

## “The practice of selling products while improving the consumer buying experience has been the game changer for Jaquar”

Indian bath fittings major Jaquar Group, for all these years, has been able to thwart competition and maintain a strong grip over the domestic market. The company has also been a great exponent of experiential retailing. It is betting big on the affordable housing initiative of the government, and is aggressively expanding its network in tier-II and III markets for the value segment.

In an exclusive interaction with *Sourcing Hardware*, Sandeep Shukla, head—marketing and communication at Jaquar Group, throws light on what sets the company apart from its peers in the industry and enables it to remain the clear leader with a market share of 60%. During the conversation, spanning over an hour, Shukla deliberated on trends in the industry and the company’s operational as well as marketing plans, and what lies ahead. Here are excerpts of the discussion . . .

### How is Jaquar positioned in the industry and how has it performed financially?

The company’s revenues have reached ₹2,350 crore in FY15-16. We have a market share of around 60% in the branded bath fittings market and we have grown at a CAGR of about 22% in the last five years. We are aiming to touch ₹3,000 crore in FY16-17.

### What kind of segmentation or brand architecture do you have? Which is your best seller?

The segmentation and brand architecture has been done on the basis of price point and the target customers. For the value/entry segment, we have Essco. This is basically for the tier-II and III markets and some batches of tier-I also. The target

customer is anybody upgrading from unbranded or local market and Essco serves as an entry point.

For the premium segment we have Jaquar. The target customer is typically upper-middle class and some sections of higher class. And, this constitutes the larger section of Jaquar group. Then for the luxury segment, we have Artize.

And, each of these brands offers a complete bathing solution – faucets, showers, shower enclosures, mixers, sanitaryware, water heaters, etc.

As far as contribution of each of the brand is concerned, Jaquar contributes about ₹2,100 crore, Artize about ₹125 crore and Essco is also at about ₹125 crore. Keeping in mind India’s socio-economic structure and different lifestyles, each of these three segments has a large enough market to grow. This is a

distinction from the European market which is tilted towards luxury, or some parts of Africa which are largely a value market.

### The last couple of years have been pretty interesting for the sanitaryware and bath fittings industry. While new players have set up facilities in India, the existing players are also in expansion mode. What are your current manufacturing capabilities, and do you have any plans for capex?

Our core strength is manufacturing. We have three plants in Bhiwadi, Rajasthan and one in Manesar, Haryana, which span an area of 1,80,000sqm collectively. The bath fittings site produces over 60,000 faucets a day, which amount to about 22

million fittings every year.

Recently we have commissioned a wellness plant where we make whirlpools. And, in the wellness space we are growing well and are expecting about ₹100 crore in revenue.

In the last two years, we have invested about ₹300 crore for capacity expansion, R&D, modernisation of the bath fitting plant, and the shower enclosure plant which was commissioned about 7-8 months ago.

For the next one year or so, we will be focusing on consolidating and maximising the existing capacities. The aim is to always run the plants at 100% capacity on a sustainable basis. We are also setting up a new plant in Manesar for LED lighting.

For the sanitaryware segment we have contract manufacturers who exclusively produce for us, and are based in Europe and China. The segment contributes about ₹250 crore to the group's turnover. We are currently mulling over setting up a plant of our own in India and doing a feasibility study. But it is not coming in the next year or so.

**In this segment, the dealer network holds the key for capturing the market. What kind of distribution structure do you have? Do you also have brand specific distribution channels?**

Across these brands, we have Area Dealers (AD). Under them, we have Recognised Dealers (RD), which are basically Jaquar display showrooms. These serve as selling points. We have about 2,200 showrooms across India. We have exclusive as well as some multi-brand showrooms which we call as main dealers. We have separate channels catering to each of the brands. So



these centres are sent to the retailers. So, the retailers get a customer with bigger ticket size and also the conversion becomes easy as the lead comes from the company and there is no pressure to sell. And, this practice of selling products while improving the consumer buying experience has been the game changer for Jaquar. This also helps us generate word of mouth and helps in building the brand also.

**Which are the regions where you have a strong presence, and in which regions are you aiming to increase presence in the near future?**

We have an almost equal presence in all key markets and the difference among them in terms of revenue they bring would be about 2-3%, with south leading,

there are showrooms for Essco, Jaquar and Artize. Nearly 80% of these are a Jaquar-dedicated network.

Apart from this we have 22 orientation centres across India, which basically serve as experience centres and do not sell products. These are company-owned showrooms. The purpose of these centres is to educate the end customers and professionals. The idea is to help customers graduate to better products. Because the categories are slightly technical, the customers need hand-holding. And even architects need to see the latest and what's in trend. These showrooms also serve as an extension of the existing dealer showrooms in the vicinity which might not be able to display some ranges properly due to space constraint.

We get about 60,000-70,000 footfalls in these orientation centres every year, which are a combination of architects as well as end consumers. The queries generated at

followed by north.

