

FAGOR Electrical Appliances: Best-practice from a Corporate

Fagor Electrical Appliances



Location: Mondragón, Guipúzcoa, Spain

Website: www.fagor.com

Company Profile:

Formed in 1956, Fagor Electrical Appliances is now Europe's fifth largest manufacturer, and a market leader in Spain and France.

Company activity is focused on the development and manufacture of electrical appliances, including fridges, washing machines, hobs, ovens, dishwashers, boilers and mini-appliances. Its products are marketed more than 130 countries worldwide, with an average production of 8 million electrical appliances per year, a turnover of €1,498 million, more than 10,000 employees and a market share in Europe of around 6%.

New washing machines incorporate innovative technologies

The new generation of washing machines (commercially available from 2010) has significantly reduced water, energy and detergent consumption as a result of shorter and enhanced washing programmes. Technology improvements include:

- A dosage system that uses conductivity sensors to automatically optimise detergent consumption, depending on the selected programme and the clothing load.
- Automatic detergent dosage with an optimum usage of just 3,5 litres over 3 months (providing savings of approximately €45 per year).
- A system allowing easy viewing of the detergent storage-tank and thus ready access to the level of detergent remaining.



Top of the range washing machine with automatic detergent dosage

Technology Value

Research and development is of prime importance to Fagor, and the company carefully **defines its research lines** prior to initiating R&D of any new product. This begins with a **market overview**, analysing consumer behaviour, purchasing habits and current needs, followed by analysis of their potential **competitors**, including current product development and financial status. This allows new product propositions to be developed that deliver **unsatisfied user demands**.

Fagor patents all of its developed technologies and the technical data of the resulting products/technologies are strictly confidential.

Value Proposition

In terms of value proposition, Fagor emphasises the financial, environmental and social benefits of their products, and are particularly focused on anticipating and pre-empting regulatory changes and market demand, for example for products with improved energy performance. The technological features of their latest generation of washing machines include:

- reduced electrical consumption, via improvements in washing programmes
- reduced water consumption, via reuse of some of the water from the previous cycle
- shorter washing programmes and a reduction in the quantity of detergent used

Key Activities

Fagor's highly successful business strategy is based on the following three pillars:

- **Innovation:** Fagor has a total of 360 people devoted to innovation and investment in innovation of €41 million per annum. Manufacturing of innovative systems is an important differentiator for the brand. As described above, research into new products is carried out following close analysis of competitor products, in order to ensure that product development remains ahead of the competition. The success of newly launched products is also closely monitored.
- **Internationalisation:** Fagor handles and markets its products in all five continents through eleven different brands. Such brand variety helps to meet the demands and requirements of different users in different cultures, and maintains novelty. In addition, the company develops international alliances, for example in Russia and China, to undertake further R&D and marketing. Fagor also maintains product diversity, with a very wider range of electrical appliances and household equipment in different business areas: refrigeration, washing, cooking, dishwashers, air conditioning, mini-appliances, and kitchen furniture and advance household systems.
- **Sustainability:** Fagor ensures that products are designed using Life Cycle Assessment (LCA) tools, from the selection of materials, to production processes, logistics, utilisation and recycling.

Key Partners

Fagor Hometek division, an agency of the Basque Science, Technology and Innovation Network, acts as the **R&D division of Fagor Electrical Appliances**, promoting and channelling the product and services innovation activities.

Fagor Hometek integrates product ideas provided by Fagor designers with technical solutions derived from R&D activity to provide a final solution that is both attractive to users and technically viable. This allows the company to maintain its competitiveness in the traditional and mature electronic appliances market.

Customer relations

Fagor has a strong emphasis on **customer care**: for example, offering a free 5 year parts and labour guarantee on selected products. A service call may involve an appointment with an **approved Fagor engineer**.

Fagor has specialised in providing innovative products and services that cater for customer's growing requirements and expectations. In order to do this, Fagor has upheld the concept of **proximity and transparency** through the implementation of new projects that bring the company closer to the market and to customers, and providing them with comprehensive solutions.

Fagor is also mindful of the need to provide clear and supportive **user** instructions in order to bring about a change in attitude and behaviour regarding energy use. The user handbooks provide a detailed description of how to make efficient use of the appliances.

Channels to market

At a national level, Fagor has a **broad marketing network** for each product line, with different offices corresponding to different geographic zones. In addition, the company has a technical assistance service that also covers the whole of Spain.

Internationally, Fagor Electrical Appliances has an **extensive network of commercial subsidiaries** that cover the five continents, with branches in numerous countries including Switzerland, Denmark, Poland, the Czech Republic, Hungary, the United Kingdom, Slovakia, Ireland, Dubai, Italy, France, Germany, Spain, Portugal, the Netherlands, the USA, Malaysia, Russia, Singapore China, Thailand, Morocco, etc.

In particular, Fagor excels at marketing new products with **differentiated features and adapting them to market demand within each territory**. At the launch of a new product Fagor initiates a **detailed marketing campaign aimed at specific market niches** usually highlighting environmental and innovative features of the product.

Fagor also places a strong emphasis on its **positive CSR and environmental image**:

- All of its production plants are **ISO 14001 certified**.
- The **management model** (considered to be a differentiating feature) is focused on people: customers, partners, suppliers, employees and society at large. As a result people are the company's true assets and the cornerstone of the Management Model. They are a multicultural group, cooperating closely as a team. In accordance with their social responsibility commitment, this business approach is applied to all their production plants and subsidiaries.
- **Transparency** is the mainstay of Fagor's management: the company relies on employees' active participation - encouraged and channelled through forums in which they are invited to discuss decisions, strategies, goals, complaints and other aspects of the company.

Overall, the company's approach which combines a strong understanding of and ability to anticipate market demand with operational transparency results in the agility and flexibility needed to **provide their customers with real solutions**.