The Changing Face of Market Leaders

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Abstract

Companies which are market leaders in their respective categories are facing a tough challenge from their competitors. Now leaders have to work harder to stay on the top. Once considered invincible players starting accepting their vulnerability. Nokia is facing tough challenge from Samsung. Although Nokia is market leader but in case of smartphone Samsung emerged as leader.Maruti Suzuki market leader in small car segment was having more than 70% market share in 2000 now convinced around 50% market share. A decade ago when the norm for market leader share was 70%-90% now has slipped to 40% - 60%. Market share of companies like Pepsi Food Co., Nestle, Hero and LG etc. has come down than it was a decade ago. Now market leaders are using different marketing strategies to keep their position intact.

Key words: Market leader, LG: Power to the people, Maruti rural drive, Nokia service

Introduction

A market leader is a brand, product, or firm that has largest percentage of total sales revenue (the market share) of a market. A market leader often dominates its competitors in customer loyalty, distribution coverage, image, perceived value, price, profit, and promotional spending.
Leaders have to work harder than ever before in order stay where they are. Nokia is the largest seller of mobile phones in India. It is, perhaps,

the largest multinational brand in India. Nokia India seemed like a follower not as a leader. When local players were launching cheap handsets and dual-SIM mobile phones, Nokia made mockery of them and their pricing strategy. Now it is doing the same with a sense of urgency. According to research firm IDC, in second quarter of 2010, Nokia's market share dropped to 36%, from 54% a year ago.
Samsung has emerged the most aggressive mobile handset maker over the past couple of years. When Nokia rolled out Lumia cabs in Banglore as part of its biggest marketing drive in the country to promote first window smart phone, Samsung brought out its own Omnia cab and stationed it outside the Lumia showroom for a few days. This cut-throat competition between the country's top two mobile hand set players looks like the old Cola War between Coca-Cola and Pepsi Co. and refreshes memories of Pepsi's 'Nothing official about it' campaign during the 1996 cricket World Cup. According to GFK data Samsung may have already overtaken Nokia as the largest smart-phone vendor in value terms in India due to rising popularity of its Google Android phones led by Glaxy range.
The marketing war in India has intensified after Nokia rolled out its window based smart phone, Lumia.
Samsung has started pushing its own Windows smart phone Omnia, harder. Some marketing experts believe Samsung is playing it smart. "Competition is all about being opportunistic and scoring a goal when the rival is least prepared. And that's where Samsung has proved to be a better player. According to latest IDC figures, Nokia accounted for 35.3% of all smart-phone shipments in the country during the July-September quarter last year, followed by Samsung at 26%. In the overall mobile phone market, the market share are 31.8% and 17.5%, respectively for Nokia and Samsung. According to Deepak Kumar, research director (telecommunication and mobile phones) "The picture would start becoming clear in the second half of 2012, when various operating system platforms would have mostly unfolded their plays across a variety of hardware.
Pepsi Co Foods has a 55-60% share in branded salty snacks segment of Rs. 3500 crore.Even then, it is putting together what it calls a low- cost business, as it brain storms ways to take on persistent regional brands. Maruti, which built its market leading status on small cars segment, is facing a situation where every manufacturer is lining up for a go.
Although they are leaders, but not the dominating figures they used to be. Neither in their share of industry, nor in their responses. Adecade ago 70-90% was the norm. Now it is down to 40-60%.
Nestles' instant noodles brand Maggi is competing with two new rivals-ITC's SunfeastYipee and GSK Foodles. Maggi noodles' share slipped to 86.5% in July 2010 from 90.7% in December 2009, on all Indiabasis, according to research firm A C Nielsen. ShivaniHegde, GM-foods,

Nestle India says "Nestle not only maintaining its leadership position, but in fact creating much bigger cake where it will still be the leader.
Companies now have no choice but to tone down expectations. MayankPareek, executive officer marketing-sales Maruti Suzuki says "With increasing competition and consumer choice, it is unrealistic to expect a market share of more than 50%. In the last decade, the number of car manufacturers has increased from 6 to 14, and models from 41 to 94.

