 200 Service Franchisees and a good synergy of its Appliances product lines in the channel, many of who also sell fans.

**3.0 BROAD MARKETING DIRECTION3.1 The Marketing Vision**

To make Bajaj Fans a leading player in the fans market in India, by understanding andeffectively meeting the consumers stated and unstated needs, so as to achieve a sustainedcompetitive advantage, while pursuing the path of profitable growth for the Fans BU andits brands.

**3.2 The Ansoff Matrix:**

Intensive Growth Strategy as illustrated in the Ansoff matrix.

**3.3 Bajaj Fans - The Competitive Stance**

1. Increase the width of the product line and launch new categories / productsMove towards a Direct distribution system. Benchmark the market leadersnetwork reach and expand the retail network aggressively2. Price the products competitively with a higher deliverable value.Create a unique positioning by capitalising on a core category benefit, hitherto notappropriated by any other competitor.3. Use the power of the large organisational infrastructure, good brand equity andresources to take on major players head on and invest to grow the business.

**3.4 The Product - Market Segmentation**

Bajaj Fans was earlier focusing only on the premium segment of ceiling fans and was aniche player in the market. To have a dominating position in the fans market based on thestrengths that company had in terms of brand, infrastructure, management capabilitiesand understanding of the fans market, the company decided to target most of thesegments in the fan market by following a micro-segmentation strategy. The Companybelieved that the Right Product at the Right Price Point for the Right Target Consumer was the Right approach to creating the Right Competitive Advantage.

**4.0 THE BRAND POSITIONING4.1 Brand Architecture of Bajaj Fans**

Although Bajaj Fans decided to target nearly all the segments in the fans market, it was

imperative to have a differentiation and concentrate on a set of customers in eachsegment, which will value the core benefit, which shall be offered by the Bajaj brand ineach segment.Existence of the product segments such as TPW and Freshair fans is largely necessitatedby the desire to meet the customer needs in a price segment with a different product linei.e. a premium end customer can have a need for a ceiling fan as well as a TPW andFreshair fans. Therefore the Company decided to launch sub brands under the mother brand Bajaj to target each of the customer segments, segmented on the basis of price andlaunched a range of ceiling, TPW and exhaust fans under those sub brands for premium,economy and sub-economy segments.The role of the sub brands was to create a differentiation in the mind of the consumer regarding the brand image. Thus, the image of the Crown sub-brand was built to appealto the Premium Fan customer belonging to SEC A1, A2 and B1; whereas the Bahar sub-brand was aimed at the lower end customer.

**4.2 Introduction of Sub Brands**

**As many as five new Sub brands were introduced**

1. Bahar as a low-price Sub economy Fan in Ceiling, Table & Exhaust Fans2. Maxima as a medium price Sub Economy Fan in Ceiling and Exhaust3. Grace as an Economy Ceiling Fan.4. Crown as a Premium Ceiling Fan and TPW fans5. Bajaj Midea as a Premium TPW Fans in a tie up with GD Midea Holding Co.- Aunique Co-Branding exercise with the worlds largest fan manufacturing companybased in China.6. Introduction of multiple sub brands and products has been a key ingredient to thesuccess of Bajaj fans. Each sub brands signifies a specific customer expectationand the company’s attempts at meeting them.

**4.3 Positioning of the mother brand - Bajaj FansKey Consumer insights:**

The fan consumer is an indifferent user. The category is a low involvement category andthe decision maker is usually the male head of the family. There is a widely heldconsumer belief, which was unearthed in a systematic probing of indifferent minds,through extensive research. This insight is that the fan that moves fastest gives themaximum air and hence induces maximum cooling and thereby gives the maximumcomfort. As long as the body can ‘feel the air’ satisfaction is assured. Bajaj Fans decidedto capitalize on this core category benefit sought by the consumer and decided to positionthe umbrella brand Bajaj Fans as a range of “Subse Tez” or “Incredibly Fast” fans andhence a range with the highest air delivery. The “Subse Tez” tag line also made the fansbeing perceived as “Technically Superior”, which was an added consumer benefit.

**5.0 KEY ELEMENTS OF THE MARKETING STRATEG**

**5.1 Product StrategyCeiling Fans**

l Launch high quality decorative fans with better designs in the premium segment.l Launch high quality decorative and non-decorative but contemporary fans in theEconomy Segment corresponding to the consumer needs of this segment.l Launch basic products without any frills to meet the needs of sub-economy segmentaimed at providing an up-gradation platform to the customer from the unorganised sector.

**TPW Fans**

Launch a new range of TPW fans in the premium and economy segments.

