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UNIVERSITY OF DHAKA

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Company Name: **Walton**

Product: **Walton Mobile**

Problem statement: Sales declining due to rampant competition from Local and International brands, Service quality deteriorating, Small market share despite having a large distribution channel.

03 May 2016

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Subject: Submission of group assignment on “Walton Mobile’s sales declining due to rampant competition from Local and International brands, service quality deteriorating, small market share despite having a large distribution channel”for the course of “Marketing Theory and Practices”

Dear Madam,

It is our great pleasure to submit the group assignment on analyzing and crafting marketing strategy of an existing product for the course M501-Marketing Theory and Practices.

The completion of our assignment is on the basis of the theories and techniques that we have learnt so far from the course “Marketing Theory and Practices”. We hope that we were able to complete the assignment on the basis of your given instructions. We have put our best efforts to complete the report by maintaining the standards and guidelines. We hope that you will accept our report and it will meet your level of expectation.

We are eagerly waiting for your feedback on the overall assignment.

Sincerely,

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Acknowledgement

We would like to acknowledge that the contents we've learned throughout the course have helped us to complete this assignment successfully. Ms. NarminTartila has taught us in such a way that we got the opportunity to participate in the class actively and received in-depth understanding on the contents of the report. We would also like to thank Mr. Sajidul Qadir, Head of Hardware R&D, Walton and Mr. MirzaTanvir, Project Manager, Walton, for their excellent coordination. They gave us some insight about the company Walton and helped us to formulate our assignment by giving valuable information.

Executive Summary

In this report we have tried to analyze marketing strategy of Walton mobile, the problems it is facing, the measures taken by the company and our suggestion for further improvement. While doing so we have taken into account the stakeholders at macro and microenvironment, Porter's five forces, SWOT analysis, STP analysis and 4P's of marketing of Walton Mobile.

We have found out that the main problems Walton Mobile is facing are - rampant competition from global brands, weak after sales service and challenge to maintain product quality.

To address these issues, Walton have increased its Research and Development department strength, recruited Chinese engineers for inspection and increased number of service centers.

We suggest that Walton should come up with innovative and quality products improve the quality of after sales service and revise their recruitment policy.

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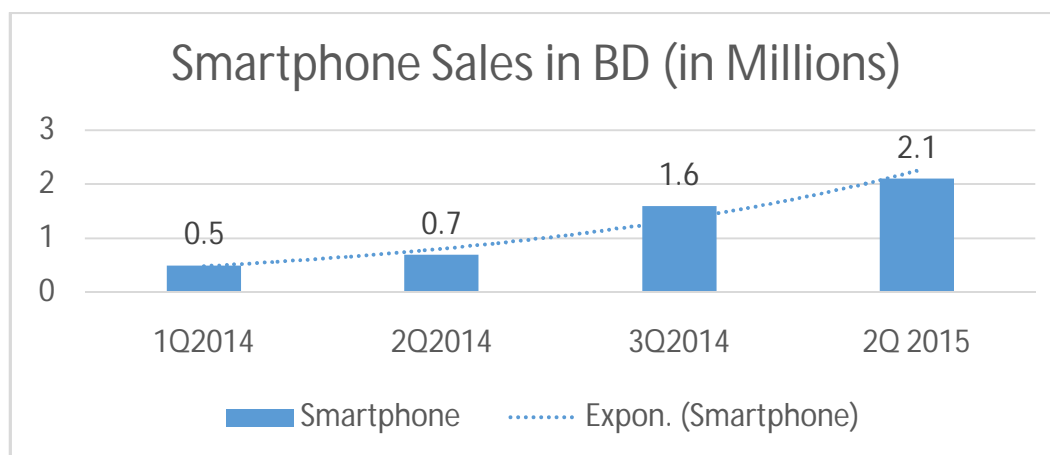
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1. Introduction to the Smartphone Industry in Bangladesh:

In ancient times people used pigeon, swan, eagle, horse, etc. for sending message to others. Then people used mail coach and postal services. But with the revolution of science and technology, field of communication have reached a new height in recent times. Introduction of Cell Phone especially smart-phone has changed the whole concept of communication. Now it is more like a man is known by the company of the phone he keeps. The new theme of modern society is as long as you have a Cell Phone you're never alone.

