

Philips Mini Hi-Fi Players
The Sound of Leadership

Comstrat 2003

Note: All the information in the case has been garnered from sources in the public domain. This case has been developed for purely academic purposes and is not in any way the intended/ actual plan of Philips India Limited.

Philips Mini Hi Fi players: The Sound of Leadership

Technology, convergence and cross platform compatibility are not just buzzwords from another generation, they are witness to the hedonistic consumption culture that is the hallmark of today's discerning consumers. Taking off from the trends of convenience, 'one-stop solutions' (emergence of Malls) and bundling of diverse products (Internet and television), is the spurt in demand for mini Hi Fi systems, that combine MP3/VCD/DVD players in one sleek body.

The Market Scenario

Although India is a nation of music lovers (more than 4.9 crore-film and non-film music cassettes sold every month) yet since the turn of the century, growth in the audio market has been sluggish. Sales of pure formats like only radios/ stereos/ VCD players have been declining since 2000. On the other hand, there is a resurgence through new technologies like Mini Hi Fi players (which combine cassette, CD, MP3, VCD). Brands in this category are making concerted efforts to cash in on the growing trend of home entertainment.

On the technology front, there is convergence, which allows for cross platform compatibility, which means that a CD can be played on the computer as well as the DVD player. Thus, the means of entertainment remains the same, though the medium changes. Market data also validates the fact that 'bundled' offerings are growing more than standalone products. Even though there is a sweeping craze for entertainment products, market data shows that this category has not been fully exploited, and there is tremendous potential for further expansion.

(Refer Annexure 1 for ownership of Durables across town class, SEC and MHI)

According to ORG-GfK, the audio industry (consisting of systems and accessories) is pegged at Rs 1,000 crore. The current size of the Mini Hi Fi audio market, is approx. Rs. 300 crore, which is growing at 4% p.a.

(Refer Annexure 2 for market composition)

The product

Hi-Fi systems derive their name from high fidelity wherein fidelity means the accuracy with which an electronic system reproduces the sound or image of its input signal.

Within hi-fi systems, the segment can be broken down into micro systems and mini systems. The segmentation is done according to the sound/ power output of the main unit system, as follows:

Micro system : < 400 W

Mini system : 400 W - 10000 W

The Sound of Competition

Sony

Sony was incorporated in 1946 and is headquartered at Tokyo. Sony 's equity in the market is largely driven by its presence in the colour TV market and its aspirational image. Sony India pushed up its activities in the audio category with the launch of X-treme series- Hi-Fis with MP3 playback. Sony is targeting dominating the market through launch of new models, aggressive pricing and marketing policies with the USP of the Real Sound of Power, which is clearer, more powerful, rich sound with no distortion even at full volume.

The entire product offering is a potent combination of sleek contours, superior aesthetics, enhanced features and specifications backed by Sony's patented technologies along with premium pricing which is 10-15 % higher.

The X-treme series offers earth-shattering power ranging from a modest 1300 watts to a mind-boggling 7000 watts having some never before revolutionary features in six models at different price points ranging from Rs 11, 990 to Rs 32, 990.

Sony was amongst the highest spenders in this category last year, clocking close to approx. Rs 5 crore for its range of products.

Samsung

Samsung commenced its Indian operations in 1995, and by 1998, had an all-India presence. Though Samsung initially started with refrigerators and washing machines, it recently unveiled 'Target Yo!' as an effort to consolidate its position in the audio market. Samsung's efforts in India have seen a consolidation of synergies across product lines, distribution and media spends (Samsung DigitAll), even as 'Witz' the maverick mascot who sports a goatee and a cool attitude will be spearheading the company's communication for its audio products. The new Samsung positioning- "Samsung Sound -Are you listening?" is driven by Witz, who speaks the language of the youth, lives in 'their world', straddling reality & fantasy and is supported by an online presence as well.

Samsung has a range of products in its portfolio, with prices from Rs. 11,990 to Rs. 36,000.

LG

LG was a late entrant in the Indian audio market. According to secondary sources, the company candidly admits that fact by saying that audio products are very technical and not a make-and-sell commodity like many other electronic products. Laying emphasis on test marketing, the audio range is positioned at the premium end and not the conventional segment. It has consciously decided not to promote the MP3 and VCD features in their systems. Instead, it feels that the DVD is the technology of the future. In fact, they are hoping to educate consumers about the superiority of DVDs as compared to VCDs. They operate at a price of above Rs.21, 990 (with a DVD player)

All players in the category have been highlighting the technical features, specially the formats played back.

(Refer Annexure 3 for Market share of Mini Hi Fi players by value)

Philips - Singing the consumer's tune:

Royal Philips Electronics of the Netherlands is one of the world's biggest electronics companies. Philips has now been operating in India for over 70 years now, carrying with it an almost domestic aura. Philips has always been at the forefront of technological innovations, whether it was the audio tape (1963), colour television transmission (1982), the compact disc (1983) or flat televisions and CD recorders (1998). Its integrated operations make it a low cost producer. It manufactures the entire range – from pocket radios to Hi-Fi CD systems with VCD and MP3 playback capabilities. Philips was the first company to introduce MP3-compatible mini hi-fi systems in the country and currently is the only company offering Indian consumers complete end-to-end MP3 solutions. Its "FW V220" VCD Mini Hi-fi Music System created history by selling 100,000 unit sales, the first in this category. The new 'wOOx' technology commercial is actively promoting the new range, reinforcing the positioning of Philips MP3 Hifi systems being 'Generations Ahead'. Until now, Philips had to contend with Sony in the audio market. With the entry of international competitors like LG and Samsung, Philips' position in the marketplace stands threatened, especially in this category where 'foreign' stands for perceived product superiority.

Striking the right note: Positioning the audio system

Music and youth are seen as synonymous. Although the process of consumption of music and the high points of its benefits are closely aligned to the need to feel young, the ideal experience of listening to music is always characterized by a purely individual, stimulating and sensorial mood. Music is also seen as a great way to unwind and relax, and this has been highlighted in communication by all players at some point of time. It has now become difficult to predict competing sources for relaxation and unwinding, since these days a plethora of options exist, ranging from a quiet movie at home to spending time surfing on the computer, to even shopping.

The industry has historically highlighted feature based communication, emphasizing technological differences in print, targetting mostly youth, who are familiar with digital formats. This is surrogated by a younger music industry in terms of genres (pop and remixes), and different sources of unwinding and relaxing, testified by the spurt in sales of innovations like the DVD player.

The Challenge

All audio brands have traditionally spoken to the youth, and have had unremarkable advertising. Additionally, all Mini Hi Fi systems are sold on the basis of the brand name. While Samsung and LG have appropriated mass media spending across their range of products, and Sony continues to portray an aspirational image, Philips scores low on perceived leadership, despite having a range of quality products. While Sony has launched the X treme range of mini Hi Fi systems, Samsung has introduced Witz- the teen personification of its audio range, and LG has differentiated itself through premium end-offerings. Being the market leader, Philips cannot afford to ignore such changes in the market.

The Task

Develop a comprehensive, differentiated communication strategy for the new Philips Mini Hi-Fi range. This should include

The key drivers/ motivation in this category

Perceptions of major players

Key Target Audience

Positioning

Brand Personality

Communication Objective

Communication Strategy

Rules and Regulations

1. Please support your recommendations with requisite rationale and critical assumptions. Creative concepts/ renditions are not a part of this assignment.
2. Only one entry per institution will be accepted. Participating teams should consist of three members.
3. A synopsis on the case should be submitted either through email to the i.d.comstrat@fcbulka.com or by post to FCB Ulka Advertising, 4th floor, Nirmal, Nariman Point, Mumbai 400 021. The last date for receipt of the synopsis is 7th November 2003.
4. The synopsis should not exceed 15 pages with a minimum font size of 10 and single line spacing.
5. A shortlist of six teams shall be arrived at on the basis of synopsis received. The shortlist shall be declared on 11th November 2003 and posted on the website www.fcbulkacomstrat.com and communicated to K. J. Somaiya Institute of Management Studies and Research, the institute partner for FCB Ulka Comstrat.
6. These six teams have to make a presentation to a panel of judges on 22nd November 2003 between 4p.m. - 6 p.m. in Mumbai.

Annexure 1 (Source NRS 2002)

Ownership of Durables across town class, SEC (as % of base)

Ownership of Durables	Top 8M	Other 10Lakh +	5-10 Lakhs	1-5 Lakhs	<1 Lakhs	A1+	A1	A2	B1
Colour TV	53.5	44.6	39.3	34.8	25.2	94.9	88.6	72.6	66.7
Any Radio	49.8	41.6	34.7	35.1	31.6	84.5	77.6	63	59
Any Music Sys	49.1	43.8	42.7	38.3	32.4	86.8	79.8	64.4	60
Any Video	4.7	4.9	3	2.8	1.8	26.2	20.2	10.1	6
Any TV	85.6	82.2	80.3	76.7	65.1	99.1	98.1	95.2	94.2
PC	4.2	2.1	1.8	1.2	0.5	25.7	19.2	7.1	3.3
Video Camera	0.6	0.3	0.4	0.2	0.1	3.3	2.4	0.9	0.5
2-in-1	28.8	21.1	14.9	15.4	11.6	48.6	44.3	33.6	30.6
Hi-Fi No CD	4	4.2	3.4	2.8	2.2	15.7	12.7	7.7	5.8
Hi-Fi CD	3.4	2	1.7	1.2	0.7	18.7	13.4	5.1	3.2
Walkman	8.4	5.6	4.4	4.6	2.7	29.5	23.8	14	10.5
Discman	0.5	0.2	0.2	0.2	0.1	3.1	2.2	0.9	0.4
Laser Disc	1.4	1.3	0.9	0.9	0.6	7.8	6	2.6	1.8
2 Wheeler	6.9	14.4	11.2	9.2	6.1	25.4	24.4	21.2	16.8
4 Wheeler	2	1.8	1.5	0.9	0.6	17.9	13	4.5	1.8
Credit Card	2.1	0.8	0.4	0.2	0.1	12	8.6	2.6	1.4
Mobile Phone	1.5	1	0.7	0.4	0.2	9.3	6.7	2.6	1

