



Case Study

# Introducing the New Product Alwan in the Egyptian Market

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Received date: 3 July 2015; Accepted date: 22 October 2015; Published date: 30 November 2015

Academic Editor: Olivia Tan Swee Leng

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## Abstract

In June 2013, Walid Helal, the chief executive officer of Helal Group, a leading petrochemicals manufacturer in Egypt, was discussing the company's performance with his brother Khaled Helal, the chairman. "Our market share is declining," indicated Walid, "we need to study the situation carefully," he added. "Competition is getting very fierce, not only from local competitors but from international competitors as well," explained Khaled. Although the company has been witnessing tremendous growth in sales and profits over the past years, it started to face some difficulties in competing with international companies. "Our international competitors produce very high quality products, with innovative designs, but with much higher prices," added Khaled. Since its introduction in the Egyptian market in 1961, Helal Group was producing a variety of high quality products with reasonable prices. This attracted many customers in the Egyptian market and soon the Helal brand name became popular in Egypt. The company targeted B and C social classes who were more price sensitive. "Upper class customers perceived Helal Group products as low quality due to their low prices, and accordingly bought expensive imported products" explained Walid. After a lot of discussions, Khaled and Walid decided to introduce a new product line "Alwan" to target upper class customers. In order to do so, Walid had many issues to consider: Should Alwan be introduced under Helal Group brand name or as a separate brand? How much should Alwan products be priced? Which marketing strategy should the company use? Should Alwan follow the same strategy as Helal Group products?

**Keywords:** brand, Alwan, introduction, Egypt

## Introduction

The petrochemical sector in Egypt was considered very promising. In 2008, the petrochemical sector represented 12% of

Egypt's total industrial production and was worth around US\$ 7 billion. Although the petrochemical industry is only equivalent to 3% of Egypt's GDP, experts believe that the industry has huge potential in the

future. By 2020, the petrochemical sector is expected to bring in US\$ 7 billion in annual revenue and create around 100,000 new jobs. Egypt produces a wide variety of petrochemical products such as plastics, fertilizers and acrylics. Moreover Egypt's exports of organic and inorganic chemicals, carbon and fertilizer increased from US\$ 443.5 million in 2004/05 to US\$ 679.2 million in 2006/07. The government aims to boost petrochemicals exports to reach a total of US\$ 1.7 billion annually.

### **Background of Helal Group**

Mr. Amin Helal was a small retailer selling plastic cleaning products in Cairo. His dream was to create a high quality Egyptian brand that would be part of every household. Accordingly, in 1961, he decided to start-up his own business of manufacturing and selling brooms and other plastic cleaning products. He produced handmade whisk brooms and sold them to local companies as well as government organizations. Through the years, he became one of the most recognized and respected names in the local trading community of handmade whisk brooms. By the end of the year, Mr. Amin entered a new market and exported his brooms to Saudi Arabia.

In 1979, Salem Helal, Amin's oldest son who used to help him in operating the retail store, decided to import brushes from Italy to sell them in the Egyptian local market. Salem recognized a great opportunity to manufacture and sell brooms and household cleaning products in Egypt since all of these products were imported. Accordingly Mr. Amin Helal decided to grasp this opportunity and establish his own company. In order to produce high quality products, Mr. Amin Helal decided to import the best plastics and machinery from Italy. He sent one of his sons, Walid, to Italy to understand and learn the know-how of operating the machines. Walid was the youngest son of Mr. Amin Helal who used to help him together with his brothers in operating their small retail shop. Walid traveled to Italy through the government's youth

program, where he used to attend school in the morning and the workshop at night.

After three months of extensive training by Italian experts, Walid returned to Egypt. In 1981, Mr. Amin Helal and his son Salem established the first factory for manufacturing brooms, followed by another factory in 1986. Salem had great insights and knowledge of the Egyptian market and in 1993 he established El Helal & Golden Star Group. After finishing his school, Walid studied engineering for two years before he had to drop out of college as he was preoccupied with working at the factory. Accordingly, he joined the Management school and enrolled in a program that required attendance only during exams. After graduation, Mr. Amin Helal died and Walid became the vice-Chairman of Helal Group. Walid increased the product range from cleaning products to all plastic household products.

