

# Haier takes multi-brand route

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The Chinese player has adopted a plan to build its footprint rapidly with lower capital investment. However, that might mean less control on the overall customer experience

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**B**ouyed by impressive sales this fiscal and the ongoing expansion of its manufacturing plant at Ranjangaon near Pune, Haier India is aiming to be among the top three in the home appliances and consumer electronics segment by 2020. It's a tall task for a player that has a single-digit share and is up against industry giants such as Samsung and LG who collectively command 70 per cent of the market pie.

The Chinese brand appears well-placed to finally move out of its stronghold in southern India and secure its place in the consumer electronics market which is set to grow from \$9.7 billion in 2015 to \$20.6 billion by 2020 to become the fifth-largest in the world by 2025. Haier India has clocked sales worth ₹2,150 crore this fiscal and is looking forward to achieve a target of ₹6,500 crore by 2020. Even as sales numbers look positive for the Chinese player, the company is pushing its product portfolio through multiple-brand retail outlets.

At the face of it, the company's retail strategy is in line with the industry trends wherein major home appliances and consumer electronics players take the multiple retail outlet route to save real estate, manpower and inventory holding costs. But dig deeper and we have Haier embracing the multi-brand retail store format aggressively — for gaining higher brand visibility and to be seen in the company of established high-end brands. But does this retail strategy translate into higher sales numbers and help build brand saliency? The figures suggest the answer is an emphatic yes.

At present, about 90 per cent of Haier India's revenues come from multi-branded stores whereas standalone brand stores contribute 10 per cent. This is in stark contrast to the 50-50 per cent split in revenue share by multi-branded stores and standalone stores in 2010.

It's these positive numbers that has led



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## EXPERT TAKE

### Benefit on investment front



**DEVANGSHU DUTTA**  
Chief executive,  
Third Eyesight

From the investment point of view, it makes sense for brands to go for multi-branded stores as against standalone brand store because of the high costs involved in setting up a retail store and managing inventory etc. On the sales front, at the end of the day a dealer would want to offer maximum choices to customers and also would be picking up products which will sell faster.

Managing consumer experience is a key challenge while pushing the brand through multi-branded stores. In such stores, a brand has limited power of controlling the communication and consumer experience at the point of purchase where five other brands are vying for attention. Consumer experience is better controlled and managed in an exclusive brand store.

Haier India to focus on expanding its network of dealers and distributors as against opening up more standalone stores. As of now, Haier India only has 30 standalone brand stores as against a multiple branded dealer network of 5,500. According to the company, it is commanding strong growth in markets such as Maharashtra, Tamil Nadu, Kerala and Haryana, and looking to grow in cities such as Delhi and Hyderabad.

"Look at the competition. LG and Samsung enjoy maximum pull and command a higher brand recall. Haier as a brand does not enjoy top-of-the-mind recall among a large consumer set. It's important to help

people see and compare your brand with that of competitors. When you walk into a multi-branded store and see a certain brand among established brands, it's easy to make a buying call," says Eric Braganza, president, Haier India.

Essentially, multi-branded stores help increase visibility. And this can be achieved by moving up the dealership value chain and going in for bigger display spaces.

According to Devangshu Dutta, chief executive, Third Eyesight, if you want to be a mainstream brand then the key question is how do you proliferate the market and at the same time keep costs low. "Hence, for a

brand to create a significant market footprint, a presence across multi-brand stores is essential. At the same time, for a relatively new brand and even for established brands there is merit in having singular stores so as to be able to showcase the entire brand range at one place."

Haier India has been selective in forging multi-branded retail partnerships. This is so because it does not want to be lost in the crowd of multiple brands. While choosing retail partners Haier India looks at stores that offer 3,000 to 4,000 square feet in area and can display up to 15 to 18 company products.

Braganza admits while going for multi-branded stores there are constraints in getting a large display. However, Haier India works closely with dealer partners and offers them healthy margins to ensure that the company's products are displayed prominently and don't end up as dead inventory that is merely occupying store space.

Without revealing mark up offered to dealers and retailers, Braganza says that it varies from region to region, based upon the volumes and stock available. At the same time, he clarifies that the company does not believe in discounting the brand. Therefore, it's wary of working with dealers who offer discounts on products to either attract footfalls or sell more.