

**Competitor Analysis &
Distribution Review in Kerala Market**

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Comments by the Faculty

TTK Prestige Limited is part of TTK Group. It was in the year 1928 that T.T. Krishnamachari, the first finance minister of India founded TTK Prestige, one of the oldest business houses in the country today. Having initially pioneered and established a network of distribution, TTK Prestige moved to manufacturing, post-independence. Being a dynamic and fast growing company, it soon became the leading manufacture of Pressure cookers in India and offered the most comprehensive range of kitchenware in the world.

Clearly, the changing face of urban India is reflected in the sales of this company. The company claims to have a huge customer base, with nearly 2.5 million consumers being added to this base every year. Its product range has increased significantly to include over 400 products in 16 categories, and TTK Prestige says it is now “a total kitchen solutions brand”.

Indian kitchens are no longer a sacred place, women want to flaunt their kitchens to their guests and friends and this trend is catching up pretty rapidly, especially in the urban segment. Kitchens are emerging from their traditional boxes to become places for interaction and there are influences, both local and global, that are driving this transformation. The kitchen appliances market is pegged at Rs.7000 crore in India and is growing at 30 to 40 per cent. The entire market is satiated with brands offering of varied products.

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Competitor Analysis & Distribution Review in Kerala Market

Introduction - Importance of Distribution Channels

Distribution Channel refers to the chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer. A distribution channel can include wholesalers, retailers, distributors and even the internet. Channels are broken into direct and indirect forms, with a “direct” channel allowing the consumer to buy the good from the manufacturer and an “indirect” channel allowing the consumer to buy the good from a wholesaler. Direct channels are considered “shorter” than “indirect” ones.

While on the surface it may seem to make sense for a company to operate its own distribution channel (i.e., handling all aspects of distribution) there are many factors preventing companies from doing so. While companies can do without the assistance of certain channel members, for many marketers some level of channel partnership is needed.

Competition from Unorganised Segment and Other Branded Players

Notwithstanding the favourable growth prospects, TTKP (TTK Prestige) continues to face intense competition from unorganized players in most of its business segments. Other branded players are also expanding their product range and with their extensive distribution reach continue to be a significant competition to TTKP (TTK Prestige). Further, with the company expanding its presence in not so strong markets in North & East and rural markets, it is likely to face pricing pressure from cheaper unorganized players given the high price elasticity in these markets. Although the company’s operating margins have improved considerably over the past two years on back of improving operating leverage, fiscal benefits at its Uttarakhand plants and lower input prices (in FY10), sharp fluctuation in metal prices could exert pressure on company’s margins. That said, strong brand recognition allows the company to pass on the cost increase to end-customers.

Project Context

For any Company that manufactures goods and services, establishment of a good distribution network is inevitable. It makes sure that the product is available in the market. Hence, identifying and resolving the problems or issues entangling it is very crucial.

In a market, healthy competition gives rise to innovation. Hence, it is important to identify and understand your major competitors.

In both the cases, it is essential that feedback is collected from the ADs (Authorised Dealers) and SDs (Sub Dealers). Proper analysis of the data collected may help make distribution network stronger and come up with new strategies to capture the market.

TTK Prestige though being India's No:1 kitchen appliance brand, it is equally important and difficult to be at the No:1 spot with the kind of competition that the other brands like Hawkins, Chakson, Pigeon, Butterfly, and Preethi have been posing. Moreover, low entry barriers in the pressure cooker segment have led to increased competition from unorganised players and regional brands. Hence an innovative marketing strategy ought to be adopted to counter this. Even the slightest of those errors could be very costly and hence it is necessary to confirm that everything is functioning smoothly.

Project Objective

- To study the distribution (reach of Prestige products) and prepare a Competitor Analysis in various outlets falling under the kitchen and small appliances category located in the Kerala state.
- To identify the major gaps in the distribution channels of Prestige products.
- To understand the overall performance of Prestige from the dealers and identify any room for improvement as far as Delivery, Availability and After Sales Service are concerned.
- To analyze the performances of competitors and the threats they pose to Prestige.

Research Methodology

In order to study the market, feedback had to be collected from the ADs /SDs as they were the ones who were reaching out to the customers. Hence the type of respondents included any AD/SD/Regional Supermarket. Large format stores were not included in this Project as the data pertaining to them were already available with the company.