Helal Group became a leading brand in Egypt due to its reputation of having reasonable high quality plastics at competitive prices. In 1997, the company received the ISO 9000 certificate for quality and management. Within the following 10 years, Helal Group opened office branches and factories in the UAE and Saudi Arabia. The company also created partnerships in Italy, Spain, Sweden, the US and the Middle East. Walid Helal joined the petro-chemical exporting council for many years and in 2010 he became the president. In 2011, Walid and his brothers decided to split the company whereby Walid and Khaled own and co-manage half of the company and their older brother, Salem, owns and manages the other half. After the revolution in Jan 2011, Walid founded the Egyptian producers' association council. The aim of this council is to bring together the biggest Egyptian producers to discuss and implement strategies to save Egyptian products and help small businesses start-up.

Since its establishment in 1961, Helal Group has been expanding its products range and presence in the Egyptian market. Currently Helal Group is ranked among the Middle East's leading petrochemicals

manufacturers. With a labor force of over 1500 individuals, Helal Star Group has managed to expand its operations throughout Africa, the Middle East and Europe. The Company exports to over 35 countries worldwide and supplies 30 private label brands all over the world. The company has 13 factories that produce a wide range of household products. The company expanded into international markets by exporting to nations in Europe, Africa and the Middle East, as well as opening factories in Saudi Arabia, United Arab Emirates, Yemen and Ethiopia. Helal Group is the biggest brand name in Egypt and the Middle East in the manufacturing of household products. The company strives to become exceptional in every product line it has and to build strong reliable relationships with all the enterprises it works with. Currently, the company is targeting B and C social classes and has 33% market share in the Egyptian market. The company's main objective is to ensure that any product that carries the name and logo of El Helal & Golden Star guarantees quality and trust. Currently the chief executive officer of the company is Walid Helal and the chairman is Khaled Helal. The Helal brothers continue to work on the footsteps of Mr. Amin Helal, founder of the company, by sharing their expertise to further expand and develop Helal Group.

### **Mission and Goals**

The company's mission is to manufacture good quality products for households and other businesses at reasonable prices to satisfy and meet the needs of customers. Helal Group has different goals that it aims to achieve, these include: raising brand awareness, becoming a leading producer of household products in the Arab world, and increasing customers' satisfaction. The company also aims at increasing its market share through expanding to new markets and through expanding the local market for household products. Helal Group strives to maintain good relationship with its stakeholders locally and internationally and to develop an internal culture of learning to increase efficiency.

Moreover, the company's values are to provide economically sound business opportunities for its members, practice high ethical business standards and respect and protect the environment. Helal Group seeks to produce good quality products that are safe for consumers and to meet the changing needs and desires of consumers.

### **Products**

Helal Group specializes in the production of a wide range of plastic household products including brushes, squeegees, buckets, ropes and mops. The company also produces plastic chairs and tables, plastic plant pots, aluminum pots, nonstick cookware, as well as other household products. Helal Group also produces cardboard packaging boxes and rubber. The top three products in terms of sales in the Egyptian market are: broomsticks, plastic buckets and the 'jumbo chair'.

Helal Group aims to employ the most efficient and advanced production methods by continuously investing in the latest Italian machinery and production lines. The company controls most of the supply chain where it produces most of the components of its final products. This provides the company with a degree of flexibility to tailor its products to customers' needs. Helal Group could tailor specific product components, production time, or packing specifications to its customers' desires.

The company's products are of high quality due to the durable raw materials used and the updated technology implemented in the production process. Moreover, controlling the supply chain, not depending a lot on outsourcing, allowed the company to have higher control over the quality of raw materials used. It also allowed the company to tailor the quality of the products to the price range that customers are willing to pay. Helal Group sells similar products in the local and the international markets, which allows the company to cover the needs of both markets with the same products. Finally, Helal Group has its own distribution network consisting of

company owned trucks to ensure prompt delivery of its products.