So it is no wonder that the global mobile phone subscriptions are growing at the rate of 5% every year, and the current number already exceeds the world population growth rate. As Bangladesh is the 8th largest country in the world and 5th most densely populated country in the world so it is perfectly natural that Cell Phone industries is a prominent market here in Bangladesh. Bangladesh telecom companies have made remarkable progress in connecting the country. At present, almost 98% of the country is covered by mobile network. Because of decreasing SIM price and talk time, mobile phones have become pervasive among the majority of the population. The mobile handset industry in Bangladesh has traditionally been dominated by the low cost feature phones. Feature phones still retain 80% of the market; smart phone market is growing at a significant pace.



From the above chart we can see that sales of smart phones have almost tripled in the 2Q of 2015 compared to the same period in 2014. With almost one-fourth of population connected to internet, there is a huge opportunity for the handset players to tap first time users by offering affordable, yet quality smart devices.

2. Introduction to Walton:

Walton is one of the best companies in the electronic sector of Bangladesh and one of few Bangladeshi companies that export electronic products. Walton had entered into electronics business in 1994 with manufacturing of electrical and electronic items and gradually expanded its operation in many other electronics field that provide the foundation for nearly every aspect of modern life.

Walton pursues its 21st century's vision of becoming a true universal hi-tech electronics brand by flourishing innovative design and drive through latest technology at every stage of production to reach maximum customer satisfaction worldwide. Walton has commenced its export business since 2010 and sets the vision to become the supreme electrical, electronics, automobile manufacturing and other appliances company of the world by 2020. The factory of Walton is situated in Saver and the corporate office is at Dilkusha C/A, Dhaka.

3. About Walton Mobile:

Walton mobile is one of the bestselling products of the Walton group in Bangladesh since it brought its mobile products in early 2012. Its product lineup consists of over hundreds of Smartphone and feature phone models along with tablets named as Walpads. Its Smartphone lineup is named under Primo Series like Primo S4, Primo ZX2, Primo R4 etc. while feature phones are mainly branded under Olvio series like Olvio L12, Olvio ML5 etc. Currently Smart phones are one of the top selling products with the largest growth rate in terms of users in Bangladesh and all over the world. Though Walton is a manufacture based company with the branding known as “Our country's product” but its mobile lineup completely Rebranded from China.

Walton mainly rebrands its mobile phones from different vendors from China like Gionee, Konka, Techain and many others. Walton mobile is attracting its users with lucrative features and a variety of models within a budget price. Day by day Walton mobile has gained popularity in the mobile market and the company announced to set up its own mobile phone manufacturing plant in the country by 2017. Currently along with Bangladesh Market Walton mobiles are sold in some other countries like Nepal, Sri Lanka and KSA by its distributors in these countries.

4. Key Stakeholders of Walton and their Impacts:

Stakeholders can affect or be affected by the organization's actions, objectives and policies. The creditors, directors, employees, government, suppliers and resource providers are the key Stakeholders of Walton.

The Company's Macro environment & The Company's Microenvironments are discussed below:

4.1: The Company's Macro environment:

The stakeholders who have the influence on Walton in the Macro Level are belonged to this group. Political, Economic, Cultural, Technological, Demographic environment are the key stakeholders of macro environment.

Political: Walton is a renowned local company and political environment mostly affects the company. Increased legislation, changing government agency enforcement, increased emphasis on ethics, socially responsible behavior, cause-related marketing, all are affecting elements of the company. Walton depends on import from China when it comes to mobile phone department. National Revenue Board imposes 25% tax on mobile imports. If this rate is changed, it will affect the price of the product.

