IMPROVING BUSINESS AT RETAIL MARKET OF X BEARINGS - A QUALITATIVE STUDY

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ABSTRACT

The article discusses how qualitative marketing research was undertaken by X Bearings in West Bengal to correct the problem of stagnating market share at the retail market of bearings. The challenge facing the company was that how to remain competitive and improve the stagnating market share in the retail market thereby improving marketing productivity. The paper shows how the company identified and solved the problem. The paper throws light on how the old system was qualitatively modified with a new system solving the company's problem.

Key words: Indian Market Bearings ~ Indian replacement market of bearings ~ Insights Current trends Flow diagram explaining the business of bearings at the Indian replacement market.

INTRODUCTION

The aim of any business is to be profitable through the delivery of products and service of value to the consumers. It is well known fact that when products are delivered in the way the customer desires the brand has a greater opportunity of having a higher perceived value (McQuiston 2004). Following a customer orientation gives a company the competitive advantage through higher corporate performance and increased profitability. In the opinion of Sheth (1991) the factors that contribute to the profitability are cost efficiency from repeat buyers, price premium from established customers, customer loyalty and positive word of mouth referrals. Business houses usually has two types of consumers viz. internal consumers and external consumers (Seth, Deshmukh, and Vrat, 2005) and if business has to achieve it goals through exchange in the market then it has to satisfy the interest of both their internal and external consumers. For a successful exchange take place it requires the involvement of the channel members who are actually a part of the company's internal consumers (Bakshi, 2006). These channel members command a lot of power thus the manager need to take care to influence intra-channel power relations (Hunt et. al. 1993). In this paper the role of these are pointed out in the case of X Bearings (X Bearings is a hypothetical name adopted to maintain confidentiality). Moreover the behavior of Indian consumers is remarkably different from the consumers of the western countries as they are usually indifferent in choosing brands as there are plenty of close substitutes available in the market (Das, Mohanty and Shil, 2008). When the consumer perceives little or no difference in the competing products then the product is usually perceived as generic. In the opinion of Trout and Rivkin (2000) differentiation defines the brand and distinguishes it from all others. In competitive situations where every marketer wants to have a place for their product in the consumers purchase basket they attempt to project perceived difference among their product and competing products by adopting the route of branding, thereby differentiating themselves from the competing brands (Mitchell, King, and Reast, 200, Mudambi, Doyle, and Wong 1997; Ward, Light, and Goldstine, 1999). To communicate the perceived difference among the competing brands usually the integrated marketing communication route is adopted by the companies that need the support of the channel members. Such support helps in making consumers understand that the companies brand is better than the competing brands. The channel members help in highlighting on the brand being superior thereby shaping consumer's perceived quality (Aaker, 1991). The consumers' understanding of superiority of the product or brand among the competing ones makes the product / brand successful in the market leading to a higher market share that in turn leads to greater revenue, leading to higher profitability and marketing productivity. The above is supported in the works Rosenbloom, (1985) in his opinion to achieve the marketing goal of the company it becomes the "sales manager's job to convince the channel members, the role of channel

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members or intermediaries is to make demand by building brand preferences among the consumers (Frazier, 2009). This job is indeed challenging as the competitors are also trying to convince their channel members including the retailers to encourage them push their products in the customers purchase basket as push along with pull is now recognized by the marketers as the twin building blocks of companywide marketing strategy (Kopp and Greyser, 1987). The current paper based on the case of X Bearings attempt to show the reader how all the above components were taken care by collecting qualitative marketing research input from consumers and members involved in the distribution channel.

The insights collected from the people involved in distribution channel and the consumers were successfully utilized by X Bearings to improve market share for their bearings in the retail end. The company went on by taking a qualitative market research in to

Chart 1

Shares of Various Bearings Sold in India
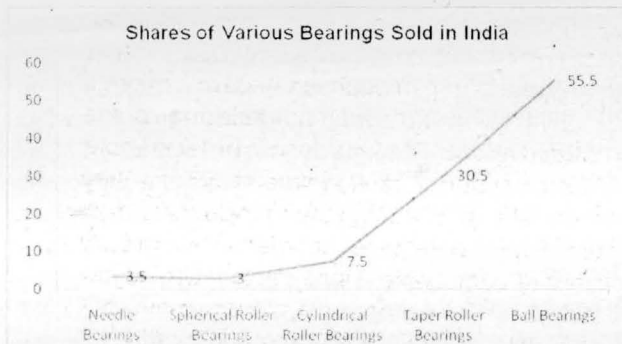
identify the problem of industrial marketing that was lying covered under the symptoms of stagnating market share and retailers reluctance to stock the brand in their stores. The study was conducted during April - June 2008 for three months in India.