**Freshair Fans**

Launch a new range of Freshair fans in the economy and sub-economy segments.

**Actions**

To bring the products in line with the positioning strategy the Revolutions Per Minute(RPM) of all products was increased from 330RPM to around 400RPM to ensure higher Air Flow Velocity.Launched the Bajaj Midea range of TPW fans in the premium segment.Launched the Crown range of TPW fans in the Premium segment.Launched decorative & non-decorative fans in the economy segment of ceiling fans -Grace, Grace Gold & Ultima.Launched basic models with no special features in the sub economy segment - Bahar &Maxima

**5.2 Pricing Strategy**

The company follows a competitive pricing strategy in all major markets for all productsegmentsThe strategy to enter the lower price segments was executed through launch of differentiated models aimed at the lower price segments.Earlier all Economy and Premium ceiling fans were sold at around Rs.1000 and Rs.1200respectively to the customer. Sub-Economy ceiling fans were introduced at a customer price of less than Rs.900.The company introduced their Maxima ceiling fans at a customer price of Rs.900 andBahar ceiling fans at a customer price of Rs.800. However, one of the organised sector competitors (say Competitor A) introduced a ceiling fan model at a customer price of Rs.700. Today the sub economy segment is being actively looked at by most major competitors.The pricing innovation aimed at the Bottom of the Pyramid mass market has been a keyelement of the Bajaj Fans success story.

**5.3 Packaging Strategy**

All the carton graphics were revamped in line with a new theme of “Elements of Nature”.The Fans business being an Air business, took up the image of moving clouds as agraphical motif for it’s packaging and a new set of Carton graphics were implemented for

in the market.The leading player was benchmarked and a Retail Performance Standard was developedfor all markets, which were based on the ratio of our presence in the number of retailcounters vs. that of the benchmarked competitor.An action plan was developed and executed to ensure that Bajaj brand gains an entry inthe selected retail outlets where the benchmarked competitor was present, so as toachieve the targeted RPS.

**Change in Distribution Strategy**

Bajaj decided to reduce the additional layers of distributors wherever feasible, which wasincreasing the distribution costs for the company over that of the competitors. Instead aswitch over was made to the industry norm of supplying fans directly to major fansretailers and whole sellers and allowing for adequate width of distribution as per themarket forces.Company ð Retailer ðConsumer

**Separate Network for Sub-Economy fans**

Competitor A (mentioned earlier) was the first to introduce a range of sub-economyceiling fans. However they offered this model to all their dealers and further advertisedthe price of this model very strongly. This affected them adversely in 2 ways. On the onehand the sub-economy model ate into their sale of economy and premium models whosesales declined rapidly while their overall sales remained constant. On the other hand, asthe customers knew the price through the company’s advertising, dealer margins werecompressed which created a serious dissonance in the minds of their dealers.Having learnt from this, Bajaj clearly made it a policy to establish a parallel distributionnetwork for the sub-economy fans, which comprised of dealers who were primarily un-organised sector fan dealers. The company also decided, as far as possible, not to offer the sub-economy fans to its existing dealers of economy and premium fans. Wherever ithad to offer sub-economy fans to some of its very important existing dealers, it insistedon a minimum growth of 20 per cent from such dealers in the economy and premiumrange of fans. It also did not advertise the sub-economy fans at all. The company’sobjective in introducing the sub-economy fans was clearly to take share from the growingun-organised sector market while sustaining growths in the economy and premiumsegments. A sub objective was also to take away some share from the Economy segmentfans of the other organised sector players.This distribution strategy enabled the company to:l Sustain growth in the economy and premium range of fans.l Successfully establish a new network, which was hitherto unavailable to it, comprisingof dealers who were primarily dealing with unorganised sector fans.l Ensure healthy Trade margins.Increasing Shop ShareIn the consumer durable market the consumer depends on the dealer’s recommendationfor a brand. Hence it was important to ensure that key dealers were encouraged torecommend Bajaj Fans to the customer. For this the Company ensured tha

the entire product range. This theme was also incorporated in the Posters, POPs, the shopboards and all other communication elements to give Bajaj fans a unique and instantlyrecognisable in-shop identity.