### **Brand name**

For many years, Helal Group brand name became very popular in the Egyptian market. Accordingly customers perceive Helal products as good quality products with reasonable prices. The well-known brand name of the company increased its sales and built a large number of loyal customers. Therefore, all of Helal Group products have the company's logo and brand name "Helal and Golden Star."

### **Innovative Products**

The company continuously develops its products to satisfy its customers and gain market share. Through one of his international trips, Walid Helal saw a small factory producing cleaning products with printed patterns on a small scale. After returning to Egypt, Walid Helal studied this innovative idea and started evaluating the possibility of implementing it on the company's products. After a year of experimentation, Walid was able to manufacture products with printed patterns using equipment developed in Helal Group and on a very large scale. These new designs attracted customers and increased the company's sales.

### **Distribution**

Helal Group transports its products through the company's trucks which ensure the prompt delivery of the products. The company distributes its products through different channels including its own stores, wholesalers, and retailers.

Helal Group imports its raw materials from established organizations to ensure the good quality of the final products. The suppliers provide the company with "Virgin Plastic" which is required to produce different products. Helal Group consumes 300 tons of virgin plastic a week, while its storage capacity is 500 tons. Delays in the delivery of the raw material can disrupt the production process. Another challenge that Helal Group faces in the supply chain management is related to

the delivery of the final products. Due to the unstable political environment in Egypt, many retailers face security issues. These retailers buy a small amount of products as they fear robbery, a matter that caused cash flow problems to Helal Group. Moreover, the unstable political conditions in Egypt forced many suppliers abroad to collect the full amount of money from Helal Group before the raw materials arrive. This increased production costs and added financial burdens on the company. Similarly, the devaluation of the Egyptian currency increased the costs of imported raw materials which increased Helal Group's costs.

The company is continuously promoting the "attention to details" culture across its employees to be able to produce good quality products. Walid always monitors the manufacturing process and conducts many onsite visits to motivate employees and ensure that the production process is smooth. Helal Group conducts strict quality control on its products to ensure that its customers are satisfied with the quality and price of the final product. Any dissatisfaction at the consumers' side could negatively affect the company's sales and profits.

### **Organization**

Most of the decision making is centralized at the top management level where Walid and his brother Khaled make all decisions. The company's branches in the UAE and SA have limited autonomy in the decision making process and the management is centralized in Egypt. However, in 2012, Walid and Khaled were overburdened with small managerial issues. Accordingly they developed a strategic plan to decentralize the decision making process through developing business units. Walid and Khaled started delegating decisions to managers in order to have time for unstructured strategic decisions.

### **Employees**

Employees are considered the main asset of the company. Accordingly, they are provided with continuous trainings to improve their skills and increase their

productivity. Employees are encouraged to work in groups and to follow the code of ethics. Recently, Walid started developing cross functional teams where employees from different departments meet every month to discuss their challenges and share experiences.

Although the employees are skilled, there is no clear job description for each employee. Some employees work at all stages of the manufacturing process and their absence does affect the production process. Accordingly, Walid implemented job specialization and developed a clear job description for each employee in the company. In 2011, after the revolution, the employees at Helal Group organized a strike and closed down the Helal factories which stopped the production process completely. Since the Egyptian employment law does not protect the owner of a business from any actions taken by workers, Helal Group's manufacturing process remained closed until the employees finally decided to stop their strike.

### **Social Responsibility**

Helal Group participates in different social responsibility activities as a way to give back to the community. One of these activities is recycling where the company owns a recycling factory that collects used plastic bottles and bags and recycles them into fiber hairs that are used in manufacturing brushes. Moreover, in 2010, the company launched a recycling awareness campaign encouraging people to return all used Helal Group plastic products back to the store in return for 1 L.E per item. The campaign was very successful as Helal Group was able to recycle many used plastics.

Internally, Helal Group recycles all of the papers and plastics it consumes. The garbage bins used in company premises are separated into "paper", "plastics" and "other". Moreover, defected products are separated and transferred to the recycling plant where they are recycled into plastic granules or fiber to be reused in production. In trade fairs, all Helal Group

samples are packed in environment friendly recyclable paper bags.

In Feb 2011, after the revolution, El Helal Star group sponsored many "Street-Cleaning" events, where free brooms, brushes and dustpans were donated to various NGO's, such as "Nazaf Baladak" to support their event.

