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The pricing dilemma at Autopress India Private Limited

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ABSTRACT

Auto press India Private Limited, a stainless steel cookware manufacturer, was preparing for a new product launch. All of their efforts were influenced by their vision statement of 'thoughtfully crafted cookware to transform cooking experiences'. While preparing for the launch of their new product fresh market intelligence emerged which could impact the company's future strategy, particularly its product pricing and new product launch strategy. The case demonstrates the dilemma of a decision-maker while framing strategies for growth. Should the company focus on getting the first-mover advantage and later defend itself against competition or should it wait and watch, formulating an attack strategy later? Towards the end, the case outlines the course of action adopted by the company. The case can be used to expose readers to decision making in business and its impact. It helps in understanding the concepts of competitive strategy formulation, channel partnership and product pricing including factors affecting pricing such as competitor's price changes and perceived value.

Keywords— Pricing strategy, Competitor strategy, First-mover advantage, New product launch, Channel partnership, Perceived value

1. TEACHING OBJECTIVES

- To expose students to decision making in business organizations and their impact.
- Understanding the concepts of pricing including factors affecting pricing such as Competitor's price changes and market perception.
- To assist in teaching marketing courses including Product and Brand Management, B2B Marketing and Sales and Distribution Marketing as well as Strategic Management.

2. KEY ISSUES

- How does the competitor's strategy affect your own product strategy?
- What are the factors to be considered while setting the price of a product?
- Which price-setting method should the company adopt?
- How should a company prepare for a new product launch?
- How important is the first-mover advantage?

3. SOURCE

This case study is based on primary data collected from company officials of Auto Press India Pvt. Ltd. through interviews and discussions. Copyright and permission attached.

A regular 9:00 A.M. Monday morning team meeting had suddenly become more charged. Dhruv Agarwal, Director of Auto press India Pvt. Ltd. had received word from his National Sales Head - Mr.Arvind Singh that their competitor Vinod Steel had launched a Tri-Ply pressure cooker in the market.



Fig. 1: Logo of Stahl

Dhruv Agarwal was the brain behind Autopress's consumer brand of Stainless Steel Cookware called "Stahl" which had been taking the market by a storm.

Though he was the marketing brain; the man behind the technical product success was his father Rajiv Agarwal – Owner, Auto press India Pvt. Ltd. Both the intermediaries and the consumers in the market concurred that it was the premium product image backed by their commitment to quality and technical superiority which was making Stahl a household name. In the year 2013-14 which was the first year of its introduction, Stahl saw sales of Rs.42 lakhs which grew to Rs.13.5 crores in 2017-18. The projected sales for the year 2018-19 was expected to be Rs.25 crores.