Product Profile

X Bearings manufacture and sell bearing which is mechanical equipment that provides support relative motion and reduces friction that improves the efficiency of the machine. It is an arrangement made up of a couple of concentric rings the spaces in between which are occupied by either by ball or cylindrical type of arrangement that are held together by a system called cage.

The chart 1 shows the share of various types of bearings sold in India, from this cart it can be seen that ball bearings is having the most demand.

Competitive Environment in the Indian Bearings Market
The Indian market for bearings is estimated to be around 5,400 Crores Indian National Rupee with around sixty percent of bearings is sold to the Original Equipment Manufacturers using the route of industrial marketing. The remaining produce is sold to the retail market. The retail market represents the demand arising on account of replacing the used and worn-out bearings. In the retail market, the bulk of the demand comes from the industrial segment, including heavy engineering, textile machinery, automobiles and consumer durables. The Chart 2 (hindubusinessline, 2002) shows the sector wise demand of ball bearings in India.

Chart 2

Sectorwise Demand of Ball Bearings
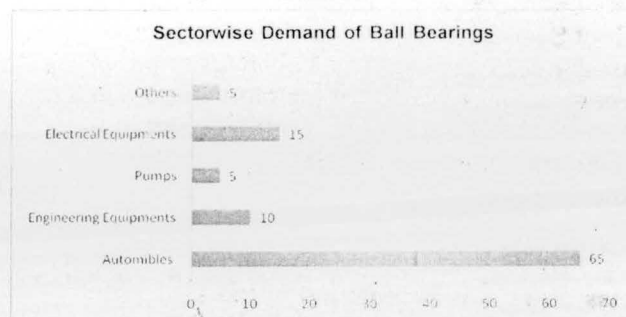
As seen from the chart 2 the major applications areas of bearings are automobiles, engineering equipments, electrical equipments, pumps and others like railways, diesel engines, heavy industries. Currently the bearings industry in India is growing with its overall sales rising, this growth has been noticed in the past few years. The growth rate of the Indian bearings industry has been at the rate of CAGR of 19.78 percent between 2003 and 2005 (Indian Bearings Industry Reports, 2007) and during the last six months 2009 -10 where the growth has been at the rate of Indian bearing Industry has been growing at a CAGR of 8.2 percent. The growth of the automobile industry in India has also been a blessing for the Indian bearing industry as India is poised to emerge as the fourth-largest light vehicle market in the world by 2014. Since automobiles mostly use ball bearings this probably shows the reason for the high demand of ball bearings and its heavier sales. This is reflected in the chart 2 that show the automobile industry is the biggest consumer of bearings. Around forty percent of the demand for bearings comes from the Indian replacement markets.

But the Indian bearing s industry for the retail market is at the same time highly fragmented. It is often commented for the bearings retail market that the "India's fragmented distribution system is hard for many westerners to imagine." The Indian market is also of interest to the marketers of the countries of the west as Indian has more than a billion people and an

economy that has been growing at 7 percent or more for the past decade. India is poised to become an economic powerhouse this fact has been recognized at the Harvard Univ

In the context of the unorganized retail for bearings it can be seen that in and around Mumbai there are nearly 2,000, in Chennai there are over 900, Kolkata has over 500, Bangalore over 1100 and Delhi has around 500 retail shops selling bearings and most shops are found in loosely organized groups. Thus the dynamics of fragmented replacement market for Indian bearings is an interesting area of investigation. In India there are twenty seven players in the organized sector and their total installed capacity is 190 million and the total production is 136 million with a capacity utilization of Seventy Two percent. The unorganized sector usually manufactures small bearings required for the replacement market. On the other hand, the organized sector supplies to both the original equipments manufacturers (OEM) as well as the replacement market.

The Background

To discuss about the background of the study it is needed to go back two years in 2008. The modern companies have understood the fact that having a brand with high perceived quality leads to the foundations of a long-lasting relationship between the consumers and the company leading to marketing success and sustained competitive advantage (Schultz, 2001). Modern research has shown that branding of industrial products plays a more important role in industrial decision making than has been thought previously (Mudambi, 2002). Understanding this X Bearings invested around 250 Crores INR in brand building and brand promotions yearly for last ten years. But the company discovered that investment in brand promotions and brand building is not giving them results as it had no effect on improving the market share. Thus X Bearings conducted marketing research in 2004 by an established external research provider whose reports pointed out that the company should concentrate on selling bearings by focusing on the garage mechanics as opinion leaders. X Bearings implemented the results of the report in 2005 but this did not produce any result as the market share remained stagnating at 14 percent from 2005 to 2008. Thus X Bearings needed to go out and investigate the system of industrial marketing and channel (B2B2B) so that the salient characteristics of the retail market of bearings can investigated and solution of problem of stagnating market share can be achieved with the following objectives.