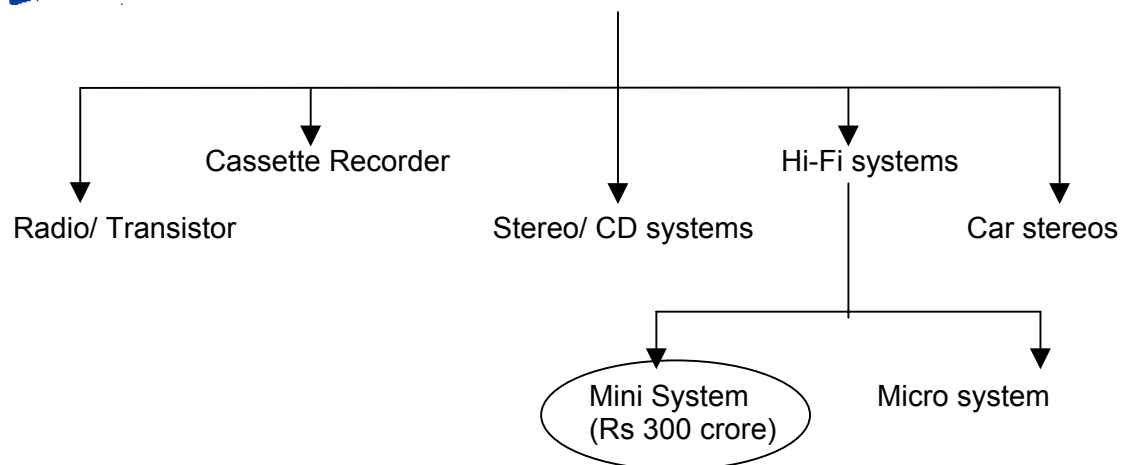
Ownership of Durables across Monthly Household Income (MHI) (as % of base) (Source NRS 2002)

Ownership of Durables	5K - 6K	6K - 10K	10K-15K	15K-20K	20K-30K	30K-40K	40K +
Colour TV	41.7	53.5	71.2	84.4	81.6	76.7	83.3
Any Radio	50.1	59.2	68.2	77.4	82.9	77.3	73.7
Any Music Sys	47.6	56.5	68.6	77.2	82.1	74.7	72.9
Any Video	2.5	5.4	11.2	19.5	24.6	27.3	31.4
Any TV	81.9	86.8	93.1	97	93.6	88.9	93.8
PC	1	2.6	7	15.7	23.7	25.2	25
Video Camera	0.2	0.4	0.9	2.1	3.1	3.8	5.5
2-in-1	20.6	25.2	32.7	39.7	43.2	43.1	
Hi-Fi No CD	3.4	5.3	8.8	11.9	13.5	15.5	12.4
Hi-Fi CD	1	2.3	5.9	12.8	17.5	18.7	22.9
Walkman	4.6	7.8	14.4	23.3	28.1	29	30
Discman	0.1	0.3	0.9	2	3.4	4.4	5.2
Laser Disc	0.7	1.4	3.1	6	7.2	7.3	9.1
2 Wheeler	10.5	14.1	19.4	24.5	25.9	20.2	17.1
4 Wheeler	0.7	1.7	5	11.2	18	17	19
Credit Card	0.3	1	3	6.6	11.9	10.6	12.4
Mobile Phone	0.3	0.9	2.5	5.9	8.7	8.3	12.1

Annexure 2

Composition of the Market (Source: Secondary sources)

Audio Equipment
(Rs 1000 crore)



Annexure 3

Market share of Mini Hi Fi systems, by value (Source: Client data)

	2001	2002	2003*
Philips	28.7%	35.3%	39.6%
Sony	30.6%	34.3%	39.8%
Samsung	0.2%	1.0%	7.7%
Panasonic	11.0%	7.5%	5.3%
Sansui	3.8%	5.0%	0.4%
Others	26%	17%	7%
*upto August			