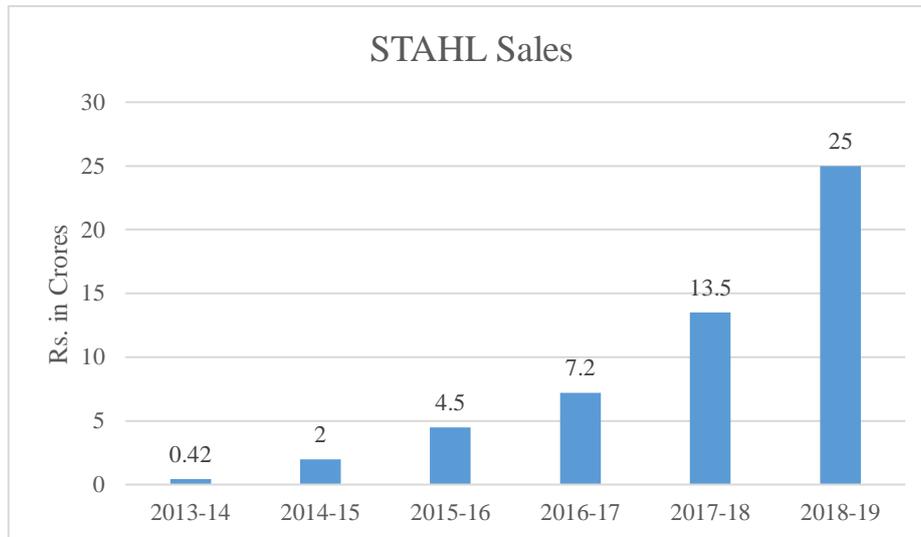


Fig. 2: Sales of Stahl products in India in Crores

At every stage of its growth Stahl has believed in leveraging its accumulated experience in offering a better product to its consumers. Like every growing company today Stahl believes in continuous innovation evolving their pots and pans over a short span of 5 years. From its humble beginnings with sandwich bottom cookware under the Legend and Crescent Series to its current range Stahl has given continuous improvements to its customers.

4. TIMELINE OF GROWTH

- In 2013 when it was first launched the Crescent and Legend series of Stahl were priced lower than its main competitor Vinod Steel.
- By 2014, the father and son duo had realized that sandwich bottom cookware would not be able to take the company to the next level of growth. Thus, came the introduction of a new material called Tri-Ply which was one layer of Aluminium sandwiched between two layers of Stainless Steel throughout the body of the cookware. Stahl realized that there were only a handful of players in the Indian market who were selling Tri-Ply cookware. Moreover, these were international players like Bergner and Alda who were importing the product from China, had a limited range and their designs were better suited to the European consumer.

Thus, Stahl leveraged this untapped market and became the pioneer in Tri-Ply cookware which was made especially for the Indian consumers. Being pioneers; they not only innovated in the product but also educated the channel partners and consumers.



Fig. 3: Artisan Series Range in Tri-Ply

- The Tri-Ply range was named "Artisan Series" and was introduced in the year 2015.
- In the year 2016 Vinod Steel launched its Tri-Ply series of pots and pans with a limited range and at a lower quality and price point than Stahl. Vinod is the market leader in Stainless Steel cookware and Stainless Steel pressure cookers. Their market dominance is in the Northern and Western Part of the country.

- In the year 2017, Stahl launched Stainless Steel Sandwich Bottom Pressure Cookers. Pressure cookers in India account for 24% of all kitchen appliance sales¹ and are Rs.1500 crore market². This pressure cooker launch had a two-pronged approach. It was the first test-marketed in one city. During the test, some quality issues were raised which were sorted before the full-scale pan India launch. Once the cooker was launched in all cities its quality was appreciated by both intermediaries and consumers.
- Following this, over a period of one year, Stahl realized that there was not the much-perceived difference between one of the market leaders Hawkins and a Stahl pressure cooker. While sales were doing well the growth projections for the future were not very high.
- Thus, by January 2018 with a network of 37 distributors across 19 states and a presence at 1400 premium retail counters the Stahl team was getting set to make new conquests. Agarwal junior and senior had decided to grab the 1st mover advantage yet again by launching India's 1st ever Tri-Ply Pressure Cooker. They had been working at breakneck speed towards this for about three months. All teams were flying under the radar trying to keep this new product launch a surprise for the competitors and channel partners. In the month of March, market intelligence stated that Vinod was also developing its Triple Pressure cooker, however, these claims were not substantiated. The pricing was also not known at this point.

Stahl had already invited all of its distributors to visit the factory in the first week of April 2018 to see the new pressure cooker and give their views before the product was officially launched in the market.



Fig. 4: Product image and sub-brand of pressure cooker

- In the month of April 2018, Stahl unveiled India's 1st Tri-Ply Pressure Cooker to its Channel Partners in a National Distributor Meet at its manufacturing facility in Pune. They were calling it "Xpress Cooker". The pricing of Xpress Cooker had not been announced as yet though the company was planning to price its 2.5 Litre model at Rs.2780. This price had been arrived at by simple mark-up method of pricing which the company usually followed for all its products. Since it was in head to head competition with Vinod Steel; Stahl Monday morning cross-functional meetings had become even more critical.