OBJECTIVES

The problem of stagnating market share was taken up and the probable causes of this was listed by conducting a detailed discussion with senior marketing managers in the level of chief marketing and sales of X Bearings on 21st April 2008. With the possible causes being listed it was decided that a qualitative field research would be needed to cover up the following issues.

- Understanding the bearing business in the replacement market.

- Understanding how the company X Bearings reach out their product to the consumers at the retail end

- Generating insights and understanding the current trends for the replacement market of bearings in West Bengal.

METHODOLOGY

To accomplish the objective stated above a two-stage qualitative marketing research was taken up. In the first stage the officials of X bearings involved in selling and marketing of bearings were interviewed in depth using probing questions relating to the objectives listed above. This was done in order to know, who are their consumers? And what activities they usually undertake for reaching their products to their consumers? The results were recorded mechanically and analyzed through content analysis the result show that the company follow the route shown in figure 1 named as traditional method of marketing bearing as adopted by X Bearings.

Figure 1: Traditional Method of Marketing Adopted by X Bearings
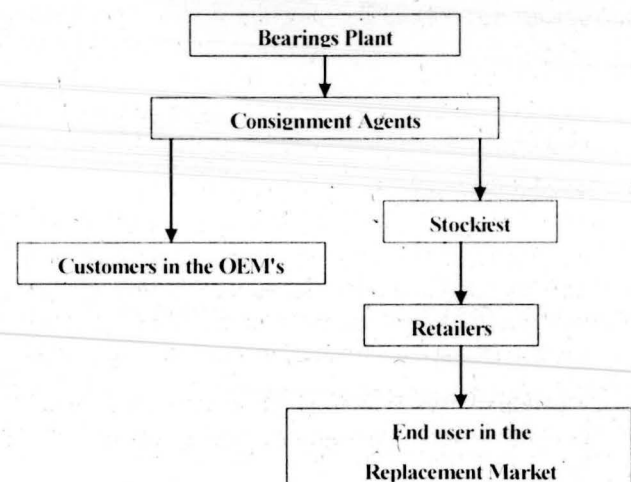
The figure 1 shows that there are two routes, in the first route the bearings move directly to the OEM's or via the consignment agents. In the second route the bearings move to the consignment agents to the stockist or the stockist directly and then form the stockist it moves to the retailers. This figure shows that the stockist comes in a level in between the retailer and the company thus feedback of the stockist was needed to be collected. A sample of twenty six stockists in all over India of X Bearings was selected on the basis of judgment. These stockist were interviewed using depth interview using probing techniques. Their responses were recorded mechanically and treated using content analysis. These stockiest gave the idea on the concentration and distribution of retail outlets of bearings in India thus these areas were selected for data collection in the further research. In the second stage of the study a sample of three hundred and fifty retailers were selected on judgmental basis and interviewed in depths for understanding the dynamics of the bearings business at the retail end. The responses were recorded mechanically and content analysis was used for the purpose of drawing conclusion for the study.

FINDINGS

The responses obtained were studied minutely using content analysis and the following are creamed out and clubbed under the following heads

A. Insights

1. There is variation in price for the consumers across shops as retailers are sharing a part of their channel money with the consumers to attract more consumers in their shops. This is leading to confusion among the consumers as they prefer buying at a stable price.

2. The paper package of the X Bearings is not giving proper support to the product and the products are getting rusted moreover the X Bearings package comes without a hologram thus the consumers can not identify the original and the spurious bearing.

3. The consumers segment of commercial vehicles is usually price sensitive and prefers to buy the low priced bearing coming from the unorganized and Chinese imports. Moreover the retailers are also interested to stock and sell them as they need to invest lower money in their working capital.

4. The consumers from the high priced cars consider that the repair of their automobile is both time and cost consuming, such consumers usually prefer to replace their worn out bearings

5. Direct channel relationship between the retailers and the company can help in generating good business for the which the retailers are happy as on the occasion of problems they can get it directly solved through the company contact. For X Bearings this was reported by the retailers that the stockists are reluctant to solve the problems of the retailers.

6. There is a need for brand protection.

B. Current Trends

1. Reconditioned bearings are being used as cheap substitutes.

2. Some of the retailers are referring the brand through word of mouth for which they getting higher margin money.

C. Business of Bearings at the Retail End

The figure 1 explains the business of bearing at the retail end as being currently followed.

But as the discussion above point out the fact that the retail market involves several complexities and a simple system like as shown in figure 1 would need modification to respond to the changing market conditions. Thus an improved system shown in figure 2 was suggested and adopted by X Bearings.

This figure show the additional activities that a bearing marketer needs to do in order to take care of the challenging competitive conditions of the retail market.

Applications of the results of the study

Based on the results of the study the following action points were noted and applied in August 2008:

1. It was recognized that Pouch Packaging with hologram adds enormously to the credibility of originality, as well as to the attractiveness of a brand, thus it was an absolute must for business at the retail market. Competitors have implemented this earlier with huge success and X Bearings decided to adopt the same.

