

Capstone Project

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TOPIC:

Analysis of the Home Appliance
Industry in Country X

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Topic: Analysis of the Home Appliance Industry in Country X

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Industry Overview

The home appliances industry mainly consists of goods like refrigerators, televisions, deep freezers, microwaves, washing machines and air conditioners. In Country X, this industry initially started off production in 1980. Initially, the production costs remained really high and hence, low economies of scale. But the domestic industry remained protected as there were high import duties. In the early 1990s, import tariffs were reduced, and thus the industry had to face competition internationally, which came as a shock. As the market started expanding, the industry began to give competition to the products from the internal market as well and thus, started facing economies of scale. It grew and expanded so much so that they began exporting too. In 2010, it was reported that the industry exported refrigerators and freezers worth \$13 million, air conditioners worth \$4 million, and washing machines worth \$2.7 million.

Currently, this industry is very lucrative with highly favorable business conditions attracting domestic producers and foreign competition. This market is dominated both by local and imported manufacturers that are dealing in B2B and B2C businesses.

Gray market:

Goods sold in the gray market are defined as those manufactured outside of the home country and imported without the permission of the trademark holder. Albeit not being counterfeits, there does exist a difference between these goods and goods produced locally. These include compliance with the country's rules and also their warranties. Smuggling is the main cause of the existence of gray markets in most countries. It is a lot easier in Country X since smuggling routes are discoverable and accessible and easy customer acceptance. Moreover, since these products are not taxed, they are exponentially cheaper than the locally produced goods.

The industry went through a recession in 2008 and 2009. By mid-2010, it was on its path of recovery. During this time, international players entered, taking advantage of the slow performance of local producers. If it had not been for the floods in 2010, the recovery stage would have come even sooner (Shahzad, 2017).

The strengths and weaknesses of this sector are identified below to overcome weaknesses and bank of the strengths.

Strengths:

- The Home Appliances sector is growing phenomenally
- Exports are also increasing slowly
- Economies of scale exist too
- Human resources are widely available at cheap rates
- Country X is moving up on the technology ladder

Weaknesses:

- In the case of refrigerators and freezers, they have less competitive advantage since they are only operating in the 'direct cool' category and not in the 'no frost' category
- Fully automatic washing machines are not produced.
- A large part of washing machine segment is unorganized and does not have managerial capacity to handle export business.
- Limited knowledge about potential markets and their dynamics is available
- Limited production capacity of organized sector
- Certification requirements are not met

List of most companies operating in the home appliances sector:

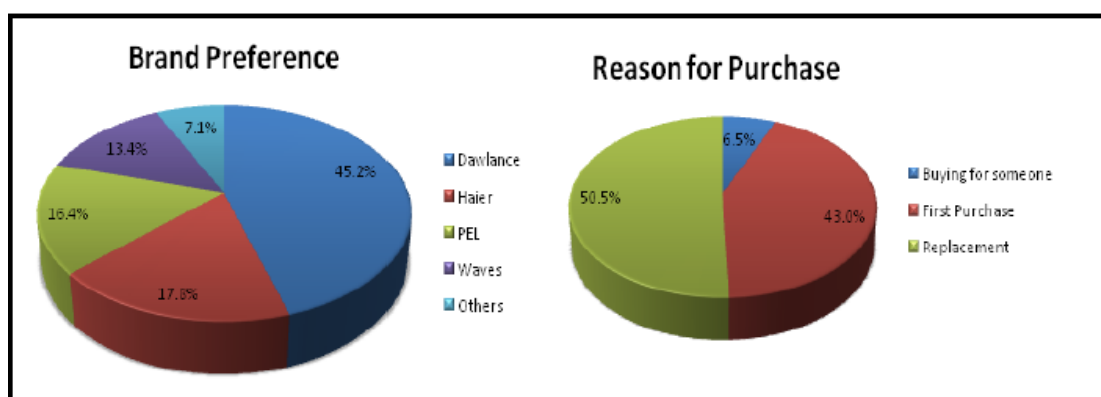
- Waves
- Samsung
- LG
- Haier
- Pel
- Dawlance
- Philips
- Gaba National
- Super General
- Gree
- Orient

- Changhong
- Braun
- Kenwood
- Sony
- Mitsubishi
- Asia Company
- Reebok
- Panasonic
- Toshiba

Major competitors:

- Dawlance
- Haier
- PeI
- Orient
- Waves

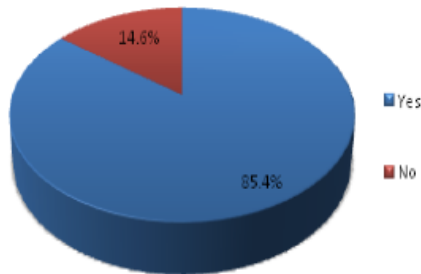
Amongst these, Dawlance is the most preferred, as seen in the pictorial representation below, alongside the reason for purchase.



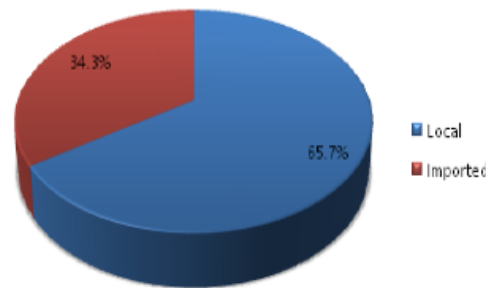
(Shahzad, n.d.)

