



Aiming for Greater Market Share in Eco-Conscious Australia

Through Development of High-Performance Air Conditioners Meeting Local Demands



Based in Sydney and with locations in Melbourne and other areas throughout the country, MHIAA supplies commercial and residential-use air-conditioner products.

Worldwide, tighter regulations on electrical products are being enacted as part of efforts to combat global warming. One direct result is that inverters — devices that control a motor's rotational speed as a way to achieve more efficient power consumption — are attracting greater attention in the current market for air conditioners. Although their use today is nearly universal in Japan, inverter usage of all air-conditioning units in Europe remains below 50% and is virtually nonexistent in the U.S. Australia is an exception, however, with more than 90% of air conditioners sold domestically incorporating inverters.

Australia's Market Driven by Strong Demand for Green Technologies

Australia has one of the world's most beautiful natural environments and is home to myriad indigenous species. To protect this rich environment, more than 10% of the country's territory is administered as national parks and nature reserves, and strict quarantine procedures are in place at airports to protect the ecosystem. In addition, many people are involved in tourist-related industries, including eco-tourism, which capitalize on nature as a resource. As a result, Australians manifest extremely high environmental awareness in their daily lives. At the national level, the government has set a

goal of reducing greenhouse gas emissions to 60% of their 2000 level by 2050, and it is asking for the cooperation also of ordinary households. As the trend toward household energy conservation grows, attention is turning to the relative performance of air conditioners in terms of energy savings.

Against this background, MHI has designated Australia as one of the most important countries in its global strategy for its air-conditioner business. Under the leadership of its local subsidiary, Mitsubishi Heavy Industries Air-conditioners Australia (MHIAA)*, major advances are being made in product planning and marketing, enabling solid growth in sales every year.

Australia currently has strict minimum energy performance standards (MEPS) in place for air

conditioners and other electrical appliances, and demand for highly energy-efficient air conditioners is increasing annually. Inverter air conditioners meet these standards and play a leading role in the market, with products from technologically superior Japanese air-conditioner manufacturers proving especially popular. Most notably, MHI has applied its jet engine airflow analysis technology, originally developed for aircraft, to create unique air conditioners designed to deliver enhanced airflow performance, and these have been well received. These designed-in-Japan products are manufactured and supplied by Mitsubishi Heavy Industries—Mahajak Air Conditioners (MACO), a joint venture based in Thailand. Reliance on this JV provides added price-competitiveness to the high-performance, energy-saving air conditioners originally created for the Japanese market. It is symbolic of how MHI is setting in place a supply system capable of offering globally responsive models for worldwide markets including Australia, Europe, and Asian countries.

* A local subsidiary headquartered in Sydney. In 1999, direct sales were initiated through Mitsubishi Heavy Industries Australia (MHIAU), a wholly owned MHI subsidiary. In 2008, the air conditioner division was spun off and established as the separate entity MHIAA. MHIAA undertakes locally rooted sales promotion and customer development by offering innovative new products that reflect Australia's needs and incorporate MHI's rich experience in countries around the world.

Meeting Diverse Market Needs with Locally Targeted Products

Simultaneous with its development of inverter air conditioners for global markets, MHI is also developing and launching products specifically targeted at responding to local market needs.

The average size of a room in Australian homes is larger than the average in Europe or Japan. As a result, large wall-mounted air conditioners with good heating and cooling capabilities are preferred. Furthermore, in line with Australian architectural styles, demand is growing for duct-connected air conditioners in which the indoor units are installed above room ceilings.

In developing products tailored for this Australian market, MHIAA and product planning staff and design engineers from Japan inspected local houses and, gathering feedback directly from sales agents and installation engineers, considered product concepts matching all these requirements. Taking all perspectives into view, this market intelligence is being applied to product development.

