

**Market Framing and Opportunity Assessment
Industrial Lifting Equipment**

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Comment by the Faculty

Company: For an industrial conglomerate that is a world leader in the sector

Target group: Decision-makers and management professionals in the company who are involved in strategic planning

Other interesting aspects: In addition to understanding the market an endeavour has been made to understand the market impact and capability mapping of the company.

ABC Ltd is a large industrial conglomerate with presence in many countries and a world leader in the category of industrial lifting equipment. Many companies have been focusing on making an entry into the Indian market. The demand for the product is also influenced by emerging growth in traditional and new sectors. Many global firms, in different sectors, have made efforts to enter India without undertaking research and have found the Indian market to be too challenging and tough. The study is unique as it involves an industrial market situation and the Indian market is highly fragmented. In addition, there is also the trend of Chinese and Korean players approaching the market through the import route. Thus product-market understanding is paramount and research has enormous implications for market entry strategies. Another uniqueness is the challenge of competing with unorganised players. This research would help the company in understanding purchase drivers and therefore plan an appropriate launch strategy. The study is relevant as the company wanted to develop market insights, opportunity assessment and growth trends to triple the revenue of its Indian SBU. It points out to the need for marketing research in the industrial market context and the link between marketing strategy planning and research. Many global firms struggle to achieve economies of scale, given the fragmented nature of markets in the Indian context. Thus research would also help in taking strategic decisions on expansion approaches such as organic versus inorganic expansion. Given the nature of the study it was essential to formulate specific research questions *a priori* in this study. The methodology for the study has been exploratory and multifaceted in nature. On the whole the study is a relevant one, unique and of high quality. The student deserves appreciation for a well-conceived study with systematic execution of research design and analysing findings to provide recommendations in the decision-making context of the firm. From a managerial perspective the study has provided insights and pointers to the challenges that global players would encounter while planning market entry in emerging markets such as India. (The organization that sponsored the study, the decision-makers surveyed, the data collected have been disguised. Only broad findings have been highlighted keeping in view the interest of the organizations).

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Market Framing and Opportunity Assessment

Industrial Lifting Equipment

Background and Context of the Project

The project is to conduct research to assess the opportunity and framing of the market for Industrial Lifting Equipment for an industrial conglomerate. The company is world leader in this sector. As part of strategic development and business planning, the company wanted insights about market opportunities, growth estimates, technology review, buying process and segmentation for all their strategic business units (SBUs). This research was conducted to understand the industrial lifting equipment segment of the company. The company planned to triple its revenue in 5 years and research insights would serve in formulating strategic plans for the Indian SBU and market position would be defined to achieve their target.

Industry Scenario

Indian material handling market is highly fragmented in nature. There are many unorganized players in the market along with many international manufacturers already established in the Indian market. There is also the trend of many Chinese and Korean brands entering Indian market through imports. Achieving economies of scales is a major factor for many manufacturers. Thus, the company wanted the research to be done to understand the industry scenario and to decide on organic or inorganic expansion.

Research Objective

To characterize & understand evolution of demand

- Size and structure of the market in India
- Size of market segments including trending of key segments
- Historic growth with drivers of change
- Assessment of market attractiveness

To profile customer segments by main characteristics

- Product types used by segment (air, electric and ergonomic handling systems)
- Technology requirements
- Distribution channels serving each segment

To examine value chain activities

- Downstream activities by major geographic region
- Size of each channel in terms of market volume

To understand competitive dynamics

- Analyze competitor’s structure and value propositions - product portfolio, price, distribution channels, services provided
- Identify target segments served by main competitors
- Identify key success factors by segment/market
- Compare degree of success of competitor in segment
- Measure the value of the competitive advantage of segment leader(s)

Research Questions

- What is the size of the lifting equipment market in India?
- What factors drive the lifting equipment industry in India?
- How are the distributor channels categorized?
- Which factors have ensured success for competitors in Indian market?
- Which are the trends that are driving the industrial growth in the sector?
- What factors do customers consider while purchasing the equipment?
- What are the technological advancements that are happening in the industry?

