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CUSTOMER ACUMEN
INSIGHTS TO BUILD
CLIENTS FOR LIFE
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LEARNING SYSTEMS
EDITORIAL

Dear Reader,

The current Covid-19 environment is re-defining the way businesses operate. Sending shockwaves across most sectors and industries, the steel sector was not immune to its impact. The already challenged steel sector affected by demand and supply side concerns will now be bracing itself for more difficult times ahead.

This quarter in **Customer Acumen**, we look at '**Connecting with Customers in the Steel Business**'. Amid the uncertainty and lower steel demand, many industry players have decided to hold on to their capex plans while a slew of protectionist policies are expected to provide some impetus to this sector. The importance of branding in the commodity business will be the way forward.

Industry expert and the Managing Partner of GA Steel, **Rakesh Agrawal** shares his thoughts on the challenges in connecting with B2B & B2C customers in the steel industry. He reassures that product branding and differentiation will not only improve margins but also help overcome the challenges vexing the sector.

Jay speaks his thoughts on the power of branding to differentiate one's products. We review Vinay Kamath's book, **Titan** which is an account of the brand created by its people with passion and dedication and is a jewel in the Tata crown. Our in-house Cartoonist, **Vikram Nandwani's** toon wishes more 'power' to the steel sector!

We value your relationship with us and look forward to your feedback and comments on how best we can serve you through our e-zine, **Customer Acumen.**

MUSINGS

The Branding Conundrum in the B2B World

- Jay

Ever considered buying branded sand? Why not? If you can buy branded cement, chemicals, etc., while undertaking a construction project, why not branded sand then?

Strange as it may seem, over the last few decades one has seen an increasing switch to creating brands in markets which were long considered to be commodity businesses. What has become par for the course for domestic consumers - for instance in food (water, rice, wheat, salt, flour/atta, etc.) - has now become acceptable in the industrial markets too. The distinction of B2C and B2B does not arise any longer when product marketeers opt to embrace Branding as a business tool.

Why has this become a preferred option? The answer lies in the enormous challenge that a company encounters when they find that competitive players have mushroomed and overrun a market. In a crowded market the question for a salesman is how do I tell my customers that I am different? If a customer finds no difference between the offerings of Company A from Companies B, C, D, E & F then the default primary driver is price. The lowest price attracts customers and unless the sellers form a cartel - formal or informal - there is a race to the bottom to gain market share. Despite all your protests of being special, the customer fails to go beyond the price tag, much to your chagrin.

Is there a better option? Enter Branding. The primary purpose of Branding is to differentiate oneself from others. Done right, it is a powerful way of sending out a message that you are not just another one in the market but stand for something different, something special. What this unique or special element is about your product or service has to be broadcast through appropriate means of communication, be it through advertising or some other form of brand communication which highlights the features of your product and the benefits that it offers. Once the message goes home, the customer offers you a mind space that is unique and preferably exclusive. Even better, he may even become a brand votary on your behalf if the resonance between him and you is perfect, making it a complete marketeer's delight.

An excellent example of industrial marketing is Tata Steel. Marketing Guru, Philip Kotler, points out in his book, B2B Brand Management, that as early as 2000, Tata Steel established its name as a branded B2B company, focused on 'branding its products and moving to high value products'. This led to a slew of product brands and sub-brands, including the world's first ever branded cold rolling steel, launched in grand style in Goa in 2003, just like any consumer product would be unveiled. Tata Steelium, the new product, today has the lion's share of the market, and has lived up to its stated intention of consolidating a fragmented marketplace where quality and service were questionable attributes. A peep into history also reveals that Tatas have stayed with a generic brand - Tata Agrico - since 1925, making it a by-word in the agricultural implements market.

The success story of the pioneer has triggered imitations from many others. But not all have been successful in generating true value from the branding exercise. Andrew Sobel, the Thought Leader in building long-term customer relationships, has pointed out that having a great brand can trip you over and you may well fail in your sales campaign. Highlighting the difference between Brand Value & Specific Value, he points out that Brand Value is the customer's perception of your strength, relevance and other related aspects of your products and services. Specific Value, in Sobel's words, is the 'tailored value you add over time based on building a deep understanding of the client and their business...also encompasses the personal rapport and understanding you build with the client.'