Economic: Walton is a large company which mostly relies on economic environment of the country. Industrial economies, subsistence economies, changes in income, value marketing, all have the crucial impacts on company's sale.

Cultural: Cultural trends have a large impact on Walton business. Like Bangladeshi peoples prefer their own country products which are represented by Walton brand. Culture has the most influence in the advertising division of Walton mobile. Depending on Bangladeshi norms and culture, product advertisements are prepared.

Technological: Technological Environment is the most dramatic force in changing the marketplace which creates new products and opportunities. The technologies are advancing day by day like more people are heading towards 3G internet facilities using Smart phones, they are becoming more technology oriented so this has a major impact on Walton mobile as it is a technology based product.

Demographic: Walton is a company which mostly depends on demographic environment. Walton mobile is becoming popular to the young segments in our country as well as the other segments too. Walton is considering these aspects for designing their products and its features.

4.2 The Company's Microenvironment

The stakeholders who have the influence on Walton in the Micro Level belongs to this group.

The Company: Top management, Finance, R&D, Purchasing, Operations and Accounting department of Walton Mobile Company are the key stakeholders of the company.

Suppliers: The suppliers of Walton are the stakeholders as they provide the resources to produce goods and services and are treated as partners to provide customer value. Walton mobiles' quality and longevity depends on the suppliers like Gionee, Konka, Techain. If they supply mobiles with inferior chips, it is going to be affecting the longevity of the product. This will create customer dissatisfaction, lower sales and in turn affect the prevailing brand image.

Marketing Intermediaries: Intermediaries are belonged to stakeholders as they help the Walton to promote, sell and distribute its products to final buyers, retailers and independent mobile showrooms are the marketing intermediaries of Walton mobile. They sell for commission. So while fixing selling price of the product, their commission percentage is to be kept in mind. To increase sell, extra commissions are awarded for bulk buying. Availability of Walton mobiles depend largely on the market intermediaries.

Customers: Customers are also the beneficiary group of the company Walton. All the mobile phone models are selected based on customers' preference, affordability, etc.

Competitors: There are lots of competitors for Walton both Local and Global brands of Smart phones market. Local brands Symphony is the market leader with 56% of the total market share. Global brands like Samsung, Apple are also competing with their mid-range smart phones in Bangladesh. So, this group has strong impacts on Walton Mobiles pricing strategy, marketing strategy, etc.

5. SWOT Analysis of Walton Mobile:

| <p>External Factors</p> <p>Internal Factors</p> | <p>OPPORTUNITIES:</p> <ul style="list-style-type: none"> ▪ Participation within a rapid growing industry ▪ Customer trends of moving towards Smartphones ▪ Increase of sales in major cities ▪ Decrease of product cost | <p>THREATS:</p> <ul style="list-style-type: none"> ▪ Strong competition prevailing in the Market ▪ Competition from international brands ▪ Rapid change in Technology and Customer demand |
|--|--|---|
| <p>STRENGTH:</p> <ul style="list-style-type: none"> ▪ Wider Product range ▪ Strong Local Presence ▪ Quality products at Low price ▪ Comprehensive knowledge of the total Market & Clients | <ul style="list-style-type: none"> ▪ Maintain positive, strong growth each year ▪ Achieve a steady increase in Market penetration ▪ Decrease customer acquisition cost by 1% per quarter | <ul style="list-style-type: none"> ▪ Increase R&D efficiency to improve product quality ▪ Introduce new and innovative products to achieve sales growth |
| <p>WEAKNESS:</p> <ul style="list-style-type: none"> ▪ Lack of Skill manpower ▪ Lack of strong sales forecasting and product planning ▪ Weak distribution channel ▪ Lack of proper after sales service | <ul style="list-style-type: none"> ▪ Recruit skilled manpower, provide training to existing employees ▪ Improve Product Planning and sales forecasting techniques ▪ Increase after sales service efficiency | <ul style="list-style-type: none"> ▪ Strengthening Market monitoring system ▪ Ensure Better pricing plan to compete with other brands |

6. Porter's 5 Forces analysis on Walton:

6.1 Threat of New Entrants:

Threat of new entrants for Walton mobile phone is high. Local companies may buy phones from China at low price and quantity and sell them after rebranding. This makes entry of new players in the mobile phone market very easy. Also the multinational companies can set up industries in economic zones and enjoy tax holiday up to 7 years and other tax benefits. This encourages the foreign companies to invest in Bangladesh.