Market development initiatives are also under way promoting adoption of multi split-system air conditioners that incorporate three to four indoor units controlled by one outdoor unit, for residential use in high-rise condominiums and apartment complexes. The idea for this product

came from the European market, which tends to value preservation of the external appearance of buildings and limits installation space for outdoor units; but with the accelerating construction of condominiums in Australia, its popularity in this market is also growing.

In these ways, by gathering information on local needs, creating products to meet them, and then marketing those products internationally, MHI is forging a structure for expanding global markets for new products that incorporate innovative new technologies and ideas.

Sales Network Expanding Through Collaboration with Actrol, the Domestic Leader

In conjunction with these business activities, in 2003 MHIAA entered a partnership with Actrol, Australia's largest independent wholesaler of air-conditioning and refrigeration equipment and parts. Actrol handles all piping materials, refrigerants and accessories vital to installation not only of air conditioners but other types of equipment as well, all backed by an extensive domestic sales network. Complementing its broad range of products is the company's broad customer base, and Actrol strives to provide high-quality solutions to satisfy both residential and commercial needs throughout the Australian continent.

For MHIAA, with its business focus on air-conditioning equipment, Actrol's operating format makes for an ideal partnership that benefits both parties. Users rate MHI's air conditioners highly in terms of both technology and functionality. When that high reliability meshes with the convenience of Actrol, which can offer retail stores and installation firms everything they need, MHI gains a great advantage over other companies. Furthermore, with respect to marketing, in recent years MHI has begun launching models exclusively for Actrol. The companies' relationship is thus not limited to that of a simple supply chain, and discussions on further sales expansion will continue in the future.

Environmental performance will remain an important factor when purchasing an air conditioner, and expectations for Japan's energy-saving air conditioners, which are among the most advanced in the world, are likely to rise even higher. Given MHI's wide range of environmentally conscious products for the air-conditioner market plus, through MHIAA, the sales network of its local partner Actrol, the company is surely poised to expand its business even further in the years ahead.



Compared to wall-mounted units that cool or warm the air from one spot, in recent years demand has been increasing for duct-connected air conditioners due to their more widely dispersed air control capability (FDUA series — originally targeted for Australian market).



A Popular Brand Backed by Outstanding Energy-Saving Technology and High Reliability

In the 60 years since its establishment, Actrol has grown to be the largest independent wholesaler of refrigeration and air-conditioning equipment. For 10 years now, we have been building a close partnership with MHI, and together we are expanding our market share. MHI's energy-saving technology was already advanced when we began working together, and the fact that they could provide a stable supply of high-quality air conditioners was also important. Today, I truly believe MHI is the leading brand in the air-conditioner market.

Currently, demand is driving rapid expansion of our air-conditioning business, and product lines for both residential and commercial use continue to mark strong growth. Along with increasing demand, our marketing strategy is now focusing on expanding and strengthening our product range. MHI makes it possible to develop products appropriate to the diverse needs that result from Australia's extremely varied climate, which makes the company a powerful partner for Actrol. Now in particular, with duct-connected air conditioning displaying sudden growth in the commercial-use market, we are jointly promoting a sales strategy for ready-made products as a way of expanding our market share.

In addition, the tightening of power consumption standards has proven to be a favorable wind for both companies. Instead of simply complying with present standards, we are working together toward meeting anticipated tightening of regulations in the future, and I believe we will be able to acquire an even larger share in a market growing ever more energy conscious.

Units manufactured by MHI make up the greater part of the air conditioners we handle, and of course we recommend them to our customers as a leading brand. However, this is hardly necessary: MHI's air conditioners already enjoy a strong reputation among our customers. In particular, we get many satisfied comments from customers about how they were able to purchase an energy-saving air conditioner with excellent performance while staying within their budget, and we are acquiring more repeat customers. MHI's technological strength and reliability have cemented the company's current position as a supplier of today's most popular brand of air conditioners. We are certain that together with MHI we will continue to provide the market with advanced energy-saving air conditioners, and that we will further raise our growth rate in the market.

Andrew Leach

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