Research Methodology

A multi-faceted approach was followed to conduct the research. The process started with a review of all available secondary industry data. To fill gaps in information, primary research was conducted with market stakeholders, methodology used was judgment sampling method where targeted companies through the value chain were interviewed and strategic conversations with decision-makers were conducted.

Information Requirement Planning

Information Requirement	Sources of Information	Primary or Secondary	Measurement Scale/Approach
Type of Lifting equipments used	Distributor, Competitors and End users	Primary/ Secondary	Open ended
Market Volume	Distributor, Competitors	Primary/ Secondary	Open ended

Technological Trends	Distributor, Competitors and End users	Primary/ Secondary	Open ended
End Market Trends	Distributor, Competitors and End users	Primary/ Secondary	Open ended
Work Safety Regulations	Distributor, Competitors and End users	Primary/ Secondary	Open ended
Growth Factors	Distributor, Competitors	Primary/ Secondary	Open ended
Industry Metrics for lifting equipment	Distributor, Competitors and End users	Primary/ Secondary	Open ended
Service Offerings and Expectations	Distributor, Competitors and End users	Primary/ Secondary	Open ended
Leading Players in the Market	Distributor, Competitors and End users	Primary/ Secondary	Open ended
Replacement Rate of the Equipment	Distributor, Competitors and End users	Primary/ Secondary	Open ended
Profit % in the Market	Distributors and competitors	Primary/ Secondary	Open ended
Factors while purchasing lifting equipment	Distributor and end user	Primary/ Secondary	Open ended
Growth Forecast	Distributors and competitors	Primary/ Secondary	Open ended

Research Findings and Recommendations

Conclusions were derived comparing the findings of depth interview of end users, competitors and distributors with the secondary research undertaken.

Market Leaders

Table 1 : Market Leaders and Followers

Sl. No.	Description	Manufacturer
1	Market Leader (by % of volume)	Brand A
2	Market Follower (by % of volume)	Brand B
3	Market Leader (below 2 tons capacity)	Brand A
4	Market Leader (between 2 to 10 tons capacity)	Brand B
5	Market Leader (Above 10 tons capacity)	Brand B
6	Market Follower (Above 10 tons capacity)	Brand C
7	Technological Leaders	Brand B

Market Segmentation

Markets were segmented based on 3 categories products, end user segments and scale of consumer.

Products

Based on products the market was further classified into tonnage based and type of work

Tonnage Based

Below 2 ton, 2 ton to 10 ton capacity and above 10 ton

Work Based

Work station Cranes, Jib Cranes, Gantry Cranes and EOT Cranes

End User Segments

End users in lifting industry was classified into Automotive and General Industry

Scale of Consumers

Based on the scale of consumer the market was classified into Small Scale Industry, Medium Scale Industry and Large Scale Industry.

Market Trend, Opportunities and Threats

Indian lifting equipment industry in general has been stable over the past two years or has been seeing a slow decline due to several key projects going slow due to policies. The industry as a whole has been predicting that new projects, new government and new policies could lead to better growth for industry. A few of the trends, opportunities and threats are listed as below :

