Teaching Note

Onida ‘Candy’-Getting the Marketing Mix Wrong?

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SUMMARY:
The case study “Onida ‘Candy-Getting the Marketing Mix Wrong” tries to find out why Candy, the 14’colour TV from Mirc Electronics, did not perform well in the Indian market. Though Candy was successful initially, when it was launched in May 1999, its sales declined to only 3,500 per month nationally by mid 2001. Analysts attributed the decline to wrong product positioning, and poor product differentiation. Analysts also felt Candy did not effectively promote itself to its target market. They were also of the opinion that Candy was priced too high.

TEACHING OBJECTIVES AND TARGET AUDIENCE:
The case is designed to make the students understand the importance of product positioning, product differentiation and suitable pricing for a newly launched consumer product such as a TV. After reading the case, students should have some idea of the different promotional tools used while launching a TV.

The case is intended for MBA/PGDBM level students as a part of their Marketing curriculum.

TEACHING APPROACH AND STRATEGY:
The case can be used for classroom discussion and for assigning written reports. Before discussing the case, students should be introduced to the concepts of product positioning, product differentiation, promotion and pricing. The faculty can help the students understand these concepts by using examples from the case.

ANALYSIS:

1. The decline in the sale of Candy can be attributed to the following factors:

   - When Candy was launched in May 1999, the growth rate of the color TV market was very high, averaging 25 percent. Mirc Electronics (Mirc) thought that this growth rate would sustain. Instead, the growth rate plummeted to 5 to 6 percent in 2000-2001. Since Candy was positioned in a niche market; it was badly hit.

   - Price is an important issue in the Indian consumer durables market. Indian consumers are price sensitive. They prefer the best product at the lowest price. In the 14-inch CTV market, Candy was priced higher than its competitors; namely, BPL, Aiwa and Samsung. Though consumers preferred Candy in the initial years because of it features and looks, they later on gave more importance to price.

   - Through Candy, Mirc was experimenting with sub-brands. Mirc already had another established brand “Onida” in the 21-inch CTV segment. Though Mirc had communicated Candy to consumers as a brand through hoardings, print advertisements, streamers, it may have failed to communicate the message that Candy is for young people. The consumers might have identified Candy with the more recognizable brand, Onida. In addition, Candy’s promotion campaign lacked interactivity. Some analysts were of the opinion that Candy’s advertising budget was too conservative.
Distributors play a vital role in the success of a newly launched brand. It is the distributors who push a newly launched product to the retail consumers. In the case of Candy, the distributors were reluctant to push Candy to the consumers. They were taken aback by the bright colors of Candy, which they considered gaudy. Color plays a vital role in a consumer product like TV. The preferred colours for TV are either Black or Grey because they match every type of room décor. Candy’s colours—Berry Blue, Mint Green, Lemon Yellow and Cherry Red—were considered gaudy and loud and not in sync with consumer tastes.

Mirc initially planned to position Candy in the lucrative replacement market (replacing black and white TVs with colour TVs) which constituted 25 percent of the CTV market. Candy was also positioned as an additional TV set in the home. But the distributors were more interested in pushing Candy into households that were seeking replacement of their existing black-and-white TVs than promoting it as an additional TV.

Mirc differentiated Candy from its competitors’ products by providing special features like cordless earphones and customized channels. But these features can be easily copied by the competitors. Once copied, Candy would have no differentiating features.

Candy, the 14-inch CTV, targeted only the youth market, which is a niche market. It will be difficult for a company to get high returns if the growth in the market declines or there are too many competitors. Mirc faced precisely this problem with its Candy brand. When market growth declined and there were too many players operating in the 14-inch CTV market, Candy’s sales declined. The other players, however, did not target only the youth market.

To increase the sale of Candy, Mirc Electronics (Mirc) can do the followings:

- **Lower the price of Candy**—As Candy has been launched in an overcrowded market, Mirc should lower the price to penetrate the market. Lowering the price would stimulate volume sales, thus enabling Candy to grab market share and become the leader in the 14-inch CTV market.

- **Mirc should spend more on advertising and sales**—Promotion should be more interactive. Road shows of Candy can be held in different metros and other bigger towns to make people aware of Candy, the CTV of today’s generation. Mirc can also tie-up with MTV and Channel V to project its youthful image. In addition they can associate themselves with youth programs college festivals and cricket matches.

- **Strengthen the distributor network**—To ensure that the distributors promote Candy to the retail customers and have more points of display, Mirc should give higher trader-discounts than its competitors.

- **Along the lines of BPL Gallery, Mirc should open exclusive shops** where all brands of Mirc will be sold. This will reduce Mirc’s dependence on distributors for the sale of Candy. Having its own sales people in these shops will help Mirc inform the consumers of the advantages of Candy.

- **Mirc can also launch Candy in the traditional CTV colors of black and grey** along with the already existing ones.

- **Market research showed that consumers between the ages of 12 and 25 favor personalized products. Mirc can follow a Build-to-Order model for Candy, customizing for individual consumers.**

- **In addition to the existing features, Mirc should also add features, that today’s youth demand, i.e. such as Internet facilities, video games.**

- **Mirc should position Candy as a replacement TV rather than an additional TV.**
By only targeting the youth, Mirc narrowed the scope of Candy. Instead, Candy can also be targeted to other market segments such as middle and lower income groups because the majority of Indian consumers belong to these groups. Candy should be positioned as a TV for Indians, by Indians and should be sold at the lowest price possible.

Mirc can also export Candy to neighboring Indian markets such as Bangladesh, Sri Lanka, Pakistan and Nepal after conducting preliminary market research of consumer behavior in those countries.

Candy was launched when the CTV market was at the mature stage. So it succeeded even though it targeted a niche market—the youth market. But once the market became saturated, the growth rate declined. In addition, the 14-inch CTV market already had many established players such as BPL, Aiwa, Samsung and others. Young people’s tastes change with changing trends. To sustain growth, Mirc will have to understand the behavioral patterns of youth and accordingly add and delete features in Candy. Mirc failed because it did not provide popular features such as video games and Internet facilities. So, though the idea of developing a TV which appealed to young people was good, Mirc failed to appeal to its target customer—the youth.

FEEDBACK:

The case was discussed amongst a group of research associates and faculty members as part of the faculty development program at IBS Center for Management Research (ICMR), Hyderabad, India. Some of the participants felt that Mirc Electronics could not communicate the youthful attributes of Candy. They also felt that pricing was a major barrier in improving the sales of Candy as it was priced higher than the 14 inch CTV offered by the competitors. The company also seemed to have failed in positioning candy. The dealers were not in favour of pushing Candy as an add-on TV as volumes were more in the replacement market.
Additional Readings and References: