

# arctic

## Market

Technology has driven dramatic sales growth in the Romanian market for home appliances, generating relatively rapid development, especially during 2003/2005. Romanian consumers have been keen to respond to technological advances, since they have enjoyed a generally increasing level of disposal income. Relatively low interest rates and easily available credit during recent years have facilitated spending on this particular sector of the market.

The Romanian home appliances market was estimated at 1.5 million units in 2005, out of which refrigerators and washing machines represented the largest segments, with over 400,000 units each.

The Romanian home appliances market is mature and dynamic, both from the producers' point of view, as well as in terms of consumption habits, distribution channels and services. The main players form a compact market, as the top four producers control over 80% of it. The main European players have been present on this market for at least 8-10 years, while prices follow the European trends.

Today, consumers are more and more informed and their expectations are oriented towards multifunctional products that bring both added value (safety, time and energy saving, durability, high technical performance), as well as emotional attributes, such as comfort, life-style, modernity, peace of mind, satisfaction.

Price remains one of the most sensitive elements in the purchasing process, credited with

over 77% importance, followed by brand awareness and loyalty to producer, with 46%. (Source: Synovate Omnibus Study - October 2005). Modern distribution channels hold a 65% market share and are constantly growing. In 2005, the home appliances industry obtained the fifth place in terms of spending on advertising, as a result of their 24% investment growth compared to 2004. (Source: Alfa Cont)

Active on the market since 1968, Arctic has become the market leader of the Romanian home appliances industry, with a market share of 30%, divided between product categories as follows: 45% market share in the refrigerator sector, 19% for washing machines and 20% market share for cooking appliances.

## Achievements

The brand's extension in 2003 is among the most important of Arctic's achievements, which helped the company become leader of the home appliances market. Since then, Arctic has achieved iconic status through its

design and quality. Its products are endowed with well-thought out features that address the needs of specific audiences.

In its history, which spans over 35 years, Arctic has developed, manufactured and marketed a wide range of home appliance products that have changed the way many people live today. Initially starting on the refrigerators market, Arctic has more recently launched new extended range of products (washing machines, kitchen appliances, vacuum cleaners), keeping its promise of the same benefits with regard to quality and price, national distribution, trustable service and three years warranty.

Arctic's extended range of products has targeted the same public as its refrigerators did in the past. The company managed to transform the brand into a young, powerful player, attracting consumers through intense communication campaigns and by respecting its promises.



In September 2004, Arctic launched its TV set range, which marked the company's entrance onto the Romanian electronics market.

In 2005, Arctic sales in Romania exceeded 100 million euros, a record in the history of the company. In the same year, Arctic' turnover increased by 20% against 2004, amounting to 150 million euros. During this period, Arctic's evolution on the external market continued the upward trend of the company, with export sales up 15% on the previous year.

All these results were based on significant investments made in the company's production capacities, totaling ten million euros in 2005. As a result, in 2005, the production capacities expanded by 20% as compared with the previous year.

The Arctic name has been and remains very popular in the minds of Romanian consumers, reflected in their buying preferences. In August 2006, Arctic was found to enjoy the greatest reputation on the home appliances market - 97.4 %, according to a study carried out by the research company Mercury Research.

## History

The Arctic company was founded in 1968, as a refrigerator producer. In 1972, the company achieved its first export, to France. Almost 30 years later, in 1997, the company was privatised and listed on the Bucharest Stock Exchange.

Following upgrades in terms of technology and equipment, Arctic began to adapt itself to a market that was already being disputed by more and more competitors.

In 2002, the Turkish group Arçelik A.S. purchased the majority stake in the firm. Arçelik A.S. is the largest and most prestigious corporation in the home appliances sector in Turkey, with over 50 years of experience in the field. The company's turnover amounted to 3.1 billion euros in 2005, propelling the company into position as one of the top three European producers of home appliances.

Before its takeover by Arçelik, Arctic was already facing a complex reconstruction process, which involved a shift from production oriented organization to market and consumer oriented structures. After the takeover, Arctic's evolution was dynamic and the brand's perception significantly improved due to new communication campaigns targeting the rejuvenation of the brand. Specialists chose to follow a much more aggressive strategy in order to target younger consumers. Changing elements associated with the brand gave rise to real, positive results.

As of 2003, the Arctic brand meant more than refrigerators, since the company decided to expand its range with a number of new products: washing machines, gas-cookers and vacuum cleaners. Following this launch, Arctic became the market leader, with 30% market share.

On March 4<sup>th</sup> 2004, Arctic inaugurated a new manufacturing line. The production capacity increased from 440,000 units in 2003, to 900,000 units in 2005. Production growth was determined by the expansion of the external markets. Arctic currently exports to 30 countries, such as France, UK, Poland, Germany, Spain, and a number of East European countries.

In 2004, the company adopted a system of modern production management: Total Productive Maintenance (TPM), implemented in cooperation with Japanese specialists. At the same time, the Six Sigma management program was introduced, in order to increase efficiency and reduce costs.

Arçelik investments amounted to 25 million euros during the first three years after the take-over of Arctic and, as a result, all indicators tripled. Each year, Arçelik invests 1.1% of its turnover in research and development.

Today, Arctic is one of the most important private companies on the Romanian market. The company is part of the Arçelik A.S. Corporation, a member of Koç Holding, consisting of 118 companies, with 87,000 employees and 12,000 dealers. Koç Holding assumes international standards within the business sector and embraces a corporate social responsibility policy, environmental protection, consumer satisfaction and a human resources strategy.

## Product

Arctic boasts a wide range of home appliances and addresses two categories of consumers: price oriented and facility oriented.

Arctic currently targets modern consumers looking for quality and trustable products, covered under the

35-year expertise warranty. Arctic addresses consumers who want user-friendly and energy-saving products, implementing modern design and new technology.

Overall, Arctic offers the best quality/price ratio, a national service network, extended warranty and the largest range of A+ products well adapted to respond to the preferences of the Romanian consumers. At present, there are 80 products within the Arctic range, including different types of refrigerators, washing machines, cookers, vacuum cleaners and TV sets, among others.

Arctic moreover holds a national service network with a high level of experience at all major home appliance categories. The Arçelik corporation is one of the leading European home appliance producers, a continual guarantee of the high quality of such products.

## Recent Developments

Diffusion is the latest product range launched by Arctic on the Romanian market, the first one to offer unitary design and superior technology at a competitive price.

The Diffusion range includes the Arctic combi refrigeration tower (standing 2m tall), the Arctic washing machine with 1400 rotations/min and six Kg wash load, the Arctic cooker with wok burner, and the Arctic picture-in-picture TV. All these products come in the same design line, with superior finishing and premium technical features.

## Promotion

In June 2006, Arctic launched its new communication campaign under the slogan, "Believe in you". Through its key messages and execution methods, this new campaign addresses young, active people, determined to follow and achieve their ambitious dreams.

The communication strategy targets young consumers. The main objective is to rejuvenate, to introduce a breath of fresh air and modernize the image of the Arctic brand. The new communication campaign represents the



beginning of a new approach: Arctic aims to switch positions, from being an accessible white goods supplier, to a reliable partner for personal development.

Arctic chose the "Believe in you" concept because, through the mature voice of the home appliances market leader in Romania, there exists a brand that encourages initiative and believes in the power of each of us to follow and accomplish our dreams.

## Brand Values

For Romanians, Arctic is a powerful and mature brand, which understands their needs, their aspirations and their way of life. That's why most of the Romanian people's values are the same as Arctic values. Family, comfort, well-being, confidence in the future and ambition are the values of a brand that speaks the Romanians' language, encourages initiative and believes in everyone's power to follow and accomplish their dreams.

## www.arctic.ro

### THINGS YOU DIDN'T KNOW ABOUT

#### arctic

- > One Arctic product is sold every minute in Romania
- > 80% of Romanian families have at least one Arctic product
- > In 2005, Arctic celebrated 35 years of activity on the Romanian market, and the anniversary was marked by the production of the twelve millionth Arctic refrigerator
- > The twelve million refrigerators produced so far at the Găești plant, placed end to end, would stretch between Bucharest and New York
- > The average age of an Arctic employee is 35 years old
- > The Arctic plant in Găești is the only one in Romania that uses the TPM (Total Productive Management) system, which is used by many other powerful companies in the world

