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MARKETING

Cooler marketers are proving that transforming a commodity to a brand can bring in the profits.

Breaking In With Brands

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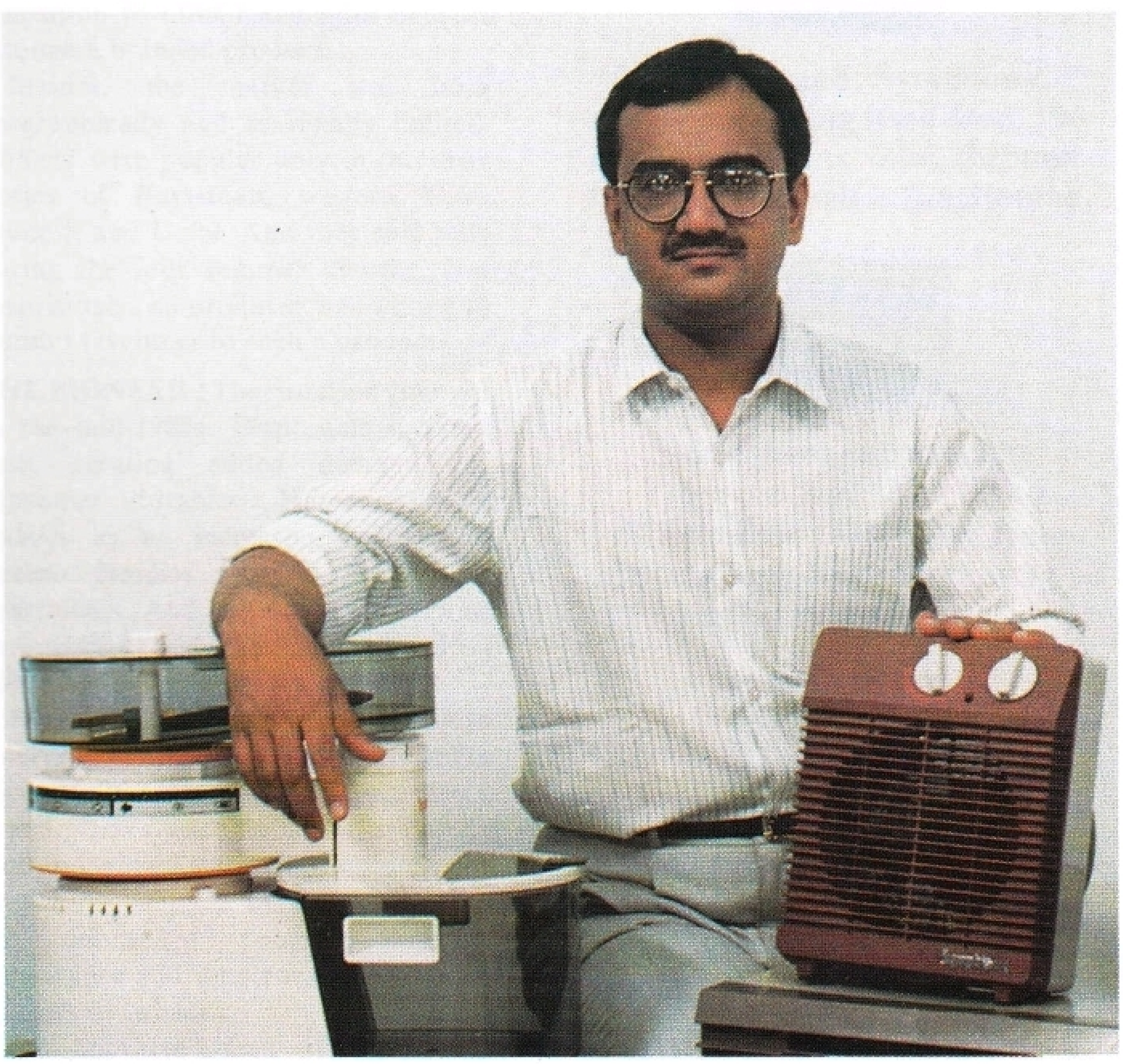

Sanskrut's Bakeri designed Symphony to compete with the air-conditioner

IT ISN'T difficult to be branded a winner. Ask the increasing number of marketers who are discovering that adding a brandname to a product and selling it scientifically can spell success.

The Rs. 450-crore cooler market is a classic case of how a commodity can be profitably branded. Dominated for years by unbranded products, this home appliances segment was invaded by the Ahmedabad-based Sanskrut Comfort Systems (1991-92 turnover: Rs. 30 crore), which introduced the first branded coolers during 1988, called Symphony.

