



*Case Study: El Araby
– Addressing Market
Share Decline in the
Exhaust Fans
Category*

The Obstacle

Situation Overview:

GfK's data indicated a significant decline in market share for El Araby's exhaust fans in 2024. Despite having sufficient stock available, traders were still demanding additional products. This discrepancy pointed to a gap between reported stock levels and market behavior. El Araby needed to understand why this situation was occurring, especially given their high stock availability.

Key Challenges:

- 1. Stock Misalignment:**
Traders were requesting more products despite already having adequate stock on hand.
- 2. Market Share Decline:**
El Araby's market share was shrinking in the exhaust fans category.
- 3. Consumer Behavior:**
The factors influencing consumers' preference for exhaust fan brands, including El Araby's, were unclear.
- 4. Competition and Pricing:**
Competitors were offering higher profit margins to traders, potentially shifting their loyalty away from El Araby.
- 5. Currency Devaluation:**
The devaluation of the local currency led to price increases, possibly making El Araby's products less attractive to price-sensitive consumers.

The Solution

Field Investigation:

To address the challenges, GfK recommended a detailed field investigation with top traders in the exhaust fans market. This investigation was designed to uncover the underlying reasons for the market share decline and clarify why traders were requesting more products despite existing stock. Key questions for the investigation included:

1. **Trader Demand vs. Stock Availability:** Why are traders demanding more products when they already have stock?
2. **Consumer Preferences:** What factors drive consumers to choose certain brands of exhaust fans? Are these factors related to quality, price, or brand reputation?
3. **Sales Decline Factors:** What are the primary reasons for the decline in Toshiba's sales, and is pricing a major factor?

The field investigation was crucial to identifying the root causes of the issues facing El Araby, including competitive dynamics and consumer behavior shifts.

The Outcome

Key Findings and Actions:

1. **Stock Management Challenges:**
 - **Product Loading Policy:** El Araby's stock management system, which requires retailers to take both SDA (Small Domestic Appliances) and MDA (Major Domestic Appliances)

products together, was leading to high stock levels in certain regions. GfK supported this insight with visual evidence, providing around 30 photos from market stocks that demonstrated the extent of the issue.

- **Overstocking Risks:** The overstocking situation created difficulties for traders, who were reluctant to carry excess inventory, especially when it was not aligned with consumer demand.

2. Competition Impact:

- **Higher Profit Margins from Competitors:** Traders were increasingly promoting competitor brands due to their higher profit margins. This made El Araby products less attractive for them to push, affecting El Araby's market share.
- **Brand Loyalty Erosion:** As traders shifted focus to brands offering better financial incentives, El Araby's market position weakened.

3. Currency Devaluation and Pricing Pressure:

- **Price Increases:** The devaluation of the local currency led to price hikes for El Araby products. This shift made El Araby's products less competitive compared to lower-cost alternatives available in the market.
- **Consumer Switching Behavior:** With rising prices, consumers began opting for more affordable alternatives, causing a decline in El Araby's sales.

4. Consumer Awareness and In-Store Activities:

- **Need for Increased Awareness:** To regain market share, El Araby needed to focus on boosting consumer awareness and improving in-store marketing activities. This could include promotions, demonstrations, and better shelf placement to drive product visibility and reinforce the value proposition of El Araby's exhaust fans.

5. Stock and Pricing Strategy Adjustments:

- **Manage Stock Distribution:** El Araby needed to control high stock levels across regions more effectively to avoid overloading certain areas while ensuring demand in others was met.
- **Re-evaluate Pricing Strategy:** Given the competitive pressure and the price sensitivity of consumers due to currency devaluation, El Araby may need to reconsider its price increases and adjust pricing strategies to align better with the market, ensuring competitiveness.

Key Recommendations for El Araby:

1. **Revisit Stock Management:** Adjust stock distribution and loading policies to ensure stock aligns with demand across regions.
2. **Enhance Consumer Engagement:** Focus on raising consumer awareness through in-store promotions and improved brand visibility to counter the competitive pressure.
3. **Reassess Pricing Strategy:** Reconsider price increases to remain competitive, especially given the market's sensitivity to price changes due to currency fluctuations.
4. **Strengthen Trader Relationships:** Offer more attractive profit margins or incentives to traders to maintain their loyalty and prevent them from switching to competitor brands.

By implementing these strategies, El Araby can address the challenges it faces, improve its market position, and regain market share in the exhaust fans category.

Conclusion

The field investigation provided crucial insights into the underlying causes of El Araby's market share decline in the exhaust fans category. It highlighted several factors, including inventory mismanagement, the competitive landscape, and the impact of local currency devaluation on pricing and consumer behavior.