2. The X Bearings realized the fact that they need to strengthen their brand protection activity.

3. Sales promotions using coupons has not been working for X Bearings as it was actually causing a strain on the distribution system during

Figure 2: Modern Method of Marketing Adopted by XBearings
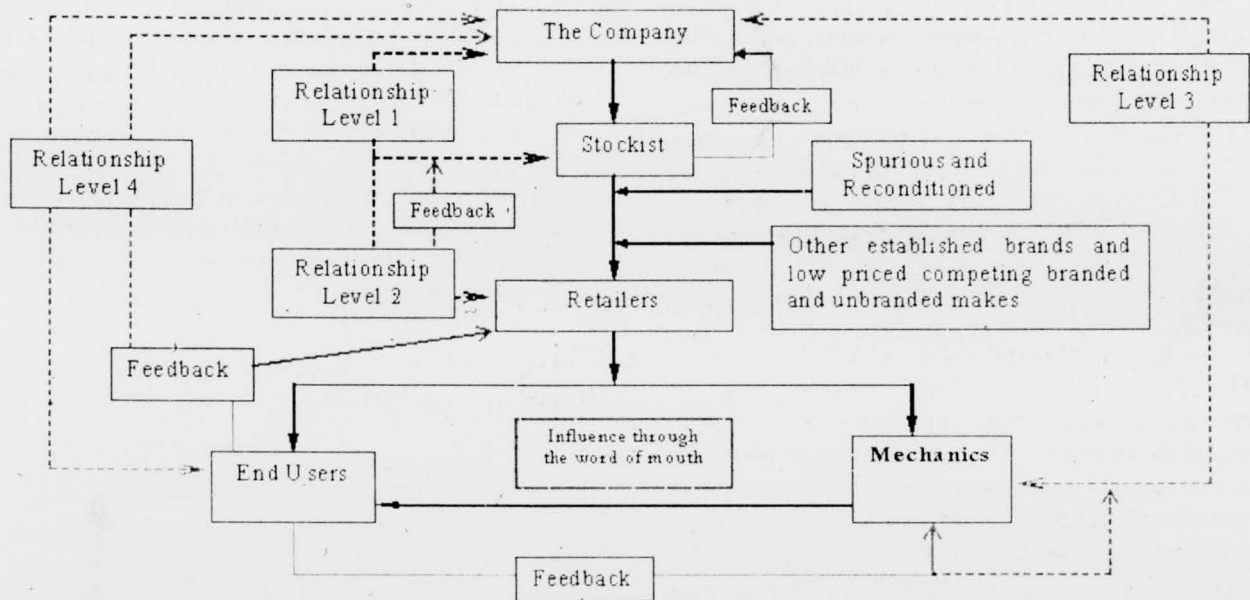
implementation. Thus X Bearings decided that they would distribute gifts at the mechanics meets. This is actually the applications of relationship level 3 in the figure 2.

4. The company understood that the superior contact is needed to maintain relationship with retailers and end users so the company's call centre number should be placed on the package this is actually the application of relationship level 4 in the figure 2.

The company adopted training of Stockist on behavior skills and marketing skill and making them act as brand ambassadors was adopted. The company decided to reward those stockists and retailers who would promote the brand and give special benefit schemes for the performers. This is actually the applications of relationship level 1 as shown in figure2.

RESULTS

Increase in market share at 2009 and 2010 by 6 and 8 percent respectively, beating the competition.

CONCLUSION

Companies need to understand the behavior of the internal consumer along with the need of the external consumers. This can be done by understanding the dynamics of the replacement market of bearings. The marketer need to understand that after the good leaves the company warehouse they have very limited control over the good and the macro forces of market becomes the prime guiding factors in shaping the destiny of the product.. In such a situation the marketer needs to consider the four levels of relationships, under the relationship level 1 the marketer needs to maintain a healthy relations with their stockists here the training of the stockist and retailers on behavioral skills is needed. Under relationship level 2 the company needs to maintain a good understanding with the retailers through direct contact using call centre numbers where the retailers can docket their complaints and seek solutions. Under relationship level 3 the company needs to maintain a relationship with the mechanics who act as the influencer in the purchase decision of bearings. They need to train mechanics on the right method of fitting and the right number of bearing that need to go into the component as a majority of Indian automobile mechanics is untrained and has learned the work only by trial and error method. Thus a relationship building exercise can help in getting more positive word of mouth referral of the brand for their customers. Under relationship level 4 the company can invite feedback for the customer regarding their post purchase perception and usages experiences bearings. These little bit of extra effort can bring in brand satisfaction which needs to be checked through periodic market research and market intelligence data gathered by the company either through their in-house or outsourced agencies.

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