6.2 Threat of Substitute Product:

Threat of substitute product for Walton mobile phone is low. This is because mobile phone is a unique technology that serves much purpose. In fact it has consumed significant market share of single featured technology like that of land phones, digital cameras and also computers. The portability and versatility of modern cell phones have reduced the threat of substitute. The closest substitute of Walton mobiles may be modern DSLR cameras, considering consumers may spend their savings on a DSLR than a new phone. Even then, DSLRs costs at least three times than that of a Walton Smartphone and thus makes it a weak substitute.

6.3 Bargaining Power of Buyers:

Bargaining power of buyers of Walton mobile phone is medium. Bangladesh is a growing economy with increasing demand for smart phones and feature phones. Both the number of sellers and buyers of mobile phones are on the rise. Considering these factors, we can say that bargaining power of buyers of Walton mobile phone is medium.

6.4 Bargaining Power of Suppliers:

Bargaining power of suppliers of Walton mobile phone is medium. Walton mobile phone manufacturers rely on key suppliers for their quality component parts at competitive price. There are large numbers of companies like Gionee, Konka that act as suppliers for Walton mobiles. However, suppliers do tend to provide inferior chips when bought at lower price and this results in short life-span of the mobiles which in turn generates customer dissatisfaction. Another point to be mentioned is that the operating system of android is open source. Considering all these, we can say that bargaining power of Walton mobile phone is medium.

6.5 Competitive Rivalry:

Competitive rivalry of Walton mobile phone is very high. There are many local and international brands fighting to grab a portion of the pie. Local brand Symphony is the market leader and they are penetrating the market creating a brand value with their after sales service. Chinese phone companies like Oppo, Xiaomi are also providing variety of handsets at cheaper price than that of Apple and Samsung. Global leaders in mobile phone industry like Samsung and Apple have also released affordable versions of their premium cell phones which fall right in between the selling price of Walton mobiles. Considering all of these factors we can say that this is one of the strongest forces that Walton mobiles need to consider.

7. 1. STP (Segmentation, Targeting and Positioning model) Analysis of Walton:

7.1.1 Segmentation:

The market in which Walton is doing its business is consumer market and Walton mainly segments its market base on Demographic, Geographic and Psychographic basis. In segmenting the market on demographic basis Walton mainly considers occupation and family size of the consumer. It targets the people of middle-income level and designs its products for mainly nuclear family. Walton segments the whole country in eleven zones for marketing purpose. Currently, Walton has either their retail shops or dealer shop in all of the 64 districts of Bangladesh. Walton also markets its product by using psychographic segmentation. They use lifestyle to segment their market.

7.1.2 Targeting:

Total market size is more than 10million people. They have targeted the people aged between 16-51years; mainly those who would like to use android phones loaded with user friendly features. But on the basis of the Market Segmentation shown above, Walton Mobile follows a Differentiated Marketing strategy, where it produces different product for different groups of costumers.

7.1.3 Positioning:

Walton has created huge enthusiasm among the consumers of its target market with its slogan “**AamaderPonnyo**”. Also as a local manufacturer Walton can sell quality products at comparatively lower price than other competitors. They also makes its product available at the nearest possible places in each areas of Bangladesh through Walton Plazas (own showroom) and countrywide dealers. New Walton Plazas are being opened frequently in different places of the country for getting closer to the customers. Another strategy of Walton for creating a concrete place in the customer mind is it’s after sales service. In

order to providing the quickest possible after sales service to the customers Walton has already established many service centers and opening more service centers is under process. Walton equally values its sales and after sales service for maintaining a long and positive relation with its customer and thus retain and increase the customer.

