Channel Surfing
Client profile: Blue Star

Blue Star is India’s largest central air conditioning companies looking after the cooling needs of large scale corporate and commercial customers. At the time of Vertebrand’s engagement with Blue Star, it had an annual turnover of Rs 2556 Cr, a network of 29 offices, 5 modern manufacturing facilities, 700 dealers and around 2600 employees.

Challenge

For over 50 years Blue Star pursued a direct sales strategy through 4 dealerised divisions, namely PAD (Packaged Air conditioning Systems Division), RAD (Room Air Conditioners Division), RPD (Refrigeration Products Division) and CSD (Cold Storages Division).

The company realized that the independent dealerization program for each division was resulting in channels that lacked direction and smaller divisions getting shortchanged by multi-line dealers. Blue Star approached Vertebrand to assist with revitalizing its channel strategy.

Vertebrand’s mandate was to develop a Channel Operating Model, Norms for classification of Channel Members, Blue Star’s Value Proposition to the Channel, Channel’s Value Proposition to the customer and ultimately a robust Channel strategy.

Solution

Our 360° study of existing distributors, customers and the company revealed that the competitive scenario and Blue Star’s position in each business varied widely as did the internal policies and outlook towards channel in each division. Consequently the market in each division was at a different phase of evolution. We found that apart from the channel, each business required a different mindset and internal competency to succeed.

To overcome this disparity in the evolution phases explained by the ‘Life Cycle’ concept, we recommended a separate Channel Strategy for each phase in the life cycle. It was felt that the organization needed to develop a Channel Architecture of Core Dealers and Extended Dealers.

Instead of continuing with the same exclusive Channel Structure for projects and products businesses, Blue Star could benefit greatly from entering the multi-brand channel for products, in line with the market movement.

Vertebrand realised that many Channel issues that surfaced were mere symptoms of Blue Star’s approach to Channel Management. Going beyond the scope of our assignment, we recommended strategic changes for Blue Star internally. It was important that Blue Star start treating dealers like partners, adopting a business approach that went beyond just achievement of business targets.

Given the independence of each division and their different rates of growth, independent profitability would help each division achieve efficiency, optimising operations of Blue Star as a whole. What we triggered was a complete paradigm shift in Blue Star’s understanding and thereafter treatment of its dealerized divisions, key to sustaining an efficient channel strategy.
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