According to cartrade.com as many 60 car models are due to be launched this year. They will join the 94 odd models almost 10 fold increase from 2000-that are already jostling for customer attention. Throw in variants based on engines, features and colours for each model, and it represents choice of a kind that makes the marketing head of Maruti Suzuki, India,s largest car maker, think about ice-cream!
"From plain-vanilla, the car market has reached a stage of bewildering choices, largely seen in the ice-cream market today," says MayankPareek, executive director for marketing. Today, Maruti, for instance, has 14 models, which is double that of 2000, and 65 variants. Hundai has eight models and 40 variants. While consumers licks their lips, car marketers like Pareek have a growing headache: how to make their models stand out in this clutter?
With the introduction of more models markets become fragmented both along demographic and psychographic lines-has made automobile marketing more complex, and marketers are primarily moving four handles to drive into consumer's mind.

1. Position it a new
2. Read the data
3. Get Social
4. Don't forget the mother brand

Market dynamics have changed, forcing the once-invincible players accept their vulnerability. Market leaders are reworking their strategies, innovating and identifying new segments to grow. Nokia is bundling value added services into handsets, Pepsi Co Foods is going local, Maruti is driving into rural markets, and LG is handing over decision-making powers to its employees.
Brands are finding it tough to hold on to market share, especially in categories with high rate of innovation, like mobile phones, says "Santosh Desai Future Brand CEO. He says "In categories where there is high degree of stability and predictability, like two wheelers, the quest for market share is still sacrosanct and becomes measure of success.
Typically, the dynamics of a consumer market centre around the 'pioneer', the 'early settlers' and late 'settlers'. Brand expert Harish Bijoor says "The brand that differentiates itself records early and quick market share gain.
Riding on solid edge for a while, their market share hits even 90% in some cases. But subsequently, it declines and settles at a more realistic 50%. It is here that most dominant brands settle down to fight every gain and loss of market share point."
That is shifting spot these four leaders find themselves in. Chased down by the competition and teased by demanding consumer, these entrenched market leaders have to work harder than ever before just to say where they are. And, they say, they have a plan.

LG: POWER TO THE PEOPLE

When LG entered India in the late 1990s, it executed a media blitz targeted at the mass market. The Korean consumer durables company backed it up by offering dealers a larger portfolio than its rivals, which increased their viability. This strategy worked back then. But things are difficult today, with local rivals stepping up like Onida launching products and Videocon playing price card.
LG plans to combat this with a major restructuring exercise, aimed at a push similar to when it entered the country. It wants to overhaul its organizational culture and people practices.
LG India MD, Moon B Shin says "we will be reborn next year and it will be like gearing up for leapfrog once again". The company aims to double the Rs. 17000-crore revenues it hopes to earn this year, in the next five years.
LG's new mantra will be self management. Business heads and their employees will define their roles, responsibilities and key performance indicators, assess their performance, and decide on bonuses and salary hikes .There is more employee autonomy, and onus of proving that targets are met rests with them. Earlier, this was the HR team's prerogative.
The thinking at LG is, now that the company has achieved the scale, the complexity of business of will grow, making it difficult for the CEO or business heads to drive growth. "Once we make LG India a truly employee-driven company, profit, revenue and brand equity will naturally follow, "says Shin.
The company is planning to invest $ 500 million over three to five years to expand its manufacturing and R&D infrastructure. While the mass market will be mainstay, it is driving premium capabilities to counter Samsung's ownership of the high-tech platform.
LG is also investing heavily in promoting high-end products. For the first time, it is developing a team of shop sales executives who will promote the LG brand in the dealer's shop.

MARUTI & HERO: RURAL DRIVE

Till the late 1990s, Maruti virtually had no competition, especially in small car segment. Hyundai was the first rival to step on Maruti's turf, with Santro. In 2002, Tata Motors drove in with Indica. Till then, Maruti was focused on urban markets and on building business around car sales. By mid 2000, the market began to get crowded and rivals are looking at the small car segment.

Around 2007, Maruti turned its attention to the rural markets. Incomes were increasing in smaller towns and company had fewer rivals there. Today, 20% of Maruti's sale come from rural areas and 2% from villages, some with a population of just 100 households. "We are present in 93% of the 3853 tehsils and will coverin its entirely very soon," says Pareek. He says villages are rapidly connected by roads and people there are now exposed to urban lifestyles. "We are therefore getting our network to leverage this rural reality."

Pareek is a great believer in data. He has built a formidable database: number of villages, tehsils, agriculture growth and the country's income pyramid, among other things. He has been keenly observing development-consumption linkages, especially government soaps to rural India in last two years. The company's 4300 rural dealer sales executives are fanning out to find buyers.