### **Helal's Competitors**

Helal Group faces high competition in the local as well as the international markets. Locally, the plastic industry is dominated by three main players; Helal Group, Khorshid Co and Medstar Al-Wataniya. Helal Group holds the largest share which is 33%, followed by Khorshid Co with a 25% market share and finally Medstar Al-Wataniya with an 18% market share

### **Khorshid**

Khorshid is an Egyptian company that was founded in 1975 in Alexandria. The company produces more than 1500 different plastic products for household use such as chairs, tables, baskets and plastic boxes. Khorshid uses quality raw materials that attract customers to buy its products. Currently the company has 25% market share in the local market and in 2008 it became ISO certified. The success of Khorshid products encouraged the company to export in various Arab, African and European markets.

### **Medstar Al-Wataniya**

In 1976, Engineer Moussa and Farag founded Medstar Al-Wataniya Group. In a short period of time, Medstar became one the leading plastic manufacturers in the Middle East. The company owns three factories that manufacture different products such as house ware, catering, kitchen and storage products. The company started by a 1000 meter square factory and in 1988, a 6000 meter square factory was built. In 2002, the company built on its success and opened a large factory, 17000 meter square that produces a variety of plastic products. The company also has large warehouses for storage. Currently, the company is managed by a

young dynamic team that aims at exceeding the expectations of its clients. The company's mission is to create successful partnership with its customers by "bringing comfort and quality in to them."

### **Imitators**

Other competitors that highly impact Helal Group are imitators. These imitators copy the Helal Group logo and packaging and distribute their products in small towns outside Cairo, ensuring consumers that these products are produced by Helal. Most of these competitors produce very low quality products and sell them under the Helal Group brand name as it is well-known in the market. Accordingly, Helal Group's reputation was negatively affected as customers were not satisfied with the copied products.

Helal Group also faces competition from international companies. The two main competitors are Koziol and Zak.

### **Koziol**

Koziol is a German company established by Stephan Koziol in 1972. The company produces over 300 products in more than 10 colors and is available in 40 international trade fairs every year. All of Koziol's products are made in Germany and are manufactured using ecologically generated electricity. The company's mission is to incorporate art and design in their products. "Koziol art is hands-on art that will always lend a helping hand." The company focuses on arts as its founder, Stephan, was originally a sculptor. Currently the company has over 3,000 retailers and dealers in 50 countries. Koziol is socially responsible as it believes in sustainability, recycled products, renewable energy as well as supporting many charities.

### **Zak**

Zak, another international competitor, was established in the United States in 1976 by a young entrepreneur called Zakheim. Initially, the company was focusing on a specific niche market where it used to

manufacture children's dinnerware. Zak focused on manufacturing products with Disney characters and creative colors and designs to attract children. The company's success in the children dinnerware market encouraged Zakheim to expand to the new market of house ware products. Since then, Zak products became well known in the market and the company has been growing. Although Zak has no retail outlets in Egypt, the company sells its products through Egyptian retailers. Currently, Zak became a well known and trusted brand name for high quality products among Egyptian consumers, especially upper class.

### **Introducing Alwan**

Although Helal Group has been witnessing an increase in sales and profits, the company lost market share in the upper class market. The upper class market perceived Helal products as low quality and less durable. This market preferred to buy imported products with higher quality and more variety in terms of designs and colors. Although the imported products were more expensive than Helal's, upper class customers were willing to pay more for higher quality products. Therefore, Helal group found a great opportunity in this market and planned on targeting it.

### **Brand Image and Perception**

Helal Group faced challenges to be able to target this market. The main challenge was to change customers' perception about Helal's products. Walid Helal decided to introduce a new product line, Alwan, which would be targeted to upper class customers. Alwan products will be produced with the latest technology to ensure the quality of the final products. Moreover, additional monitoring and inspection will be required to guarantee the best quality for Alwan products. Through introducing high quality products under a different brand name, Alwan, Walid hopes to attract market share in the upscale market and position Alwan as a high quality Egyptian brand that can compete with international ones.