7.2. 4P's of Walton Mobile:

4P is putting the right product in the right place, at the right price, at the right time. It is a very popular marketing mix strategy. Analysis of 4P for Walton mobile is given below:

7.2.1 Product Policy:

Walton mobile offers various ranges of product in the marketplace with different features. Most of them are android phones. Decisions are mainly required about quantities, timing, product variations, associated services, quality, style and even the packaging and branding.

7.2.2 Place Policy:

For making the product available to its target customers Walton use its distribution channel. Walton generally uses its own transport facilities for reaching the product to its 120 Walton Plazas and about 700 dealers. If any dealer wants to use his own transport for transporting Walton products from factory to his shop, he gets 1% reduction on dealer price.

7.2.3 Pricing Policy:

Pricing is the most vital tool for Walton which is also the main promotional tool. Mainly Walton sells feature loaded handsets at an affordable price. Walton's main target market has always been middle-income group. So they have been very careful in setting their price of product. Also the fact that they manufacture their products, it allows them to set a lower price than their competitors, as they don't have to pay heavy import duty.

7.2.4 Promotion Policy:

Promotion is done to let people know the availability of WALTON products in market, brand building, positioning conveying the USP (Unique Selling Proposition) and so on. In recent years, advertising has undergone a number of significant changes in both strategy and execution. Walton promotes their product through advertising, campaigning, billboards, leaflets etc. They mainly focuses on quality feature orientated product at a budget price for all walks of people.

8. Problems Walton Mobile facing:

8.1.Rampant Competition from Global brands: Currently the biggest problem of Walton mobile is its limited Market share. Walton is having only 12% of Market share in Smartphone market despite having a large distribution network and strong infrastructure. It seems Walton is facing a slow growth rate in the year of 2016 in terms of market share than it forecasted at 2015, earlier this year. This is mainly due to the huge competition from Local and international brands like Symphony, Huawei, Oppo, Samsung, Xiaomi etc. The Smartphone market is facing huge competition from local and international brands like Samsung, Huawei, and Apple as they started bringing low priced smart phones like Walton. So gaining a clear edge in Market share is very tough for Walton at this stage without having some innovative product and market strategy.

8.2.Challenges to maintain Product Quality: Walton rebrands phones from various vendors in China, which is a challenge towards maintaining product integrity and quality. Though Walton has set up the largest and strongest R&D locally to ensure product quality, but still it is tough to maintain same product quality everywhere. Due to the different vendor, product quality is different and pricing also varies as per product quality, so Walton is facing a huge challenge to maintain superior product quality. If they cannot maintain the product quality well and satisfy the users in the long run they will lose customer loyalty.

8.3.Lack of proper after Sales Service: Walton has about 60 service points all over the country to ensure proper after sales service to its customers, but still the service is not up to the mark. As a part of this report, we took the feedback from many Walton customers and most of them are not satisfied with the after sales service. Most of time they are provided late solution and parts replacement. We talk with Walton Management and R&D people and able to figure out the reason. They said this problem is mainly for 2 reasons. One is Walton mobile saw rapid growth (Almost 300%) within last 3 years, but their service infrastructure is not grown up yet to support this huge load. And second reason is, Walton does shipment basis business. Like for each and every shipment order of their mobile phones they bring limited spare parts. After consumption, they again order as per the need. So there is a time lag between spare parts are ordered and made available in the market. So it makes delay to serve the customers waiting for parts replacement.

8.4.Lack of Strong Branding Activities: Walton mobile started its business as a part of The Walton group like it's some other products. As the smart phone industry was growing rapidly so Walton mobile was brought to the limelight. The business policy of Walton mobile is different; they always encourage users to go for newer models. They always bring new models in a shorter quantity rather than bringing a model in a large quantity unlike its rivals. That's why they are reluctant to go for mass advertising for their all models except some flagship high range models. Our investigation found

many of the people are not well aware of the features and innovative Walton products unlike Symphony. While Symphony has a strong brand image to its customers, but Walton is still lagging far behind them. The branding policy of Walton needs to be redefined.