With the government focusing on the rural sector and affordable housing, there are a lot of low cost housing projects coming up in tier-II and III cities. As a result we are aggressively expanding the Essco network. We are targeting a total of about 1,000 dedicated dealers who will be selling the Essco range in tier-II and III cities. We have already got about 500 Essco dealers as of now. Some of these could be multi-brand stores, but would largely be exclusive Essco showrooms. On the whole we try to ensure that about 80-85% of the network consists of exclusive showrooms.

For Jaquar, it would be normal organic growth. We will focus on making the existing showrooms better and improve the buying experience further. For Artize, we are very selective. In some cases, the Jaquar showrooms also have a small dedicated section for Artize, since showrooms for Artize are fewer.

But Essco is a completely new channel. Going forward, there will be a clear cut demarcation in channels for each of these brands.

### How is your project business poised?

We have a project to retail ratio of 40:60. And, this balance insulates us from a patch of downturn in either of the categories. While we have been growing at an average of 22% each year, the industry as a whole has been quite sluggish, at times, and has grown at 8-12%.

But the difference, in our case is that the company doesn't deal directly; the project sales are also routed through dealers. We generate business and create the market but the financial transaction happens at dealer outlets (ADs and RDs).

### E-commerce is emerging as an alternate channel of distribution. Some of the players from the sanitaryware and bath fittings industry are also gauging the potential of this route. What scope do you see in selling bath fittings through e-commerce portals? Do you have any plans to tap this?

E-commerce is a tricky category for our business. The apparent shortcomings are threefold. First of all, bath fittings are not simply standalone products. Instead, these are assortments of multiple items. Secondly, India doesn't have a DIY market. We still have plumbers and contractors who play a very important role. Third, standardisation is a big issue. The size can vary in millimetres and inches.

The main purpose of e-commerce in India has been to bring the prices down. So, it works well in electronics, tickets, etc. But for the bath fittings category, the challenge is not price but giving the right kind of solution. For example, I offer you a WC with an S-strap, which is wall-mounted, and what you need is floor mounted. So, irrespective of how low the price I offer, it won't fulfil your requirement! So, it's more about educating the customer and providing the right solution. And, customers in India

are not mature enough to understand what they actually need in bath fittings because there are a lot of technicalities involved.

E-commerce will still take some more time in India, till the time people are able to select correctly first. On our website we get 1-1.5 lakh hits every month. We educate the customers and facilitate them through our call centre and orientation centre. But the buying happens at the dealer outlet. We have standardised the prices by having NRP (Net Retail Price) beyond which the dealer can't sell. We are one of the few brands which maintain the same MRP across India despite differences in taxes.

In our opinion e-commerce sites are currently not addressing the issue. Theirs is a minuscule market which will take its own time, and currently we have no plans to get into e-commerce.

### There is an apparent shift towards sustainable solutions. How is Jaquar poised in this regard?

It's a very interesting trend. We, at Jaquar Group, see sustainability in the context of the brand and target segment. In the luxury segment, sustainability is about addressing the need of using less resources. This is in terms of less material used by incorporating a minimalistic design, and optimising the water flow rate by using sensors. At the other end of the spectrum, which is the value segment, sustainability has more to do with durability.

To give an example, we have a product - air shower - which mixes 30% of air in the water and by doing so it not only increases the softness of the water and gives a rain feeling, but also helps in saving 30% of water. We have incorporated sustainability in each and every aspect of our product, right from the production unit, to how it is manufactured, to product functionality.

### While Jaquar aggressively uses TVCs, the company hasn't engaged any celebrity. What is your take on celebrity endorsement?

We, like many other evolved brands, have

a 360° approach to branding. We are very aggressively promoting our products through digital (TVC) and print. Plus orientation centres also help us in building the brand. Additionally, we conduct a lot of BTL activities like architect meets, plumber training programmes and also meetings with builders. We also give a tour of our factory to architects and purchase managers of builders to help them better understand the products. Plus we have a strong online presence through our website and social media channels like Facebook and Twitter.

The underlying idea again is to educate customers rather than using the material as props. We are one of India's most trusted bath fittings brands. In the last Super Brand survey Jaquar was in the top 5% across the categories in brand recall. We spend about 2-3% of our revenues on marketing.

Each brand has a different way of marketing, promotion and communication. While some engage celebrities to woo the customer, we believe the content is more important. Helping people buy is the mantra we follow. In all our communication, the focus is on educating the customer and helping him buy the right solution. We believe, if the content is good it will help us build the brand. At present we don't have any plans to rope in a celebrity.

### What are your plans with regards to exports?

We are present in about 30 countries. We have a good presence in Middle East and Africa, and have also entered Europe last year. The last 3-4 years have been about creating a presence in the export market. It's not easy for an Indian manufacturer to capture international markets. But we have increased our focus and lot of activities are planned for the next 2-3 years. For example, we are opening an orientation centre in Singapore. We are also participating in ISH 2017. This will be the third time we are going there, and Jaquar is the only one from India. At present, exports contribute about 4-5% to the group's revenue and in next 2-3 years we hope to stretch this to double digits.

Mrinmoy Dey