**5.4 Promotion Strategy**

Television as the main mediaIt was important to create high aided and unaided brand recall related to the fans categoryin the minds of the consumer. Fan as a product category has no major regional disparitiesin sale. Much of the sale of organised sector is in the metro, Class I and Class II markets.The cable and satellite penetration in these markets is very high. It was thereforestrategised to shift from the traditional way of promoting fans in print media to TVadvertising through major C&S channels like Star, Sony and Zee.TVC’s of 10, 20 & 30 secs were developed based on a positioning “Bajaj Fans SabseTez” in Hindi and various regional languages such as Tamil, Kannada, Telegu,Malayalam & Bengali.A CD Rom containing some recent TVCs is submitted alongwith the Paper.The Paper Weight TVC won a Silver Abby for 2002 and has been widely acclaimed. TheDoor Closer press ad won a Silver Abby for 2002 and the Fish Bowl press ad won aBronze at the International ADFEST at for Asia Pacific 2002.

**Increased brand visibility at the market place**

Initiated various Ground level activities by hiring promoters in key wholesale and largeretail markets for fans. These promoters were dressed in branded T-shirts and caps andwere asked to distribute leaflets of Bajaj fans to the potential customers and to detail theproducts at the Point of Sale.When visiting the market, they would carry placards with the core communicationmessage of Bajaj fans “Subse Tez”. This created a lot of excitement in the market andcustomers started asking for Bajaj fans.Attractive POPs, Display schemes and Mystery Customer Contests were also run for thedealers for better display of products and packaging on the retail shelves by the retailersand for a Channel Push.

**Publicity**

An effective public relations campaign was also started to get favorable word of mouthpublicity and press coverage. The results have been quite encouraging.

**5.5 Distribution Strategy**

Reach of potential through “Mission Excel Initiative”The aim under this initiative was to understand the reach of Potential of the retailer’s of the company in the total market and ensure presence and high shop share at key retailoutlets, which had a high share of the defined market. This enabled the Company toexplore a larger part of the defined market potential by being present in larger retailerscounters in a stronger manner. This activity leads to an improvement in both the widthand depth of Distribution.Retail Performance Standard (RPS)The Francis Kanoi database was used to know the width of distribution of leading players

in the market.The leading player was benchmarked and a Retail Performance Standard was developedfor all markets, which were based on the ratio of our presence in the number of retailcounters vs. that of the benchmarked competitor.An action plan was developed and executed to ensure that Bajaj brand gains an entry inthe selected retail outlets where the benchmarked competitor was present, so as toachieve the targeted RPS.

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l Attractive margins were given to dealersl An attractive and comprehensive range of products was offeredl Efforts at gaining Dealer loyalty were undertaken

**Dealer Loyalty**

Simply increasing the margins of dealers by offering higher discounts was not the bestform to gain dealer loyalty. This was because any other organised sector brand couldmatch the offer immediately and nullify the company’s price advantage.Instead, since 2001 the Company has introduced a number of programs to increase dealer loyalty towards Bajaj Fans, thereby encouraging them to recommend our fan over other brands, to the customer. These were:

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**Summer Hungama Scheme**

Special gifts to dealers, which included household appliances and travel withinthe country and abroad. Key dealers were encouraged to qualify for travelincentives and were taken for the trip along with their spouse. This helped inincreasing the bonding with key dealers. Trips were arranged to Bangkok,Mauritius and Singapore.

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**Bajaj Fan Dealers Privilege Club l First by any Fan company**

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For long term CRM

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Membership by invitation only

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Only Crème de la Crème fan dealers invited

o

Special rewards, gifts, trophies and certificates

o

Annual conference at a foreign location

o

Criteria for qualification - Sales Volume, Growth, Payment Efficiency.

o

To honor our key dealers and make them feel important and valued.

o

The company invited only 100 top dealers of the country of which 81dealers qualified. They were taken on a trip to Dubai with the topManagement of the Company.

**Direct Mailers**

Khulja Sim Sim: The company identified some key retail counters across India & sentthem mailers directly from H.O. Branches were asked to open these counters directly or increase shop shares through existing distributors. This was a first of it’s kind activity byany company in the Industry and resulted in nearly 1000 responses.

**Dealer Meets**

Dealer and Sub Dealer meets were organised to gain their confidence share with them thecompany’s strategies and future plans and obtains their feedback on how to collectivelygrow in volumes and profits. Most importantly such meets created a strong bond betweenthe company and its dealers and sub-dealers and made them feel an important part of “Team Bajaj”.

**5.6 People Strategy**

Another major step taken by the company was on the people front. The OrganisationStructure was revamped and the company moved from a complex matrix structure to a

SBU based organisation with shared services. The Fans SBU had a change in leadershipwith a younger, dynamic and more risk taking people oriented leader. Appropriatestructures were formed for Sales, Marketing and Supply Chain functions alongwith arevamping of the Manufacturing and Design & development teams. The Head of

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In 2001-02 Trade Sales grew at 10 per cent. However, lost Sales of 40,000 fanssales (decline of 20 per cent) in CSD and 19000 fans sale (decline of 27 per cent)to Institutions, as Bajaj was not awarded D.G.S & D Rate contract.