8.5.Low Quality Employees: Being a local company Walton is still not so favorite place for many young talents of Bangladesh due to their local management policy, e.g. they favor relatives and reference employees during the recruitment process. So many high caliber employees are left out. They also follow unfavorable HR policies like 6 days 10am-6pm workday and every employee is contracted to serve at least 5 years in Walton which discourage many young talents from joining Walton. And without quality employee quality output is not possible at all.

9. Corrective measures Taken by Walton Management:

As per our discussion with Walton Management, Walton has come up with several corrective measures to overcome the obstacles, to strengthen their position in the Smartphone Market. These are the steps or measures taken by Walton management:

- a. Without innovative & quality products it's almost impossible to survive in this competitive mobile market. So Walton have increased their R&D strength and introduced stronger quality control team. They already recruited many experienced engineers from some multinational mobile companies to enrich the R&D department.
- b. For the spare parts shortage they have separated their spare parts department from Commercial department and this new department is taking care of market supply and demand of spare parts. Walton management is now more concerned about the service support and spare parts availability. They are enforcing to order spare parts shipment same time with the mobile order shipment.
- c. It's difficult to ensure quality of all products especially when you are not the manufacturer of your own products. Walton is recruiting more Chinese engineers and factory inspectors in China to inspect the manufacturing process to ensure proper quality during production. They are also planning to set up their own factory in Bangladesh by 2017 so that the quality standard remains within the budget pricing.
- d. Walton is redefining its product pricing plans and Market strategy. Walton has their own distribution channel named as Walton Plaza and also dealer and distributors points like Walton Smart Zones. They are also coming up with better branding activities in the near future.
- e. Walton is increasing the number of Service points so that each district has a Walton service center to support the customers. It will help to ensure proper after sales service to their customers.

- f. Currently Walton is dealing with the top 3 mobile phone vendors in China. So in terms of product quality they are expecting to get better quality products from these world renowned vendors.

10. Our Suggestions for Walton mobile :

- a. At first Walton needs to come up with more innovative and quality products. They need to hire more talented R&D engineers and train them well. As per our visit to their R&D we found they still lack in advanced testing equipment's for mobile like Network testing machines, PCBA quality checker etc. These are necessary to ensure advanced R&D testing process and ensure quality. They need to invest more on Quality.
- b. Walton needs to be more careful about after sales service. Not only they need to increase the no of service points, they also need to hire more experienced and capable technicians who can ensure proper repair activities to the Customers within a shortest possible time. Walton should ensure spare parts shortage is met as per the requirement within the shortest possible time. If necessary they should increase Warehouse space to stock necessary spare parts earlier.
- c. Walton needs to run different promotional and branding activities so that they stand out from their competitors. Currently they are more active on their website and Facebook page but it's not enough to reach all the target customers. So they need to increase more advertisements and promotional activities like discount with handsets, various contests, installment options etc. They need to design the branding in such a way that it helps to change the perception of the users about Walton products.
- d. Walton needs to revise their recruitment policies and should make it more flexible for the employees. Their pay scale for engineers still not up to the par comparing with some other multinational mobile companies. This will attract more young talents to join Walton and raise the capability of the company.
- e. To ensure proper after sales service and raise brand awareness among peoples Walton can come up with some unique ideas like travelling vans with technicians and after sales service equipment's. These service vans will travel through the whole country to provide after sales support to everyone at every place. This will save customers time to go for distant service points and also can ensure quick one stop service to the customers.
- f. Last but not the least to gain competitive advantage in this highly competitive market Walton needs to setup their own manufacturing plant as soon as possible. It will help them to provide better phones in lower price and ensure better quality of their products.

We expect Walton will come up with all these initiatives and activities and as our local company we hope someday Walton will be known as the world renowned company.

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