Exactly 5 weeks to study the entire Kerala market. Since the time available was not sufficient enough to study a vast topic like, distribution network, a solution was found to divide the Kerala market into three zones:

- Northern
- Central
- Southern

The data from each district was collected and collated to get a better picture of Kerala state. The major towns in each of the districts were listed and the outlets that visited were purely based on Simple Random Sampling technique in order to come up with an unbiased representation of the group. Face to face interviews were conducted with the ADs and SDs to retrieve the required information.

Table 1: Number of Respondents District Wise

Name of the District	Zone	Number of Respondents
Kollam	South	74
Kozhikode	North	48
Malappuram	North	47
Ernakulam	Central	51

Data Analysis and Interpretation - Distribution Review

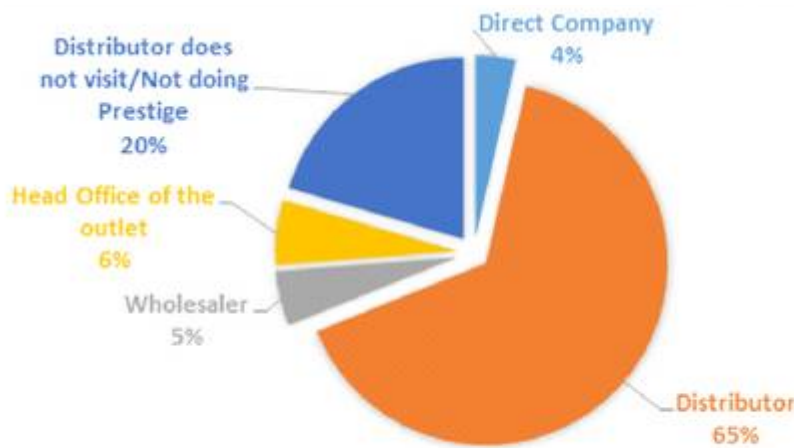


Fig 1 : Mode of supply to the outlets

- Figure shows that distributors play a crucial role in Prestige reaching the market.
- The 20% includes outlets where distributors do not visit. In that, some dealers expressed their desire to be associated with Prestige.
- Rest of the 20% includes outlets where Prestige has been stopped due to bad experience as a result of after sales service, settlements with distributors and margin issues.
- 4% of the outlets took their stock from the Wholesalers due to the fact that these counters either did not get schemes from their respective distributors or distributors never visited them.

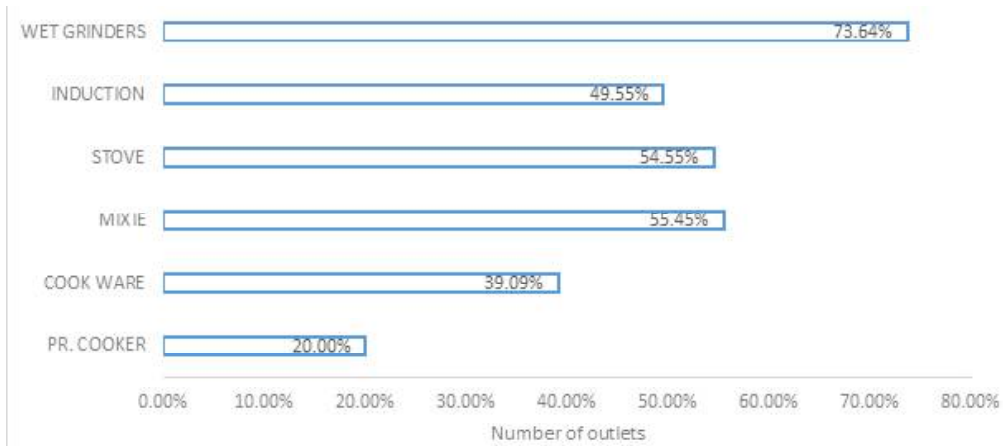


Fig 2: Non-availability of Prestige products in various outlets

- Huge gap in the availability of Wet grinder is due to the fact that it is not provided by the distributor.
- Dealers complained about fresh piece damage.
- “Enquiry is less” – was a common comment made by majority of the dealers.
- Outlets where Prestige is strong maintained more stock of Butterfly.
- Unavailability of Mixer grinder, Gas Stove, Induction Cook Top accounted to over 50% which was not a favourable condition.
- Product issues, unavailability of spare parts, after sales service issues can also be other factors for their absence is those outlets.