For the past four years, Symphony has ruled the roost. But a slew of new brands have burst into the market in 1993, launched by some of the best-known electronics and home appliances companies : the Rs. 689-crore Videocon International (price range : Rs. 2,300 to Rs. 4,000); the Rs. 250-crore Weston group (Rs. 5,650 to Rs. 6,100); the Rs. 180-crore Usha International (Rs. 2,600 to Rs. 6,100); and the Rs. 200-crore Crown group (Rs. 4,300 to Rs. 6,000).

In addition, a number of smaller players such as the Rs. 20-crore Bhurji International (Rs. 5,750 to Rs. 5,990), the Rs. 24-crore Krisons Electronic System Ltd. (price : Rs. 5,500) and Racold Electrical Appliances Pvt. Ltd. (Rs. 5,500) have also jumped into the fray. Simultaneously, Sanskrut has increased the number of its Symphony models to 24 (Rs. 2,100 to Rs. 6,300).

With the demand for branded coolers growing at the rate of 20 per cent a year, the players in this Rs. 80-crore industry are showing how a cool profit can be made from a hot-selling commodity-turned-brand. What made this transition possible? What techniques did different companies use to bridge the gap between anonymity and brand-presence? And are there any general principles that can be drawn about the paradigm of commodity branding from this industry.

THE PRODUCT : Although the cooler has been available for over three decades, the conditions for branding were not ripe in the past. The product was perceived as a functional device, not one which embellished a home. What ruled the choice between different models was size and price. And with customers mainly from the middle class, there was little scope of charging a premium, as a branded product inevitably would.

What's more, aesthetics played no part in the buying decision. Usually placed outside bedrooms, the cooler stayed out of sight. With the space crunch not yet inflicting itself on urban homes, there was no advantage in designing a compact cooler. Indeed, buyers correlated size with cooling power and put a premium on largeness. So, no manufacturer was in a position to offer meaningful benefits through a branded product.

Besides, the market was both geographically and seasonally limited. Coolers were popular only in the drier climes of Rajasthan, western Uttar Pradesh and Delhi. And they sold only during the four summer months. Not surprisingly, no producer was willing to commit resources to such a product.

THE PIONEER : The situation changed in the mid-1980s. Disposable incomes rose, creating added demand for consumer durables. Homes became smaller as an increasing number of nuclear families started moving into apartments. And as the yuppie became conscious of his home, ungainly iron boxes became ripe for replacement.

A profile of the consumer also emerged, dictating the changes needed to successfully convert the product into a brand. That's when Sanskrut, set up by Anil Bakeri and son Achal, architects by profession, stepped in. They identified the unbranded cooler's ungainly appearance and unrelenting noise as its primary drawbacks.

So, Sanskrut's first models, which rolled in 1987, replaced the metal cover with an ergonomic, plastic casing, which muted the noise of the pump. Designed by students of the National Institute of Design, these products became trail-blazers in cooler aesthetics.

By adding value to a hitherto anonymous product, Sanskrut created a perfectly brandable product : it embodied clear unique selling propositions (USPs), which distinguished it from the unbranded product. Thus was born the Symphony brand. Cutting a swathe through the nameless mass of identical products, its designer look and quiet efficiency immediately afforded Symphony a premium : consumers paid 50 per cent more for it than for unbranded coolers.

Symphony's success was rooted in another feature : the Bakeris positioned their product as an inexpensive alternative to the air-conditioner. While air-conditioners were priced at Rs. 15,000 upwards, the Symphony range started as low as Rs. 2,000. Also, it had an upmarket, hi-tech ambience. As chairman and managing director Achal Bakeri puts it : "We bridged the gap between air-coolers and air-conditioners."

Marketing its product through the conventional white goods' dealer net-work, Sanskrut ensured that potential buyers of air-conditioners and refrigerators were exposed to its coolers. Backing Symphony with an advertising blitzkrieg that highlighted its design-pluses, the Bakeris managed to create a distinct image for the branded cooler.

THE PARAMETERS : Throughout this conversion process, the heart of the cooler remained unchanged : a blower directed cool air into a room, the cooling being caused by the evaporation of water in the machine. The combination of low, easily reproducible technology and a one-brand market proved irresistible.

And a host of other factors accelerated the entry of new players into the market. To begin with, last year's recession led to a sharp downturn in demand for consumer durables. Sales of air-

THE COOLER MARKET : FROM BASICS TO BRANDS

PRE-1987

Unbranded, unattractive metal boxes, housing noisy pumps, rule the market, differentiated from one another only by size and fan speeds.

1988

The first brand, Symphony, enters, distancing itself from the crowd by adding value through design and noiseless functioning.

1992

Subsequent entrants like Videocon and Usha try to differentiate themselves from Symphony by progressively adding new features.

