Q&A

Businesses with smart policies to win crunch battle


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Electronics market has changed. Dealers are inclined towards re-export markets. **Shopping malls have boosted sales of electronics.** Credit cards are the biggest single factor that has changed shopping habits of Dubai consumers

For the electronics market, it has been an upswing growth in the recent past. However, the recent drop in business is not a lasting phenomenon and Deepak Babani, Chief Executive of Eros Group believes that smart business that maintains a prominent presence in the market will come out of this fiscal reality.

—Eros has come a long way and must have witnessed changes in the market and business. Tell us how has Eros evolved over the years to remain an important player in the business of electronics?

—Dynamics of market have changed as most of the dealers were inclined towards re-export markets. All the dealers were counting on markets abroad, especially from North Africa, which was good at the time, but not a very reliable mode of business. We also witnessed that closure of one market was leading to the opening of another market. This was good, for sure, for the market but not reliable for sustaining a trading community. The electronics business, in fact, was not very organised and there was nothing available in the name of service levels as we were catering largely to customers from abroad.

For that reason most of the dealers opened their own outlets and were cashing in on the price difference between the Gulf and Europe. The 1990s lured operators from abroad such as Jacky's and they started the large store concepts where a consumer could see and compare various brands next to each other. These large store concepts were also cashing in on the price difference between the Gulf and the rest of the world and operating on slim margins and large volumes. Overall, it was a very disorganised market with steady income but not very reliable.

—How did shopping malls change the face of shopping and electronics market in particular?

—Organised retail started with the advent of shopping malls. Carrefour was the first store that came into a mall and started stocking electronic goods in shelves right next to groceries.

That was just the beginning and many more stores followed the trend.

The lead to product sophistication giving more options to consumers and providing a better platform for companies. In fact, product sophistication started way back in the early 1990s, but after a short break it was revived with large stores from 1995 onwards.

Adding to this phenomenon was increase in the kind of electronic gadgets that were becoming part of our daily life. When computers became a household product, it was a boom time for the entire industry. Following this was large screen TV sets that were soon replaced by plasma and LCD screens.

This phenomenal increase in electronic gadgets made it almost a necessity to shop for electronics rather than an indulgence.

This change in electronic field made the demands also more local than regional or for re-export.

With electronics increasingly becoming part of our life, people were buying for local consumption and so they asked for service and other options beyond just buying the product at the best possible price.

Starting in 2000 real estate started shaping up and local population increased tremendously. Dubai was no more a community state but in fact had grown into a cosmopolitan city with enough population of its own to sustain its markets with local consumption.

As people were spending millions in their owned houses, they were obviously spending proportionately for their pleasures and comforts also. And electronics took a fair share of the pie.

—Did the consumer in Dubai become more demanding, savvy or increase in his appetite for electronics matching with the growth of the market?

—The credit card was the biggest single factor that changed the shopping habits of consumers and in fact increased their shopping appetite considerably.

Earlier, credit card usage was limited for all the restrictions that it came with. Most shops would not encourage the use of credit cards, while others would ask the shopper to pay for the service charge. Eventually, credit card firm made this mode broadly acceptable and accessible.

The credit card's bargain schemes have boosted sales. We noticed at least 20 per cent increase in business in volume and revenue. The phenomenon started somewhere in 2002 and was at its peak till last year, which was further compounded by the real estate boom.

—With this increase in electronic market and sales figures, was there any change in the attitude and response of principals?

Dubai was initially considered a gap-filling station. Principals would launch the latest range in the United States and then in Europe and in the last in the Middle East. The gap would invariably be anything between six to nine months. Following this business boom, principals reassessed their outlook to the region and gave it the importance it deserved.

Dubai became gateway to the Middle East with the latest in gadgetry available almost the same time in Europe or elsewhere. Their interest in the region also mean more investment in terms of branding, marketing, technical expertise and after-sales services.

—It would have led to a rise in ad spend and marketing communication. How much was this increase?

—The increase was tremendous. Some five to six years ago, marketing expenditure was no more than 2 to 2.5 per cent of the sales figures. Today it is anything between 6 and 8 per cent.

—What's the distribution between the principals and the regional distributors for this market spend?

—The sharing can vary from one principal to another. Some believe in aggressive launch, while others prefer a long-term investment in the region.

Some of them even prefer to link it directly to the sales figures that a local or regional distributor can commit.

Electronics offer a better profit margin compared to electrical appliances so an over all average in electronics business will see marketing spend between 5 and 8 per cent. In the current circumstances also, we have not cut down on our expenses and hope to maintain a steady line of business if not a massive growth.

Interview by Vigyan Arya

Deepak J Babani

CEO, Eros Group

Deepak has been with the group for more than 25 years. He has played a key role in establishing Eros Group as a leading supplier of electronics and digital products in the UAE, Qatar, Bahrain, Oman, Kenya and Tanzania.

He joined Eros as a marketing manager to handle Hitachi in 1981. Prior to joining Eros, he was with the Jumbo Group in the UAE for three years. Before coming to the UAE, he was with Murphy in Mumbai, India.

Babani is an electronics and communications engineer from Manipal Engineering College, Karnataka, India.