Branding for the sake of it could be a wasted effort if your customer relationship efforts stink! Only when your sales or business development agent's actions are in sync with the stated brand claims will you make music in the marketplace. Sobel's conclusion was that whether your firm has a great brand or not, you have both a large opportunity and a large risk and given the right intersect between Brand Value and Specific value, real benefits can accrue to you. What is most important, ultimately, is not the amount of money poured in to marketing campaigns but genuinely being there for the customer when he needs you. That is what builds customer recall in the quest for the holy grail of customer loyalty.

Differentiation apart, brands built well leads to sustainable competitive advantage for companies as they create strong affinity towards them from customers who are convinced by the features and benefits that the brand purports to offer. In a market that is milling with look-alikes investment in creating brand salience can do wonders as the customer's affinity to your product goes far beyond the functional attributes and a new buying logic is embedded in his head.

And, as regards the question of buying branded sand, yes, there are sellers offering it. At a premium too of about 10-15% and backing their claims with features like filtered sand, etc. Goes to prove that the decision of investing in brands, therefore, is worth a deep and strategic exploration in a firm worried about commoditization.

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SPOTLIGHT

Rakesh Agrawal

Managing Partner, GA Steel

Rakesh Agrawal is the Managing Partner of GA Steels, one of India's leading distributors of special steels (alloy, tool and die steels). With over 30 years of experience in the special steel industry, he is an entrepreneur who is driven by ethics, deep relationships, and lifelong learning. Rakesh's analytical and data-driven approach to business has helped power the growth of GA Steels and he has focused on professionalizing the firm by adding great talent and deploying technology and systems.

A graduate of the Sydenham College of Commerce & Economics, he has completed the Owner/President Management (OPM) program from Harvard Business School. Rakesh is also a member of the prestigious Young Presidents Organization (YPO), a global leadership community of more than 29,000 chief executives in 130 countries. In his spare time, he enjoys playing squash, watching cricket, and reading about management and innovation.

CA: As a veteran of the alloy, tool and die steels business in India, what are the challenges you see for the Indian steel sector in light of the present pandemic? Has supply chain been disrupted in your industry too?

RA: I believe that this pandemic has caused challenges on both the demand side and the supply side. Let us understand this better.

There are four especially important things you need to do to build your clients for life.

Demand Side challenges:

1. Key customer segments for the steel sector have been hit very hard.

A. Infrastructure: This sector is completely dependent on Government spending as private investment is extremely slow. With the current stretched fiscal situation, I do not know how much room the Government has to actually spend on infrastructure, despite all announcements.

B. Real estate: Another major consumer of steel, the real estate sector was already facing tough times with a fall in demand and high unsold inventory leading to huge liquidity issues. The only silver lining earlier was commercial real estate, but the pandemic has caused demand to collapse for this segment too. I believe that steel demand from real estate could be substantially lower.

C. Auto Sector: Let us now come to the sector that has been hit the worst - Auto. This sector is the largest consumer for special steels (alloy, tool and die steels), the segment we are present in. The Auto Sector was already under pressure pre-Covid-19 and the situation now is far worse. Demand for automobiles has dropped precipitously and along with that demand of special steels has collapsed. One silver lining is that tractor demand is still good and maybe that will help the special steels industry a little bit.

D. Lack of Pricing Power: The special steels segment was reeling from lower prices for a while and most companies were running up losses. This problem will be exacerbated in a low demand environment.

Supply Side Challenges:

Like all other industries, the steel industry too has suffered from massive supply chain issues as a result of Covid-19. However, things have begun to stabilize now. Further lockdown or lack of orders which require the plants to be shut frequently can disrupt the supply situation again. Another important challenge for the special steels industry is the imposition of BIS standards (Bureau of Indian Standards). The guidelines for BIS are often difficult to understand and interpret. This may create bureaucratic issues thus disrupting the supply chain. Indian BIS officials have to visit foreign steel plants before certifying them which is impossible under the current circumstances. Consequently, BIS will restrict imports and create artificial premium on domestic prices which Indian customers will have to bear. We already have the Minimum Import Prices (MIP) regime that provides a premium to domestic steel suppliers which will increase the final cost to the customer. The supply side is therefore going to be in turmoil for the immediate future.

Positives:

I am an optimist and hence would also like to look at the silver lining. There are two positives for Indian steel manufacturers:

a. The sudden global impetus to move purchases away from China which will prop up demand for local steel.

b. Protectionist measures taken by the Government of India (like other countries) will provide more demand for the domestic steel industry.

CA. What are the challenges while connecting with B2B & B2C segments in the steel business?

RA: India is a massive country and there is always the issue of reach when you look at both B2B or B2C segments. Unlike other countries, customer industries are fragmented with many SME buyers spread across the country. The steel producers that have great distribution networks have enjoyed greater success. Yet distribution networks need to penetrate deeper especially in times such as this when Bharat is carrying India along.

In many industries, there are successful internet platforms that have helped to resolve the issues of reach and distribution. There is no platform that operates at this scale for the steel industry in India.

In the near future, I think risk management is going to be critical for the steel sector. Whether you are in the B2B or B2C space, credit risk, collections and liquidity management is going to be critical for survival. Similarly, with forex rates being volatile, this is the time to tread carefully.

CA: In your opinion, how has connecting with customers (the sales relationship process) changed over the years in your business?

RA: I think times have really changed in the Indian special steels industry and consequently the sales and customer relationship management processes have changed drastically. Before liberalization, there were few producers of special steel in India and hence we had the dubious distinction of being a sellers' market.

Transparency of information, product standardization and sales execution skills were not a priority. Relationship with customers were important, but not to the extent as they are today.

Today's scenario is dramatically different due to the strong competitive scenario. The balance of power in the sales transaction has shifted to the buyer, which is a good thing. It forces all of us to stay on our toes.

There is far more product standardization and price transparency. This forces us to compete on different parameters - customer relationships, sales execution and financial strength that permits extension of credit to customers. It is these that help us to drive sales growth with our customers. Fortunately, we now have modern CRM tools that help us develop a strong sales relationship process across the organization.

We believe that honest and transparent exchange of information in every aspect of one's dealings with customers helps build long term trust which is a massive intangible asset. There may be times when difficult conversations need to be had with customers about pricing or deliveries in today's VUCA world. If there is mutual trust and respect, these difficult conversations can be had constructively leading to positive outcomes. You always have to ask yourself the questions, "What problem am I solving for my customer? How am I making my customer's life easy?"

Equally important is the collection and intelligent use of data about counterparties, steel, and user industry trends. Data has become a key differentiator between just doing business and doing business successfully.

CA: Steel is often considered a commodity business. However, in recent years, we are seeing branding emerge in many commodity businesses, be it iron and steel, cement, etc. Why has this become necessary?

RA: I have always been fascinated by introduction of brands in segments which were traditionally commodity businesses. The ingredient branding for Intel Inside always fascinated me. The brand resonance created by the Tata Steel marketing campaign, "We also sell steel" in the 1990s is legendary.

All commodity businesses have low margins which are unsustainable in the long run. They are undifferentiated and the threat of substitution is high. For example, do you know the brand of cement that was used to build your apartment building or home?

I think steel manufactures too came to the realization that unless they differentiated through product branding, they would not be able to improve margins. This additional margin helps create financial reserves which are very necessary in capex-intensive industries like steel manufacturing. Steel is also a very cyclical industry and hence these buffers are invaluable to ride out the troughs in the business cycle. Hence, I think the branding of steel and other commodity businesses will only grow in the days ahead.

CA: Please share with us more about the history of GA Steels and what makes GA Steels different from others in the industry.

RA: My respected uncle Shri Girdharilalji Agrawal saw an opportunity in the special steel business nearly 63 years ago.GA Steels began its journey as Girdharilal Agrawal & Co in 1957 and has grown into one of India's largest distributors of special steels (alloy, tool and die steels).

Working very closely with our principal Mahindra Sanyo Special Steels Pvt Ltd (formerly MUSCO), we have forged our growth on the strength of my uncle's values, 'Integrity, Customer Delight, Valuing Relationships and Driving Innovation' which we live by.

These values were never just 'words' for us at GA Steels, they were a way of life. In an industry that perennially suffered from trust deficits between various players and mis-selling, GA Steels stood out because of its honest dealings and customer centricity. We focused on solving the problems of our customers, working closely with MSSSPL on technical and commercial issues.

Over time, we have evolved with our customers and their needs, setting up a modern machining facility 'GA SteelTech' to provide solutions to our customers.

Our values, customer relationships, innovation and sound financial management have helped GA Steels thrive for over six decades.

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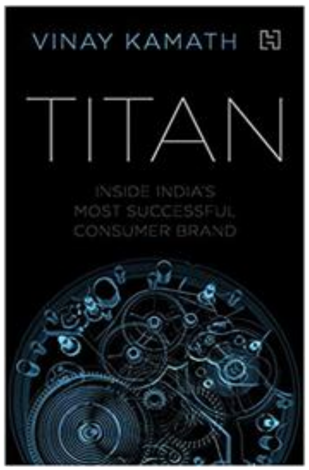
RESOURCES

Titan

- Vinay Kamath



Titan as a brand resonates with every Indian. Vinay Kamath, an associate editor with The Hindu BusinessLine based in Chennai has done a brilliant job in ensuring that readers reckon with the brand through his book.

When India opened its market in 1991, Titan was a maverick brand that defied norms and brought in freshness to the Indian consumer segment. Titan watches became a distinct symbol in the minds of every Indian along with Maruti cars and Hero Honda. Since its launch in 1987 as of 31 March 2018, the cumulative production of its watches stood at a whopping 225 million, making it the fifth largest integrated watch maker in the world!

According to the dynamic Founding Managing Director of Titan, the late Xerxes Desai, Titan was founded by sheer serendipity. A joint venture of the Tata Group and the Tamil Nadu Government, Xerxes' philosophy was akin to that of J.R.D. Tata's 'management by affection'. After engulfing the Indian market, Titan set its sight to foray into the European markets, precipitated by the need to generate its own foreign exchange. The book looks at the challenges the company faced here including the fallout over the obsession to acquire Gerald Genta, a luxury Swiss watch brand. The Tanishq jewellery brand too delivered despite the fact that it did not garner much support from the top management and after Ratan Tata questioned: "Is Titan a watch company with a jewellery business or a jewellery company with a watch business?"

The last chapters examine Bhaskar Bhat's (succeeding Desai's role as Managing Director) thoughts on the way ahead for the company. Rather than relying on his own views, he sought ideas from the real Titanians themselves - the employees and the leadership team - through an exercise named Future Shock. It was through these brainstorming exercises that the company was able to foray into other retail-led categories like Tata Eyeplus for eyewear and Titan Skinn, its perfume range.

Titan is an intrapreneurial organization with many ideas, products, retail formats and sub-brands being supported by the top management. The company came up with a programme called 'Ignitor' inviting anyone in the organization to form teams and send in business ideas. It was here that Titan embarked on a new journey to enter sarees as a business and thus the brand Taneira was born.

One can see an entire generation that grew up buying Titan watches to mark life's milestones, slowing moving to buy Fastrack bags, Tanishq jewellery, Titan eyewear and Skinnn perfumes. The book is simple, easy to read and interspersed with events and stories from current and former employees of Titan. What ties it together are the ropes of commitment, foresight, and passion.

Titan serves as a remarkable example of corporate success and is a perfect case study in management schools. C-level executives can relate to some of the buzzwords including empowerment, collaboration, attention to detail and innovation across the value chain to connect to various stakeholders from employees to vendors and customers to add value to a brand. And although the company has been impacted by the pandemic, witnessing a drop in revenues and sales, history speaks of it rising above all adversities. Even now, surely it will. Only time will tell.

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