It was in one such Monday morning meeting within 15 days of this unveiling of Xpress Cooker that Dhruv Agarwal sat down with Mr.Arvind Singh to understand the latest development and fix the final price of the Xpress Cooker. Market intelligence had revealed that the price of the Vinod cooker was slated at Rs.2400. This came as a blow to Dhruv Agarwal and his team. To say that he was worried about the product pricing and launch was an understatement. There was a catch 22 situation here. There were two issues with the pricing of the Xpress Cooker. Firstly, the Stahl pressure cooker price was coming to a much higher price than that of Vinod cooker. Stahl at Rs.2780 v/s Vinod at Rs.2400. Moreover, this price of Vinod cooker being Rs.2400 was based on hearsay and not a surety. Secondly, at Rs.2780, the Xpress Cooker was the same price as an Artisan Series Tri-Ply casserole of the same capacity from Stahl.



Fig. 5: Tri-Ply Casserole 2.5 litres and Tri-Ply Pressure Cooker 2.5 litres

Agarwal junior and his team knew that market perception was that a pressure cooker was much more expensive than a casserole. The reality was a pressure cooker had many parts while a casserole had fewer but much more expensive parts. Thus, the cost of both products to the company was coming to the same ballpark figure.

If Stahl charged Rs.2780 for the pressure cooker, there would be feedback from the distributors and dealers to reduce the price of the casserole. There was also the fear that the channel partners would feel cheated and would stop support for Stahl for overcharging them for many years.

At the same time, the price difference by increasing the price to Rs.2980 would make the gap between Vinod and Stahl too much but possibly still not enough of a gap between the casserole and the pressure cooker. Another option was to increase the price to over Rs. 3,000. This would make the cooker 40% more expensive than any of the leading Stainless Steel cooker manufacturers in India (Prestige, Hawkins and Vinod). Would the customer be willing to pay that much extra for new material and superior quality? The atmosphere of euphoria after the successful Distributor Meet just a fortnight ago in the factory had changed to an atmosphere of tension with tempers running short.

They had planned their product launch and pricing based on the company's formula-driven pricing strategy and the competitor's pricing as per the market intelligence. Now the situation had changed. It was just left to be told whether it was for the better or for the worse?

5. QUESTIONS

- (a) What strategy should Auto press India follow?
- (b) How important is the first-mover advantage to Auto press?
- (c) When should they start distributing the product and at what price?

6. TEACHING NOTES

The case can be administered to students as a case on pricing or competitive strategy.

6.1 Further Development in the Case

The following point can be introduced to the students after some discussion has taken place. It was 7 days before the final distribution of the Xpress Cooker was to be started. Production was in full swing while the pricing was still being debated. A new development took place. Vinod Steel had released the packaging of its cooker to the retailers. The price of their cooker was not Rs.2400 as expected but was in the range of Rs.2800-Rs.2900. Now, what should be the strategy followed by Auto press?

6.2 Possible Solutions

- (a) Wait and watch. Postpone the product launch.
- (b) Launch in one city at the current price of Rs.2780 or higher.
- (c) Go ahead with the predetermined price point of Rs.2780 for a full-scale launch. Even in the year 2013, the pricing of the sandwich bottom cookware had been lower than the competitors. Position the product as a value pricing product for the consumers.
- (d) Increase the price of the product and bring it on par with the competitors.
- (e) Increase the price of the product and make it higher than the competitors. Even in the year 2016, the price of the Artisan series had been higher than that of the competitor Vinod.

6.3 Actual Solution

The company followed the last strategy mentioned in Solution no. 5. The price of the product was increased and launched in the market at Rs.3280. The advantages of this strategy were:

- A better margin to the channel partners.
- A better margin to the retailers motivating them to push Stahl products better.
- Similar landed cost of the product to the consumers as that of the competitor
- The higher perceived value of the product to the consumers.

Sources of Information

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