1993

Attracted by the drop in AC sales, numerous marketers like Crown and Racold launch branded coolers as cheaper alternatives.

conditioners slumped by 25 per cent, indicating that they were priced beyond the reach of recession-hit households. So, there was a growing market for a functionally similar, but considerably cheaper, product.

Since the recession meant sagging bottomlines for consumer durable manufacturers, these companies needed a sure-fire winner to add some zip to their revenues. For TV and washing machine-makers like Videocon and VCP-markers like Krisons, the lure of the cooler market was irresistible. Agrees Prakash Narayan, senior marketing manager, Usha International : "Launching such products does help during a recession."

As the imminent foray of two other white goods majors, Onida and BPL, into the cooler market indicate, these conditions still prevail. To add a carrot to the sticks, Budget 1993 offered an incentive : from 23 per cent, the excise duty on coolers was cut to 10 per cent. Agrees Bharat Chopra, commercial consultant to Krisons : "It is partly because of this reduction that the organised sector jumped in."

Also, these firms already have distribution and sales networks. To slot in a new product in the same category needed just a little extra investment. For instance, Weston, which launched two cooler models this year, has 3,000 dealers, 87 service centres and 22 branch offices, selling and servicing TVs, mixers, *et al.* Agrees Sunder T. Vachani, chairman and managing director, Weston group : "We did not have to spend much on the marketing infrastructure."

Crucially, as the new entrants realised, the market was in a position to absorb markups. With branded coolers enjoying a margin of at least 30 per cent, there was money to be made in branding and selling coolers.

PRODUCT DIFFERENTIATION : To carve out a niche in a commodity-oriented market needs more than just a favourable environment. Since Symphony had already ensconced itself as a value-added cooler, new entrants had to offer new USPs. Plunging into the fray in 1991, Videocon International used size as its differentiator, pioneering the small, portable cooler which could be trundled from room to room.

Usha International's thrust into the coastal areas with its Lexus brand led to its own innovation : a humidity-control device, which regulates the flow of water within the machine and thereby keeps a check on the water-vapour content of the air blown out. Since this feature is essential for the humid coastal areas, Usha has a clear USP on its hands.

As the features added on by subsequent entrants demonstrate, the cooler is ideal for progressive value-addition. It is this characteristic that has accelerated its transition from a commodity to a product for a multi-brand market. Each new player can-and does-come in at a higher point on the features scale.

For instance, last year Bhurji International's Intek replaced the conventional pipes through which water is circulated with specially-designed channels to ensure optimum water flow. And Symphony came back with more features : a centrifugal forward curve blower that throws air in all directions and an electronic water-level indicator.

Of course, every additional feature has been promptly copied by the competition. But that hasn't dried up the flow of innovations. In 1993, Crown made its debut with the first cooler which could be operated by a remote control device. And Videocon has married the cooler with a room heater, producing a composite device for all seasons.

One indication of the success of these attempts : Symphony's share of the market fell from 100 per cent in 1988 to 40 per cent in 1992, while Videocon grabbed 25 per cent.

THE POTENTIAL : However, the gain of the new brands isn't Symphony's loss. On the contrary, the market leader has pushed up its sales from 60,000 units to 75,000 units in the last two years.

That's not surprising. The classical model postulates that new brands will make inroads into the unbranded part of a commodity market, without clashing with the branded competition. The pattern fits : while the cooler market is growing at 10 per cent a year, the branded segment grew by 20 per cent last year. New players are expanding the market rather than cutting into each other's segments.

The casualty : the unbranded product. Admits Charanjeet Singh Bhurji, director, Bhurji International : "The big players could squeeze out the small manufacturers with their larger network, credit facilities and money power."

In fact, Bhurji, who supplies cooler kits to Usha and Weston, chose to brand part of his output last year to cash in on the higher margins. But the company is under pressure from its big clients, who want increased supplies. "Everybody wanting to get into coolers is queuing at our door," says Bhurji, who expects to sell 35,000 kits this year - and a staggering 70,000 kits in 1994.

As the brands consolidate their presence, the cooler mart will soon see fresh marketing drives. Typically, commodities sell only because of the demand for them; in contrast, brands carve out new markets. That's what the cooler kings have set their sights on.

All the majors are making a beeline for South India, where the demand for cooling equipment begins in March - a month earlier than in the North. Videocon is breaking new ground in Maharashtra, Gujarat and West Bengal, where even unbranded coolers haven't ventured. Weston, Krisons and Intek are headed towards Bihar. And Usha International is positioning its Lexus brand as an interior design accessory to target the Rs. 5,000-plus household which would normally buy an air-conditioner.

Clearly, branding has worked to the marketers' benefit in the coolers market. And, going by current trends (See box), it is a game that can be profitably played in the commodity-conversion business.

■ ADDITIONAL REPORTING BY VINOD MATHEW JACOB