

CASE 1-4 Marketing Microwave Ovens to a New Market Segment

You are the Vice President of International Marketing for White Appliances, an international company that manufactures and markets appliances globally. The company has a line of microwave ovens—some manufactured in the United States and some in Asia—which are exported to the U.S. market and Europe. Your company markets several high-end models in India that are manufactured in the United States. Your presence in the Indian market is limited at this time.

White Appliances has traditionally sold to the high-income segment of the Indian market. However, India is in the midst of a consumer boom for everything from soda pop to scooters to kitchen appliances. Demand for microwave ovens jumped 27 percent in two years amid surging demand for kitchen conveniences. Sales have been spurred by declining import tariffs and rising salaries, as well as the influx of companies reaching to all ends of the market. India has about 17 million households—or 90 million people that belong to the country's middle class, earning between \$4,500 and \$22,000 annually. Another 287 million are “aspirers,” those that hope to join the middle class. Their household income is between \$2,000 and \$4,500. In 2010, these two groups combined number 561 million. Furthermore, significant numbers of Indians in America are repatriating to their homeland and taking their American spending habits and expectations back home with them. After preliminary analysis, you and your team have come to the conclusion that in addition to the market for high-end models, a market for microwave ovens at all price levels exists.

Several international companies like Samsung, Whirlpool, and LG Electronics India are entering the market with the idea that demand can be expanded with the right product at the right price. There are, however, several challenges in the Indian market, not the least of which is the consumer's knowledge about microwaves and the manner in which they are perceived as appliances.

In conducting research on the market, your research team put together a summary of comments from consumers and facts about the market that should give you a feel for the market and the kinds of challenges that will have to be dealt with if the market is to grow and if White Appliances is to have a profitable market share.

- Five top consumer durable companies are in the race to sell the oven, but to sell the product, they must first sell the idea. The players do not agree on the size of the market or what the oven will do for the Indian family.
- It may be a convenient and efficient way to cook, but microwave ovens were invented with European food in mind. “Only when Indian eating habits change can the microwave ovens market grow in a big way,” says one market leader in appliances.
- Some companies disagree with the previous statement. Their contention is that all Indian dishes can be prepared in a microwave; people only need to know how to use one.

Consumer comments were mixed.

- One housewife commented, “The microwave oven was the first purchase after my wedding. I bought it only because I

liked it and I had the money. But I must say its performance surprised me.”

- “Men no longer have an excuse for not helping in cooking. My husband, who never before entered the kitchen, now uses the microwave oven to cook routinely.”
- “Somebody gifted it to me but food doesn't taste the same when cooked in a microwave whatever the company people may claim.”
- “Microwave ovens will be very useful and they are fast becoming as essential as a fridge.”
- “Ovens are of great use to bachelors. They can make curries every day or sambhar every day. If you heat in a regular oven sambhar or dal for the second or third time it will have a burnt smell. The microwave oven will not get you any such problem. It will be heated and at the same time as fresh as if it was made now.”
- “Some people say that using a microwave oven is lazy and getting away from the traditional ‘Indian culture’ of always fresh food. I say that microwaves are of greatest use when you are very busy and not lazy. There are times when piping hot food rapidly becomes cold, especially in winter and a microwave is the easiest, quickest and cleanest way to heat up, so it even has applications in a traditional family running on ‘Indian Culture’ mode.”

To the chagrin of microwave oven marketers, the Indian perception of the gadget remains gray. Yet, for the first time in the some seven years that it's been officially around, optimism toward the microwave has been on the upswing.

- A microwave oven is beginning to replace the demand for a second television or a bigger refrigerator. The middle-income consumer comes looking for novelty, value, and competitive pricing.
- The penetration level of microwave ovens remains shockingly minuscule, under 1 percent. The top seven cities comprise nearly 70 percent of the market with Delhi and Mumbai (Bombay) recording the highest sales. But the good news is that the microwave is beginning to be seen in smaller towns.
- When asked about the nonurban market, one microwave oven company executive commented, “We know it's an alien concept for the rural consumer, but we want to do our homework now to reap the benefits years later. Once the consumer is convinced a microwave can actually be part of daily cooking, the category will grow immensely.”
- Apart from styling and competitive pricing, marketers acknowledge that cracking the mind-set that microwaves are not suited to Indian food holds the key to future growth.
- People who own microwaves usually have cooks who may not be using the gadget in any case. Even consumers who

Exhibit 1

A Customer's Evaluation of the LG Robogrill Microwave

One customer's lengthy evaluation of the LG Robogrill Microwave posted on MouthShut.com, India's first, largest, and most comprehensive Person to Person (P2P) Information Exchange follows:

"We bought our LG Robogrill Microwave about 10 months ago. The microwave has all the features mentioned in the official description, in addition to many other helpful features."

For a complete review by this customer, see www.mouthshut.com and select Microwave Ovens, then select LG on the menu, then select model #LGMH-685 HD.

own microwave ovens don't use them frequently; usage is confined to cooking Western food or reheating.