## Logo

Helal Group decided to introduce a new logo for Alwan products. The logo was designed to reflect the high quality of Alwan products and to position the brand as a top brand for upper class customers. The logo is colorful to reflect the name "Alwan" and to indicate the designs and patterns of the Alwan products. Although Walid Helal settled on the logo of Alwan, he has not yet made up his mind on whether to add Helal Group logo to Alwan products or not.

## Alwan Products

Alwan is aimed to compete with the imported products available in the Egyptian market. These competitors offer high quality products with a variety of colorful designs, shapes and sizes. The products are also considered durable and that is why upper class customers prefer them over Egyptian brands. Accordingly, Alwan products will be introduced with different designs and patterns to attract upper class customers. Moreover, the high quality and durability of Alwan products will allow Helal Group to increase its market share and be able to compete with imported brands.

Alwan products will be targeted toward females, housewives, mothers, workingwomen and housekeepers. The company will be targeting the age bracket of 25 and above who are A class. To be able to reach its target market, Walid was considering different outlets to distribute Alwan products. Unlike other Helal Group products, Walid was considering high end outlets located in upscale areas in Cairo to sell Alwan products. Making the product available in these stores would position Alwan as a high quality product and would encourage customers to try it.

Since the upper class customers are not price sensitive, Walid was planning to set higher prices for Alwan products compared to other Helal Group products and to position them differently. This positioning will rest on higher quality and a unique selling proposition. "Setting higher prices for Alwan will not affect customers buying

patterns, but will allow us to position Alwan as a high quality product," indicated Walid. "The imported products are charged much higher than Helal Group products but customers still buy them due to their high quality and durability," added Walid. Accordingly, Walid was planning to price Alwan higher than the other Helal Group products.

## Alwan's Competitors

One of the main competitors of Alwan is the German brand Vileda. Vileda brand is manufactured and distributed by Freudenberg Household Products (FHP), a worldwide company that sells Vileda products in 39 countries. Since its introduction in 1948, Vileda aimed at making housework easier and delivering superior services to its customers. The company offers branded mechanical household products, which make the daily work of consumers more efficient. FHP is continuously upgrading its products' performance and durability to satisfy the changing consumer needs. The company's long term goal is to achieve a position for its brands in terms of profitability and market share. FHP produces its products using clean energy and is always focusing on sustainability. Vileda is committed to creating high quality household cleaning products designed to save customers' time so that they can enjoy more things in life.

Other international competitors to Alwan are Zak and Koziol. As mentioned earlier, they both sell high quality products with a variety of designs.

## Conclusion

### Helal Moving Forward: Challenges Ahead

The Egyptian economy has been witnessing many changes since the revolution in Jan 2011. Political and economic instability has affected many companies in Egypt and decreased demand for some products. "We saw many businesses shut-down or relocate outside Egypt due to the current situation in the country," mentioned Walid. Despite the instability that the country has been witnessing, Helal Group was able to

make substantial profits in 2012. "We insisted on succeeding," explained Walid. "The challenges that Egypt faced didn't stop us because we did not allow it to," he added.

However, despite its success, Helal Group has been facing many challenges. The high competition especially from international companies decreased the company's market share in the Egyptian market. Moreover, Helal Group became unable to compete for shelf space with imported products in super markets. Despite these challenges, there are several opportunities that lie ahead of Helal Group. The development of the new technology and techniques such as "water transfer" enabled the company to produce high quality products similar to the ones offered by the competitors. Moreover, there is an increase in demand for plastic products from upper class families due to the large number of summer houses being built. These upper class customers are willing to pay more for higher quality products and thus buy imported products.

To overcome these challenges and grasp different opportunities available in the

market, Helal Group decided to introduce the new product line "Alwan". The aim of launching Alwan collection is to attract upper class customers, increase market share and compete with international companies. Although the decision was made, Walid had many issues to consider before introducing Alwan to the market. Will Alwan be introduced under Helal Group brand name or as a separate brand? How much should Alwan products be priced? What marketing strategy should the company use? Should Alwan follow the same strategy as Helal Group products? Where should Alwan be distributed? Should Walid make additional changes to Alwan products to appeal to upper class customers?

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