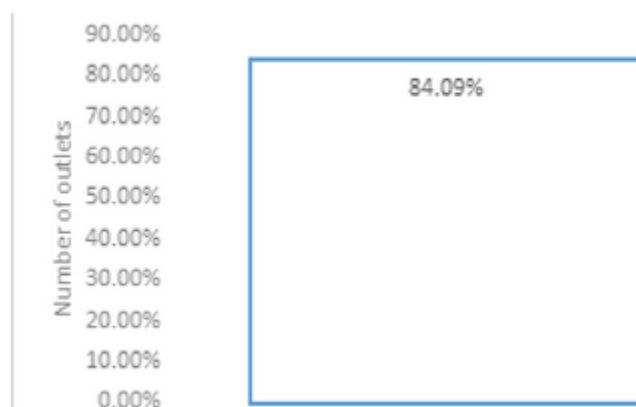
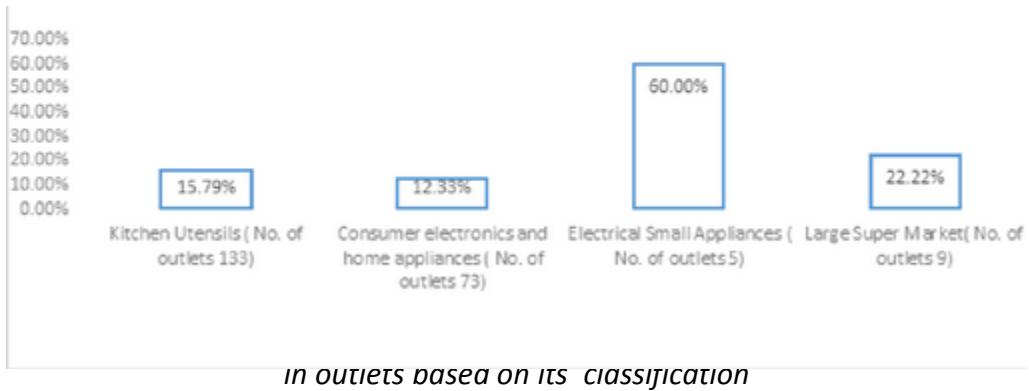


Fig 3: Presence of Prestige in at least one category in an outlet

- This figure is quite impressive as far as Prestige as a brand is concerned.
- Though the credit goes to the Prestige pressure cooker in so many outlets, it shows that Prestige still has a good potential to increase its width w.r.t. its product category.



- 15.79% of the total number of KUs (Kitchen Utensils) and 12.33% of the total (Consumer Electronics and Home Appliances) CEHA counters are the major concerns for a Company that has a strong command in the southern part of India.



Fig. 5: Dealer satisfaction with regard to after sales service of Prestige

- Major problems surrounding the After sales service include :
 - Less visits from the technicians' side
 - Shortage of spare parts
 - Inconvenience caused by the Helpline number
- Some outlets have refrained from selling Prestige gas stove, mixer grinder, and induction cook top as a result of unsatisfactory service.

- Few dealers did express fear in selling Prestige due to bitter experiences with the customers. The former finds it difficult to deal with the latter if he is from interior places.
- Repeated complaints with appliances is another issue. There were some cases where a mixer grinder was serviced 7-8 times repeatedly and a gas stove that was serviced 4 times.
- Connecting to helpline number is another issue. Everyone try during the peak time which was 9 am to 11 am. SDs need to be educated on how to use Helpline using land phone which would cost them only just Re.1.
- Outlets that stopped sales prior to service issues are to be made aware of improved after sales service of Prestige in those regions where it has improved.

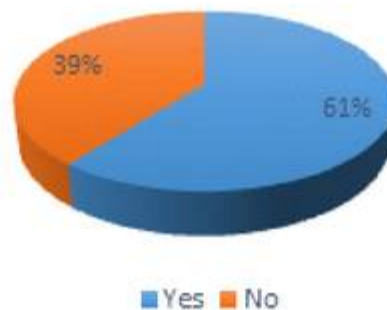


Fig 6: Dealer satisfaction with regard to distribution of Prestige



Fig 7: Number of outlets having problems with distribution

- Dealers claimed that the damage caused to the fresh piece can be due to many reasons like issues in transit and manufacturing defect.