- With consumers still unclear on how to utilize the microwave oven for their day-to-day cooking, marketers are shifting away from mass marketing to a more direct marketing-oriented approach to create awareness about the benefits of the product.
- The challenge in this category is to get the user to cook in the microwave oven rather than use it as a product for reheating food. Keeping this in mind, companies are expecting an increasing number of sales for microwave ovens to come from the semi urban/rural markets. We are seeing an increasing number of sales coming from the upcountry markets.
- "Elite fad or smoke-free chullah for low-fat paranthas? Which way will the microwave oven go in the Indian market?" asks one company representative.
- Most agree on a broadly similar strategy to expand the Indian market: product and design innovation to make the microwave suited to Indian cooking, local manufacturing facility to promote innovation while continuing to import high-end models, reduce import content to cut costs, boost volumes, and bring down prices.
- Even as early as 1990, the microwave was touted as a way to cook Indian food. Julie Sahni, the nation's best known authority on Indian cooking, has turned her attention to the microwave. And her new cookbook sets a new threshold for the microwave cook. Simply cooked lentils, spicy dal, even tandoori chicken—with its distinctive reddish color—come steaming from the modern microwave with the spices and scents of an ancient cuisine. Cynics who think microwave cooking is bland and unimaginative will eat their words.

For many, the microwave is a complicated appliance that can be used incorrectly and thus be a failure in the mind of the user. Some companies now marketing in India appear to give poor service because they do not have a system to respond to questions that arise about the use of microwaves. It appears that consumer education and prompt reply to inquiries about microwave use is critical.

An interesting Internet site to get product comparisons and consumer comments is www.mouthshut.com. For specific comments about one brand of microwave oven, visit www.mouthshut.com/product-reviews/LG_767war-925045495.html. Another site that gives some insights into Indian cooking and microwave ovens is www.indianmirror.com/cuisine/cus2.html.

MARKET DATA

LG Electronics, the category leader, has a 41.5 percent share of the 1.6 lakh¹ units market; its eight models are priced in the range of Rs 8,500–19,000 with a marked presence in the Indian family size of 28–30 liters. LG Electronics and Samsung India dominated the segment with a collective market share of about 61 percent.

In the early days, microwave ovens did not figure at all in the consumer's purchase list. Kelvinator's Magicook made a high profile entry some seven years ago. What went wrong, according to an analyst, was the pricing, which was nothing less than Rs 20,000, and sizes which were too small to accommodate large Indian vessels.

Efforts to grow the market are concentrated in large urban areas with routine fare such as organized cookery classes, recipe contests, and in-house demos, giving away accessories such as glass bowls, aprons, and gloves as freebies and hosting co-promotions. "To change the way you look, just change the way you cook" was a recent tagline by one of the companies.

What will really spur the category's growth will be a change in eating habits. One company piggybacks on "freshness," a tactic the company adopts for all its product lines.

Even though consumer durable sales fell in the first quarter of 2005, the microwave oven segment, which accounts for 70 percent of unit sales in the consumer durable industry, bucked the overall trend. The strength of microwave oven sales is attributed to the steady price reduction from Rs 7,000 for the lowest priced to Rs 5,000 over the last two years. While sales are predominantly in the urban areas, semiurban towns have emerged as a key growth driver for the category.

There is some difference of opinion on the right price for the ovens. For the microwave market to take off, its price would have to be below Rs 7,000, says one company. Since microwave ovens were introduced locally, prices have been all over the place. For example, one company prices its ovens between Rs 7,000 and Rs 18,000, another between Rs 12,500 and 15,000, and an oven with grill functions goes for Rs 17,900.

From wooing the supermom to courting the single male, the journey of microwave ovens has just begun. Once perceived as a substitute to the toaster oven and grill (OTG), microwaves today, according to companies with large shares of this segment, are more than just a reheating device.

According to one analyst, the product category is going through a transition period, and modern consumers are more educated about an OTG than a microwave. This analyst believes there is demand for both microwave and OTG categories.

¹A lakh is a unit in a traditional number system, still widely used in India. One lakh is equal to 100,000.

Microwave companies face a chicken-and-egg question on price and sales. Prices will not come down easily until volumes go up, while volume depends on prices.

The product is a planned purchase and not an impulse buy. Samsung has set up call centers where customers can call and get all their queries pertaining to the Samsung microwave oven answered.

Besides the basic, low-end models that lead sales, the combination models (convection and microwave) models are showing a steady increase in sales.

Although the concept of microwave ovens is Western, microwave technology has advanced to a level that even complex cooking like Indian cooking is possible.

One of the older company marketing managers, who has worked in microwave marketing most of his career, is somewhat skeptical about the prospects of rapid growth of the Indian market. He remarked that the microwave oven first introduced in the U.S. market in about 1950 did not become popular across all market segments until about the mid-1970s. Of course, now almost every household in the United States has at least one microwave.

One U.S. marketer of coffee makers, blenders, crock pots, and other small appliances is exploring the possibility of distributing their appliances through Reliance retail stores. Until recently, Reliance Industries Ltd. the second largest company in India, has been in industrial and petroleum products but has now entered the retail market. Reliance is modeling itself after Walmart, and the U.S.

marketer sees Reliance reaching the market for its appliances. India's Reliance Industries Ltd. plans to open thousands of stores nationwide over the next five years and is also building a vast network of suppliers. Reliance retail stores may offer the opportunity to get in on the ground floor of a major boom in large store retailing that will appeal to the growing middle income market. The retail industry in India is projected to increase from \$330 billion to \$892 billion from 2006 to 2015, and the share of chain store retailers, such as the proposed Reliance Retail chain, may increase from 4 percent to 27 percent.

ASSIGNMENT

Your task is to develop a strategy to market White Appliance's microwave ovens in India. Include target market(s), microwave oven features, price(s), promotion, and distribution in your program. You should also consider both short-term and long-term marketing programs. Some of the issues you may want to consider are:

- Indian food preparation versus Western food preparation.
- Values and customs that might affect opinions about microwave ovens.
- The effects of competition in the market.

You may also want to review the Country Notebook: A Guide for Developing a Marketing Plan, p. 579 of the text for some direction.