

‘India is a market for everybody, but nobody knows how to achieve success...’

Matthias Keudel (matthias_keudel@nobilia.de), global sales head, Nobilia (Germany), feels it's advantageous to do business in India. In an exclusive interaction with Kitchen Review, he shares his thoughts on the global kitchen industry, the consolidation that is taking place and of course Nobilia's expansion plans. Excerpts...



Nobilia was founded in 1945. Where does the company stand in terms of global presence and distribution?

Nobilia is a family owned business and will enter its 70th year in 2015. With over 30% market share, we are the numero uno player in the German market. In the other European markets such as Austria, Belgium and France, too, we are among the leading kitchen brands. About 41% of our business is accounted for by exports, and the aim is to increase the number to 50% or more.

While we export to 70 countries, for us most of the business certainly comes from the European markets. Outside Europe, we are very strong in China and the Middle East. We are looking forward to leveraging the Indian market, where we are at a very initial stage.

We have two manufacturing units located in Verl-Surenheide and Verl-Kaunitz, Germany. The combined production area is 215,000sqm with a production capacity of 580,000 kitchens a year. In terms of turnover, the company reached 1 billion Euros last year.

Exporting kitchens to 70 countries would mean that there is a continuous stream of investment. What are the various areas Nobilia spends the most on?

Our investments have primarily been in upgrading our factories in automation, capacity building, and coming up with new designs. As a matter of fact, we invest around 60 million Euros per year in the factory. Marketing is very much local and the investment in this matter is borne by our partners in that country. We support them and provide marketing materials in the form of images, films, etc. Marketing has cultural connotations, and we don't have knowledge how to do marketing in India or China or South America.

What kind of agreement do you have with your local partners?

The agreements that we enter into is country-specific. For instance, in India we have a two-pronged strategy. H&R Johnson, our Indian partner, is coming up with exclusive stores to promote Nobilia. At the same time they also have their own outlets (company-owned and franchisee) – House of Johnson and Johnson Corner – which also promote the Nobilia brand of kitchens. In China too, we have similar arrangements.

Is H&R Johnson your master franchise in India? How is the partnership doing?

You can call it a master franchise, since we are franchising our studio through them. Our partnership has been going well.

Two to three years ago, we tried to integrate German kitchens into Johnson showrooms but it confused the consumers. It's only after learning our lessons the hard way that we focussed on Nobilia studios only. The studios now have a Nobilia branding outside with a clear message that every product in that showroom is imported. And that was a change of strategy we did last year, and it has proved to be very successful. We opened our first showroom in Pune last year.

Can you tell us about your expansion plans? Which countries or geographies are you planning to mark your presence in?

First of all, we are looking to increase our presence in the countries we are already present. India is a big part of it. The greatest argument in favour of India is that it is a democracy, has a stable banking system, and people here can speak English. Hence, it's a big advantage to do business in India. In China, we already have a big presence and this is due to the fact that we have been active in that country for the last 15-20 years.

Certainly there are other markets where we are not present. We have just entered the markets in Russia, Scandinavia and South Africa. A big part of the growth next year will still come from the existing business in Europe. Over the last few years or so, the economy of the countries where we operate, outside of Germany, has been in bad shape. They were majorly affected by the Euro zone crisis. But gradually markets like that of Spain are bouncing back. In the short term, growth will come from there. And in the long run, it has to come from the overseas markets.

Our approach in all the markets that we have presence in has never been that of short term. And the same holds for our new markets to. We do not believe in quick and easy money.

You have a global presence and have been around for a long time. How is the kitchen business faring worldwide?

We feel that globally the kitchen industry is in a consolidation phase. What it means is that the smaller manufacturers are trying to find some niche, and continue to exist or else they will become extinct. Big players like us are growing, but also there are a number of them who are disappearing. If you take the German market for example, there were 400 kitchen manufacturers 10 years ago. Now, there are only 100. And it might be that in the next 10 years, it will come down to only 50. At the same time, the market too is growing with countries developing at a faster rate, people migrating to bigger and better cities and demanding better lifestyle.

The replacement market is also growing because the kitchen is becoming more of a lifestyle element now. It is being integrated into the dining or even living room, where you can invite your friends and cook together.

How do you see the Indian market for modular kitchens?

The Indian market is not very matured; it's rather a young market. The concept of having modular or integrated kitchens is still something new. And part of our job along with Johnson is to build and educate this market. In some luxury pockets in India, maybe modular kitchens have been there for a while now, but in a big part of the country, the kitchens still look very different. They are essentially made out of bricks. Some people have also put wooden shutters in the front. Our kitchens are like all Greek in these sections. But we have to make inroads in these parts, and for that we are not afraid of competition from our Italian and German counterparts.

If we consider ergonomics or general behaviour of cooking, we find a vast difference between the Indian consumer and the European market. Are your products customised as per Indian needs or it's the same as being exported to other markets?

We are supplying the same product across the globe. We don't have any special product for any market. But, we have huge variety in our products – 2,000 different cabinets in 100 different colours, leading to millions of possibilities for building the kitchen. What has changed is the kind of worktops and appliances that you buy for the kitchen. In Europe, we use a lot of laminated worktops. In India, it is much more humid, intense and greasy. That is a big difference.

Indian market is a bit price-sensitive. How have you priced your products to suit this market?

Talking about price, one of the problems of the Indian market is import harassment, which makes the kitchen more expensive. The shipping charge is not that expensive. It costs us the same for driving a truck to Spain or dispatching containers to India. But our idea is to invest and build up the market in the long term. We have given our partner competitive buying rates, so that they can make good offers to the consumer. We are not looking for huge margins and that's basically our strategy.

How do you see competition building up in the Indian kitchen market?

India is a market for everybody but nobody knows how to achieve success. So for us Europeans, it's a huge country, rather a continent. It is complicated to start with. Everybody is there, including our German and Italian counterparts, but nobody has had huge success so far. Competition is certainly there, but

at the same time I believe there is room for everyone.

Would you like to mention any specific learning from the books of your competitors?

We see competing brands in every market. We not only beat them in our home market, but in many other markets, too. We know each other very well. So there is nothing we need to learn from them.

What percentage of your business in the Indian market comes from retail and projects?

Sometimes it is the projects, which account for 80% of the business in a particular year, and sometimes it is merely 30%. On an average it is 50-50.

Are you currently working on any big projects?

We are always working on projects and negotiating on them.

Negotiations are normally done by our local partners. We are only involved in the final phases.

How much lead time do you require for a project supply?

We have a lead time of three weeks from order to production. And then you have to add three more weeks for the order to be exported to India. After that, one week of customs and the time required for transport within India. So, it's basically 2-3 months.

Do you also maintain some kind of inventory in the countries where you supply?

No. It's not possible when you have 2,000 different types of cabinets. However, we have inventory of spare parts.

How much revenue do you expect from India in the coming years?

We have no specific target, but we are looking for constant growth and to find a right partner with whom we can work in the long term in all the major cities in India. We are actually starting from a very low level. What we care about is the quality of our partnership.

How will you differentiate Nobilia kitchens from the rest of the pack?

Our products are being manufactured in Germany, and their high-class quality is a big differentiator. Nobilia has a right package of quality, design and value for money. Nobody can beat us on these aspects.