Competitor Analysis

- Prestige was the major seller in the pressure cooker category in the outlets visited in all the districts except for Ernakulam district due to the strong presence of Chakson inner lid cooker.

- Low entry barriers increased the competition from unorganized players and other regional brands.
- Another reason could be the dealers' favouritism towards Chakson as it is a local brand.
- The 10% others category and the local brands together share a good share in the outlets visited which can be mainly due to the high margin the dealers get.
- Prestige falls behind in cookware category in the northern zone. Customers not being brand conscious can be a reason.
- The non-availability of Cookware in the outlets visited in Northern zone was in and around 50%, followed by southern zone that accounts to 40%.
- Central zone is the best market for Prestige Cookware.
- Major customers who make a purchase of the Prestige belong to middle or premium class.
- Others category is a huge number in addition to the competition that Pigeon offers.
- According to the dealers, low margin and high cost can be the major reasons for its low sale.
- Both the dealers and the customers had great faith in Preethi mixer grinder.
- In addition to the good distribution network that Preethi had which is evident from its presence in almost all the shops that I had visited, the after-sales-service was excellent. The technicians visit the outlets at least twice in a week.
- The quality and performance should be the main reasons.
- Presence of quite a number of recognized brands in this category could be one reason for low enquiry about Prestige mixer grinders.
- It was observed that Prestige mixer grinders were popular only in those outlets where Prestige has a good command.
- Many dealers claimed that complaint returns is more for Prestige.
- Issues entangling after sales service could be another reason.
- Other reasons include unavailability of Mixer grinder in many outlets which could be either due to its low enquiry or less stock that was maintained.
- Issues related to after sales service in three districts led to a dead end for the sale of Glass Top models of Prestige gas stove.
- Absence of Gas Stoves accounts to more than 54% of the total outlets visited.
- Dealers claimed that unavailability of spare parts agitates the customer. This affects the sales w.r.t Glass Top model.
- Induction Cook Top has become a crowded market as a result of cut-throat competition.

- Its sales were good when introduced.
- Business has stabilised now due to which there is comparatively less sale.
- Increase in the cap on subsidised LPG cylinders (from 6 to 12 in a year) might have also impacted the demand.
- Most of the dealers said that major sales have already happened which could be a reason.
- Non availability of Prestige Induction Cook Tops in outlets visited was close to 50%.
- Total presence of Prestige Wet grinder in the outlets visited was just 25% which can be one factor for its low sale.
- Distributor is solely responsible for phenomenon as he is less focused.
- As a result of its unavailability, the customer is less informed due to low in store activity.
- Even the outlets where Prestige was strong maintained concentrated on the sale of Butterfly.
- Comparatively lower price of Butterfly can be another major reason for its huge success.

**SWOT (Strengths Weakness Opportunities Threats)
Analysis Distribution and Market Presence Of Prestige**

<p>Strengths</p> <ul style="list-style-type: none"> • Wide range of kitchen appliances • Wide distribution network • Strong brand equity • Market leader in the Indian Kitchen appliances category • Good management and track record • Largest pressure cooker maker in the organized sector 	<p>Weaknesses</p> <ul style="list-style-type: none"> • After Sales Service Lack of availability of spare parts for appliances such as GS (Gas Stove), MG (Mixer Grinder), ICT (Induction Cook Top) • Less visits by TSO (Territory Sales Officer) • Product display w.r.t. Wet grinders in nil in majority of the outlets
<p>Opportunities</p> <ul style="list-style-type: none"> • Modular kitchen market in India is still at a nascent stage but has tremendous growth potential – as a result there is great potential for sales of kitchen appliances – estimated that it could grow to about 60 billion INR by 2016 • Good potential of growth for pedestal, wall mounted and table fans • Increasing number of nuclear families 	<p>Threats</p> <ul style="list-style-type: none"> • Increase in competition from unorganised segment and other branded players • Organised players ramping up their promotional campaigns, product launches and geographical expansion • High retail inflation and Weak demand for consumer products played spoilsport • Increasing cost of imported goods- Price war in the market w.r.t.S.Sgas stoves

Major Findings and Recommendations

Summary

The major findings from the market survey conducted are as follows:

- Major portion of the Prestige products reach the authorised dealers and sub-dealers through the distributors.
- In the pressure cooker category Prestige Popular and secondly Deluxe+ have a good presence in the majority of the outlets visited.
- Availability of Popular model pressure cooker in many outlets is good.
- Prestige does not enjoy a good market as far as Mixer Grinders and Wet Grinders are concerned in the outlets visited.
- Prestige has a major share in the glass top gas stove category. Stainless steel, in general, has good market in Kerala.
- Territory sales officer visit needs to be sharpened. There are many more outlets where sales can be done in a good manner by maintaining good relationship with the dealer.
- After sales service needs to be improved, at least in the northern and southern zones.

Recommendations

General/Product Quality

- Encourage and support re-sellers to perform an active selling role using persuasive techniques and their own advertising techniques.
- Company to focus on to acquire the share of unbranded players in the market in Pressure cooker and Cookware category.
- Need to reduce in-warranty fail rate by checking for the product quality.
- Light boards to be presented to more counters as they would never go unnoticed.
- Come up with good dealer supportive offers.
- Maintain good relationship with dealers by addressing their sensible grievances.
- Display of cookware can be made more attractive – offer the stores (with ample amount of space) with exclusive wardrobes.
- R & D wing to check on how to come up with less costly goods without compromising the quality especially in cookware segment where in the sale is dull at the moment.
- Company should focus on advertising the quality of the Prestige products than prices and other factors.

- Training programs for TSOs (Territory Sales Officer) need to be given to create awareness about products and features.
- Placing in-shop promoter at the required outlets provided that a direct control over them is there.
- SDs to be educated about the importance of Prestige Smart Kitchens. Majority of them consider it as a threat.
- Find better vendors for appliances when domestically outsourcing its manufacturing.

Strengthening Distribution Network

- Prestige should ensure that they partner with good and faithful distributors and also must maintain a close relationship with them.
- They must implement a mechanism to ensure the safe transit of products; i.e, check them before and after the transit
- Develop a system in retrieving timely feedback directly from the ADs and SDs regarding the distribution and product performance.
- Need to check whether dealers are getting deserved incentives from their distributors. This can be implemented with the help of TSOs (Territory Sales Officer) of the respective districts.
- While packing outer lid Pressure Cookers Company must use polythene cover which gives the products fresh look and prevents from stain formation.

Betterment of After Sales Service

- After Sales Service in specific areas need to be improved, especially in the Northern and Southern markets.
- Home service needs to be given for ICT (Induction Cook Top) as well. This would enhance its presence and sales in the market.
- Mixer grinder quality needs to be re-checked regarding the frequent breaking of jars of fresh pieces.
- Spare parts inventory should be maintained or integrated to the system in Regional Service Centres or Authorized Service Centres to anticipate spare parts shortage.
- Standardization of spare parts in each category may help resolve issues pertaining to shortage of spare parts.
- Provision should be made to avail after sales service from more than one ASCs (Authorized Service Centre).

Diversification

- Modular kitchen market in India is still at a nascent stage but has tremendous growth potential. As a result there is great potential for sales of kitchen appliances. It is estimated that it could grow to about 60 billion INR by 2016.
- Huge potential of adding new products such as Pedestal, wall mounted and table fans. It is estimated at more than 2.5 million fans per month that is growing at more than 10% p.a.
- Can also pitch in with kitchen fans for the comfort of ladies while in kitchens.
- Can come up with Induction Cook Tops that run on solar power. Prestige can pitch in with this technology to pull up sales.

Conclusion

It is believed that the data collected through this Market Research will help TTK Prestige Ltd. build a better distribution network in the future and prepare itself to take on its major competitors. The following points if kept in mind, would be beneficial for the Company:

- There is huge potential in kitchen appliances market, thanks to India's rapid urbanization.
- The modular kitchen segment stands at around Rs.20,000 crore. With increasing emergence of nuclear families, rising disposable income and better affordability, this industry is expected to grow at the rate of 40% per annum.
- Market share of Prestige can be further expanded. Distributors and TSOs (Territory Sales Officer) are expected to play a major role in achieving this feat.
- After Sales Service if made better, would be a great added advantage for Prestige as it would be the best brand sold by ADs and SDs undoubtedly.

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