

“Service” as an USP in B2B Marketing: Numeric UPS

¹UDAY SHANKAR

Consultant, Legrand India

²MANISH SHARMA

Assistant Professor, School of Management Sciences,
Apeejay Styra University, Gurugram, Haryana

Ch.Id:-ASU/NSP/EB/ SBP /2022/Ch-01

doi: <https://doi.org/10.52458/9789391842536.nsp2022.eb.asu.c1>

In B2B, a company sells its products or services to another company. It is not always realized that all companies are themselves consumers of many things. Selling as a profession is probably as old as humankind and pre-existed before the ideas of modern-day management. During these transactions we come across trusted facilitators who in the entire process build a lifetime relationship with the buyer. The buyer when in need of an upgrade or replacement or repair is more likely to fall back on the same facilitator.

During any products lifespan there is a natural wear & tear over time which needs periodic preventive maintenance to reduce

breakdowns in the functioning of the product and also to increase its lifespan. It is a business obligation for the seller to ensure that the customer is happy with the purchase and the product or service meets the promised features as well as their needs. It is said that more than in the actual sales companies make more profits from after-sales service and sales of spare parts & accessories. This is often referred to as “after-market”. Companies which build and manage an effective “after-market” tend to enjoy higher reputation and greater profitability.

POWER TO THE PEOPLE:

Power, also known as electricity, is the most visible form of energy that is often associated with progress in modern civilization. It is an important part of a country’s infrastructure that determines its economic development. The rate of increase in power demand is generally higher than the rate of increase in GDP. According to studies, the power supply in India must grow at a rate of around 12% per year in order to achieve an annual GDP growth rate of 8%. The installed capacity in our country in 1951 was 1717MW which grew to 30106 MW by 2020, a phenomenal growth of nearly 2000%.

India’s electrification programme passed through several stages of improvement with appropriate intervention by Government. It has been acknowledged that India’s move to energize every village in the country with electricity is one of the greatest success stories in the world. The demand has always outstripped supply which has remained unfulfilled resulting in power shortages and outages. Transmission and distribution losses ,ageing infrastructure have also contributed to this situation.

POWER QUALITY:

The government ensured availability and access to power to its majoritarian population. However , an uncertain power supply and the long duration of power cuts forced consumers to non-grid sources such as inverters, UPS, solar systems, mini-grids and diesel generators thereby putting additional burden of expenses. While grid-electrification coverage and its adoption getting high, issues related to power quality problems emerged and was prevalent throughout the country. Power quality problem has resulted in lost time, lost production, production of scrap, lost sales, delivery delays, and damaged production equipment. The effect of these aforesaid poor power quality problems has serious implication on the utilities(supply side) and customers(demand side). Utility side impacted higher losses in transformers, cables etc. The most common issues faced were related to fluctuations in voltage, unstable frequency, surges, transients, harmonics etc.

BUSINESS CONTINUITY:

The production, transmission and distribution of grid power directly contributed to the growth in economy, both agricultural and non-agrarian. The non-agrarian sector comprising of manufacturing, trade and commerce, infrastructure, banking & financial institutions, education, railways, healthcare, hospitality & entertainment, IT & ITes, defense services, telecommunication, retail, residential were all growing and needed uninterrupted power which was the backbone of all economic activities. In a nutshell, to ensure business continuity auxiliary power arrangements was paramount for survival and growth.

AUXILIARY POWER SOLUTIONS:

The design and acceptance of these solutions were to provide power backup and also clean and free output to ensure

minimum damages to the connected equipment's and also to enhance their life expectancy. These solutions comprised for hardware sections which were integrated into a composite unit for regulation of voltage (AVR), reduction of impurities in input power(rectifier), inbuilt isolation transformer(to overcome the weak neutral available on sites), energy storage(batteries) and conversion of DC to AC current (inverter) which came to be popularly known as UPS (uninterrupted power supply).

EARLY YEARS OF NUMERIC:

In the mid-1980s a group of technocrats in Chennai (erstwhile Madras) saw the changing landscape of the business and the power industry in particular and ventured into designing UPS for the rugged Indian power conditions. They were amongst the indigenous pioneers in this field which was driven basically by a few foreign brands who had exclusive distribution arrangements with some leading Indian business houses. The initial years were both challenging and a good learning experience. Not only they had to convince for acceptance of the novel concept & solution but also to establish their own credibility. Business gradually started picking up in TN and later on in the other Southern states. A few pockets started developing in other parts of the country as well. Ramping up production was not an issue but UPS being a highly service oriented product (pre-sales site visits, site readiness implementation ,installation & commissioning, warranty & post warranty support) meant that a dedicated team of qualified & trained technicians were to be present at major locations as customers insisted on minimum turnaround time (TAT) for installation as well as breakdown calls. The company started deploying resident engineers in major cities and towns to cater to the expansion. In due course of time to ensure better engagement with its customers Numeric started having its own Authorized Service Centers manned by Company's trained personnel. Apprentice were picked from it is in TN and given on

the job training and on successful completion were inducted in the mainstream. This helped in developing a talent pool and also having loyal employees who understood the company's culture and ethos very well. By early 2000, Numeric was well entrenched in the power protection & backup industry having clocked a turnover of nearly Rs150 cr, up from a modest few lacs in the initial years.

GROWTH AMBITIONS:

During the beginning of this century, Numeric started making plans to be a top player in the National landscape. To further its ambitions, it identified two focus areas through which it could quickly scale up its revenues. First to identify, tap & aggressively develop Govt & Banking business which it considered to be the growth drivers. Secondly, in order to address this market segment, develop an extensive network of service centers on pan India level. Banking sector was rapidly growing with new branches being opened, deployment of ATMs, augmentation of core banking services, private banks & insurance companies entering in a big way, computerization of stock markets operations etc. Similarly, in the Govt sector huge investments and IT spends were earmarked in Railways, telecom, education, defense sectors. UPS were required for all these applications; however timely service was critical as most of the site locations were in Tier 2 and Tier 3 cities and other remote locations.

PUTTING PLANS INTO ACTION:

Numeric during this period embarked on an expansion spree of opening of service centers across the country and increased its presence from 40 locations to nearly 150 locations. These service centers were equipped with inventory of spares and accessories backed by a robust CRM tool. The after-sales service had a Toll-Free Call Centre which worked 24x7x365. Service vans were deployed in the Metros and major cities ensuring prompt same day service. By

the year 2010 Numeric had nearly 750 trained technicians on board in nearly 250 locations- the largest service network in the country. This enabled to provide a response and resolution commitment of 24 hours. No major player in the industry could match these offerings which became the USP for the company which it leveraged meaningfully. In fact, Numeric had set the Gold Standard for after-market in the industry. Numeric’s turnover had already reached Rs. 450 cr by 2006! Out of which nearly 30 % was from the after-sales service offerings which had a high gross margin of nearly 50%. Customer satisfaction & delight levels had increased correspondingly and there was a very strong & favorable recommendation/testimonials for Numeric. This helped it gain a market share of nearly 16% in the segments and geographies it operated. To match the growth in demand and to leverage on the opportunity business Numeric opened up branch offices and warehouses in nearly all the States where adequate inventory of fast-moving models was maintained.

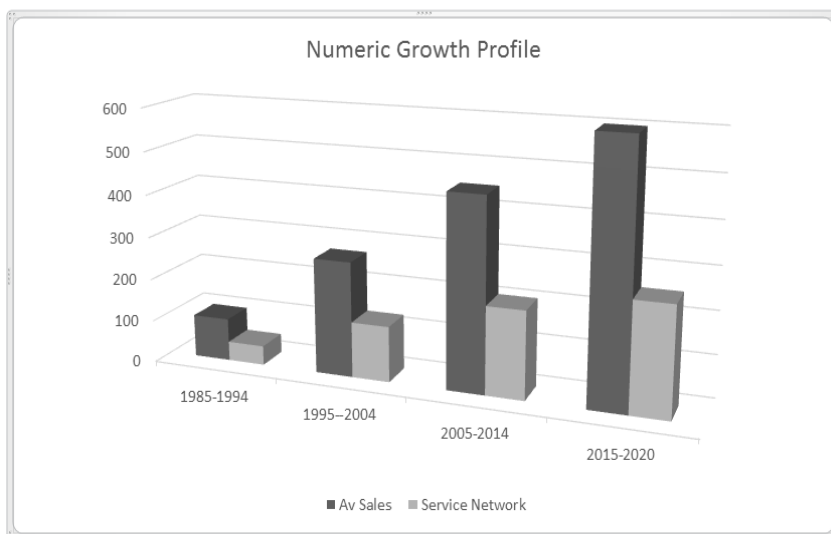


Figure 1.1: Numeric Growth Profile

SERVITIZATION: THE WINNING STRATEGY:

B2B Marketing is characterized by building long term relationships and engagement. It has high stakes involved, is mission critical, is heterogeneous, multiple decision makers with varied motivations and the decision-making process is long & complex. In such a scenario to go up the value chain and have a perceptible differentiation “Servitization” as a strategy helps in being customer centric and also in gaining bargaining power even though it is expensive, and scalability is a challenge. The Servitization of Numeric’s after-market included bundling of services with core product offerings, specialization in services for various product categories, standardization of contracts, structured product sheets, training of customers’ personnel for attending to 1st level of service, power audits of sites, tiering of services, battery sales & buyback, SLA commitments, lifetime value calculations, enhanced experience through digital transformation. It even started providing out of warranty support to other brands which were not meeting the expectations of the customers and also took buyback of defective and end of life models of other makes too. These initiatives helped Numeric becoming the preferred brand and in winning mega deals of multi locations roll out and implementation. Importantly having service as a revenue stream, it made after-market a separate profit Centre and thus helped in better aligning of resources and also accountability. This also reduced the typical Sales vs Service conflicts & protecting their relationship with the customers and helped in forming a high-performance team which was incentivized and appreciated through Rewards & Recognition programs. By remaining close to its customers through prompt and friendly supply and service it created a space for itself which was difficult to replicate for the large MNCs who were actively trying to enter the Indian market. The continued focus on customers’

satisfaction and the high levels of customer retention helped it clock a turnover of Rs. 650 cr by 2020.

QUESTIONS:

1. Is USP related only to the products features or it can be of something else too? Please elaborate.
2. Will good service alone be enough for success of any brand?
3. Could an outsourced service setup be an alternative for Numeric business model? What are its pros and cons?
4. Which is a better B2B business model – direct sales or through distribution network?
5. What steps should Numeric take to maintain its leadership?