**6.4 Profit Performance (Contribution after Publicity)**

In 2003-03 achieved CAGR over 1999-00 of 30.8 per cent & projected CAGR in 2003-04 over 1999-00 is 40.7 per cent. This shows that the Sales performance has not been atthe cost of the Profitability performance. The business is now on a self-sustainingprofitable growth platform.6.5 Publicity Spendsl The results in terms of Sales performance and improvement in the brand strengths havebeen achieved without a prohibitive increase in media spend.

**7.0 IN CONCLUSION**

In one of the earlier paras under Segmentation it was said that “The Company believedthat the Right Product at the Right Price Point for the Right Target Consumer was theRight approach to creating the Right Competitive Advantage”.Indeed the substantial success achieved by Brand Bajaj Fans, whether it be in terms of theSales Performance, Market share gains, Profit performance, Image improvements,Increase in Consumer Demand, Network related improvements, Dealer Loyalty and theoverall Brand strengths, has been a vindication of this firm belief. The Fans BU has beena trail blazer within the company in terms of energinising and electrifying Team BajajElectricals with it’s sterling performance and substantial achievements. In fact, the Fansteam has set an example for the rest of the company to follow and emulate.But the greatest tribute to the marketing success are the many Lacs of new customerswhom the company has been able to add year after year, who in turn also become thespokespersons for brand Bajaj Fans. The brand now looks to the future with renewedhope, optimism and confidence.

**Questions to ponder**

1. What role did initiatives towards strengthening relationhips with dealers play inpushing the sales of Bajaj Fans?2. How would you rate the publicity campaign of Bajaj Fans and why?3. Can Bajaj view the unorganised sector in the fans industry as an opportunity for further growth/penetration?This case study was shortlisted for the SPJIMR Marketing Impact Awards 2003organised by the S P Jain Institute of Management & Research in association withStrategic Marketing. This annual event showcases effectiveness of marketing initiatives and its impact on organisations

Saleshad a team of Regional Managers, Area Managers and Territory Sales In-charges tosupport him. The organisation was also revamped into seven responsibility levels fromthe previous 19 salary grades to make the career progression faster and to reward goodperformers. A new set of Job Descriptions and Key performance Indicators (KPIs) wereimplemented alongwith a substantial improvement in various processes such as Planning,Supply Chain, information management, review processes etc. A number of poor performers were weeded out and replaced with good talent from the Fans industry. A newPerformance Incentive Scheme and a new Performance Appraisal process were alsoimplemented to ensure good talent management. Deserving people were promoted fromwithin and better career rewards and punishments were implemented. All these coupledwith appropriate decision making empowerment and delegation resulted in a transformedand result hungry team. The people in the Fans BU were the single biggest contributors tothe Fans BU success story.

**6.0 THE RESULTS ACHIEVED6.1 Distribution Network**

Company’s overall distribution network increased from approximately 6000 retailers in1999-00 to approximately 10000 retailers in 2002-03. The direct dealer network has beenincreasing every year at a healthy rate.

**6.2 Brand Recall**

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Highest Increase in TOMA & UAA scores in the Organised Sector.

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TOMA for Bajaj Fans jumped from 7th position to joint 4th position.

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UAA for Bajaj Fans jumped from 7th position to 4th position.

**6.3 Sales Performance**

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The Sales have grown from Rs 5730 Lacs in 1999-00 to Rs 9350 Lacs in 2002-03.In 2002-03, achieved CAGR over 1999-2000 of 17.7 per cent and the projectedCAGR in 2002-03 over 1999-2000 is also 17.7 per cent. This achievement, in asluggish market situation has been an extraordinary performance.

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Total Sales in 2002-03 achieved a CAGR over 1999-00 of 20.1 per cent &projected CAGR in 2003-04 over 1999-00 is 19.7 per cent. The contribution of Trade to Total sales has increased from 55 per cent in 1999-00 to nearly 80 per cent in 2002-03.The Trade sales being sustainable and repeatable, shows a basicstrengthening of the brand and greater channel and customer acceptance. Theconsistently high growth rates also reflect the above.

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Growth of Bajaj Fans higher than the Industry Growth in all the years except2001-02 & expected to be higher in 2003-04. 2001-02 was impacted due to thehigh growth in the previous year and poor Institutional sales