Maruti is looking to develop a deeper understanding of the rural customer in terms of product needs, finance, way of living and maintenance. It is following this up with more suitable models like the larger Ecco vans, tie-up with banks and NBFCs for consumer financing, and loan installments sequenced with the harvesting season or income pattern specific to an area.

Across the country, it is beefing up its service infrastructure. It planned to set up 200 company owned service centres across the countryby March 2011, to take its service outlet count to 3040. By comparison, other companies have a combined 2250 service centres.

Apart from after sale service becoming a differentiator, it will also hold Maruti in good stead once other manufacturers roll out their small cars. "Holding on to that (lead position) in small car segment will require rapid expansion in sales, service and vendor network. That's what Maruti is doing," says Yezdi Nagporewalla, head-automotive KPMG.

The two wheeler giant, Hero too is charting a rural fray. It rolled out its rural vertical three years ago, and has more than doubled its dealer network to 4500 in the period. And 1200 "service riders" provide on the spot service, which company will add to." All this will help in igniting desire and precipitating sales", says Anil Dua, senior vice president-marketing and sales, Hero.

The company found its market share sliding from 56% to 47% during April-June 2010. Arch rival Bajaj and aggressive Japanese motor cycle maker, Honda and Yamaha, are driving it round the bend. Honda has entered into Hero's mainstay, the 100 cc segment. As much as 60% of its sales come from passion and Splendor models. Bajaj is already a tough rival in this segment.

NOKIA : SERVICE CHARGE

Nokia's recharge strategy revolves round two points. One is defensive stop: new devices to take on local brands. The other is an offensive charge: value-added services for the masses.

When local brands were dialing up the masses, Nokia underestimated their threat. Itdidn't introduce a dual SIM phone or other low end products for smaller markets. "Local players respond quickly to local needs, but MNCs have this know all attitudes," says Desai of Future Brands. "Nokia misread the popularity of dual-SIM phones."

Nokia launched dual-SIM models only in August 2010. The company has also added touch screen phones across price points: from the Nokia 5233 at Rs. 6300 to Nokia N8 at Rs. 23999. It is also populating another weak area: communication or chat phones, entry to mid level Qwerty devices enabled with instant messenger and social networking. On the cards are more handsets at more affordable prices.

D Shivakumar, MD of Nokia India, is confident of winning back share within a year. That view draws from his reading of what will happen to Nokia and its competitors. "It is not possible for any market to support a hundred brands," he says. When phone design, feature and technology are getting commoditized, Shivakumar feels value added services will be the game changer. Nokia is building a portfolio of services that will be bundled with all handsets.

It is offering a repository of services in areas like entertainment (music, videos), communication (email, chat), agriculture (weather updates, crop prices) and education, which it will bundle with its handsets. So, for instance it offers push email in its mid-high-end handsets, and e-mail on entry-level mobiles. Nokia offers about 50000 applications and has about 180000 developers in India working for it. Shivakumar did not quantify Nokia's revenue projection from services, only saying it will be a "significant area of growth and will help in revival of the handset business."

PEPSICO FOODS: REGIONAL FLAVOURS

Pepsi Co. Foods is facing its own challenges on regional turf. Balaji and A-Top Foods in Gujrat, Haldiram and Bikanervala in the North, and players in South have tickled taste buds and consistently prevented Pepsi Co from acquiring more market share. To beat them, Pepsi Co plans to start up its low cost foods business and increase capacity.

The new business will focus on fortified snacks priced at Rs. 2-3 a pack, for rural consumers. "With our deep understanding of Indian consumers, our innovation culture and the strengths of our brands, we will maintain our growth trajectory," says VidurVyas, marketing director-foods. Besides it has brought our regional flavours on existing brands like the Kurkure Mumbai Chatpata, Kurkure South special and KurkureMasaledaarKhakra for Gujratis.

From product to people initiatives, brand leaders are doing all they can to feel what it is like to be back in power.

Conclusion

Market leaders' position is not same as it was a decade ago. Their percentage of market share has declined within 5-10 years. They are facing tough challenges from their competitors. They are using different marketing strategy to keep their position intact. Situation is quite vulnerable especially in categories with high rate of innovation, like mobile phones etc. in comparison to categories where there is high degree of stability and predictability, like two wheelers etc.

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