Since the nature of the products used is as such, the after-sales service matters a lot and is a major part of the consideration when choosing which brand to buy. This is also seen in the pictorial representation below.

**After Sales Services Consideration
While Purchasing**



Purchase Preference



The company chosen: Dawlance

Dawlance is the market leader in the home appliances industry in Country X. It was established in 1980 by Mr. Dawood Bashir as a private concern, being the pioneer of starting off the home appliances industry in Country X. It has now become a very established brand; Country X's 7th most favorite brand out of a total of 3500 brands (HAque, 2019). Its top-of-the-mind recall is at number 2, clearly showing that the brand is a rather strong one since it stands for something; a single idea that the consumer identifies as unique is reliability. Research shows that every 2nd household in Country X owns at least one Dawlance product. The main reasons for the success of this company are its high-quality products and loyal customer base. Haier has been giving tough competition to Dawlance, which has now lost 7% of its market share to Haier in the past 4 years.

Dawlance's factories lie in Karachi as well as Hyderabad, with almost 16 huge warehouses across the country and retail outlets in almost all the big cities. Its major raw material comes from Italy, Germany, China, and Taiwan. Its workforce consists of more than 4000 employees and a sales force of 400 people., and 16 after-sales customer service centers. The table below shows its market share in the following product categories.

Product	Market share
---------	--------------

Freezers	45%
Air conditioners	15%
Microwave ovens	40%

Target market

The main target market is the urban population, middle and upper class. Since the affluent class can only afford these necessities as they are seen buying refrigerators, microwave ovens and televisions for purposes like a replacement, in addition to what they have or when marrying their daughters off as part of the dowry.

Marketing strategy:

The company encourages innovation and is in a continuous stage of improvement. They aim to create a dynamic system that has the facilities of online shopping, procurement, marketing, purchasing, customer service, and operational efficiency to effectively control cost.

Product strategy

To produce high-quality products that are durable and match international standards and give great after-sales service since this industry requires it.

Pricing strategy

They have uniform prices throughout Country X set in such a way that efficiently matches their primary target market. According to the different products that they sell, different prices are set according to market standards and competitiveness. They use a cost-based pricing model where the costs of components are first determined and calculated, and then based on that, the prices are set.

Promotion strategy



Alongside giving a lot of discount offers to attract more attention, on the whole, as a broader perspective, Dawlance uses a pull strategy. With the idea of the brand as a unique brand having a distinct image of the brand in the mind of the consumers with 'reliability' as their USP, it has established itself as a strong brand. Their advertisements are mostly over TV, print, and social media. They are made in such a manner that they effectively resonate with the desired target audience. They mostly use a slice-of-life approach.

Distribution strategy

They have 800 dealers all over the country. They have 25% of A-class dealers, i.e., they sell 100 units or above in a year. B class dealers are 50% that sell 400-999 units every year. C class dealers are the rest 25% that sell 300-399 units every year.

Customer reviews

The reviews are very positive. People feel that the products are very durable and reliable, in line with what they claim to be. Their after-sales service also seems to be up to the mark and rather satisfying for the end-user. With a lot of the discounts that they keep giving, especially on occasions like Eid and Ramazan, customers seem very satisfied (Khan, 2015).

Comparison with main competitors

Haier

It started off in 1984, producing only one product: household refrigerators. As of now, they have 96 product lines with a wide variety of products ranging up to 15,100 and exporting to more than 100 countries worldwide. This is one company that has shown phenomenal growth throughout and has also taken up a lot of the market share from Dawlance.

In Country X, Haier is operating as a joint venture between Ruba General Trading Company and Haier Group China. In the global marketplace, Haier is the leading company in home appliances. By aggressive marketing practices and promotions, Haier started to capture market share by 2005. By 2010, it managed to increase its market share by 15% to reach 38%, giving tough competition to already established brands like Dawlance, Pel and other privately imported brands (Chan, 2011).

Pel

It is the pioneer of home appliances in Country X. It started off in 1956 in Country X in collaboration with the AEG company. Later in 1978, the Saigol group of companies took over the company. The strength of Pel has been its loyal customer base over the years. Its market share is currently 10%. It is also manufacturing LG products under LG license in Country X.

Orient

The range of products that they manufacture includes air conditioners, refrigerators, vacuum cleaners, microwave ovens, and water dispensers. Its reputation as a Japanese brand gives it a slight edge over its competitors. It has been able to improve its position slightly in the past 5 years. Orient has the privilege of holding the assembly and selling rights of Samsung and Mitsubishi electronics in Country X. The products are manufactured and assembled at a factory established at Multan Road. It consists of the manufacturing plant, corporate and sales offices, warehouses, and assembly line for all its products. The factory not only manufactures all of Orient Group of Companies product range, but also assembles Samsung air conditioners, televisions, home theatres and Mitsubishi air conditioners on location.

Securing the position of the third-largest player in the home appliances category in 2007, it has now been able to secure the 2nd position with a market share of 24% due to its consistent performance.

Waves

It was established in 1973 in Country X. It produces high quality products and is the market leader for the production of refrigerators and freezers specially. Its product range consists of WS series and Plasma gold series. It has its display centers in the metropolitan cities of Country X and in small towns like Sahiwal, Sukkur and Sialkot.

Conclusion

On the whole, it can be seen that the home appliance industry in Country X is expanding over the period of time. With so many players in the market, the market is continuing to grow, and the prospects for the market seem really great this way.

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