- **Fragmented Industry** – The lifting equipment industry was fragmented with around 200 players in the market, with only 8 to 10 organized sector manufacturers it was difficult for industry players to achieve the economies of scale.
- **Modernization / Refurbishment** – Indian industries were more becoming safety concerned. The awareness on total cost of ownership has increased. This has provided an opportunity for the organized sector manufacturers for refurbishment and modernization.
- **Technology Adoption** - Increasing penetration of global manufacturers was influencing the adoption of new product technology.
- **Increasing Emphasis on Total Cost of Ownership** - Many organized and progressive companies have started emphasizing on Total Cost of Ownership (TCO). Purchasing lifting equipments in future would be affected by TCO.
- **Shift Away From Air Hoists** – The market is indicating a trend of increasing migration to electric hoists from air hoists.
- **Localization of Components** - There was an increasing emphasis on indigenization (or local sourcing) of components to remain competitive in the market.
- **Market Specific Product Offerings** – Many of the multinational manufacturers are offering basic range of their own products for developing markets like India. These products have simple and reduced features but meet stricter quality and safety standards of the multinational companies. The basic range of products has seen tremendous growth and acceptance in the Indian market.
- **Servicing Competitor's Equipment** – After sales service was one of the key criteria considered by the customers while purchasing a component. Also, after sales service helped manufacturers to generate huge additional revenues.
- **Safety Features** – Stricter industrial safety norms and an increasing awareness and recognition of safety features as important considerations among end users have made technological sound products at a competitive price has become the bare minimum to compete in the market. The organized sector is in a better position to meet those considerations than the unorganized sector.
- **Reviving Industrial Growth** - The industrial growth has been slow during the last two to three years. However, with a new stable government in place, the growth is expected to get a boost. This provides with an opportunity for the industry to capitalize on new investments, greenfield expansions and brownfield expansions.

Market Impact and Capability Mapping

The following figure maps company’s capabilities to market impact and time frame available to take action on that particular parameter to compete in the market. A special emphasis should be given to concentrate on developing a new electric hoist with good technology to compete in the market.

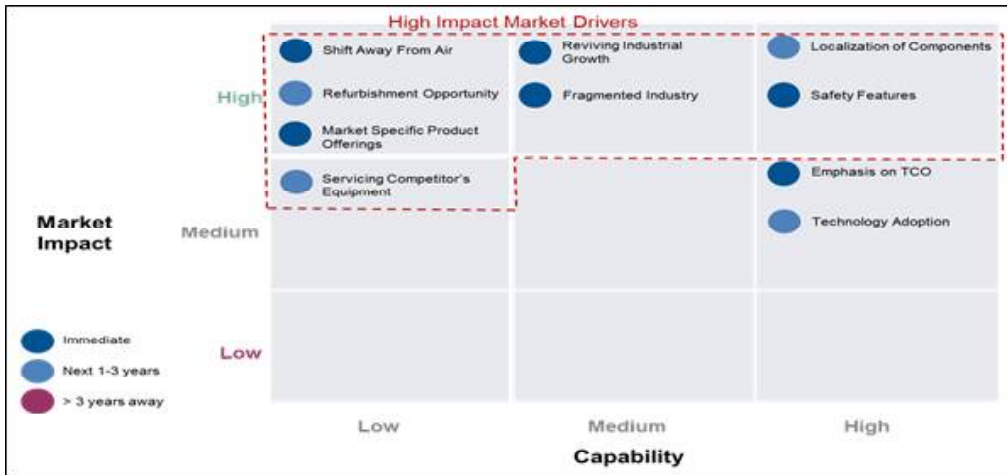


Figure 1 - Market Impact vs Capability

Route to Market – Channel Structure

The sales to the customer happens majorly through 3 channels Direct Sales, Indirect Sales and through EPC Contractor/ System Integrator.

Direct Sales

Direct sales happens as below:

Customized product or system sales – Here the product required is modified to meet the customer requirement and known as customized product or system sales.

Sales to key accounts / Clients – Usually key accounts / Clients would be major large scale automobile giants in this particular segment.

Longer delivery time in case of selling standardized product – When the delivery time was longer may be due to any reason, usually the products would be delivered by the manufacturer to the end user.

Typically the characteristics of direct sales were:

- Longer delivery time than usual

- Usually direct sales was done by manufacturers having a good design engineering team
- Customers preferred direct sales primarily for after sales service and maintenance capability of the manufacturer.

Indirect Sales

Indirect sales was sales that happened through three channels as below:

- Distributors - Distributors account for majority of sales in this channel. Leading manufacturers have distributors located in key business hubs and locations to provide local sales and service support to the customer. Distributors delivered the product in shorter lead time. There were mainly two kind of distributors
 - Standalone distributor –Sold off the shelf products.
 - Distributor with Fabrication capability – They have their own fabrication team and also fabricated the crane structure while selling the standalone product.
- Independent Fabricator –These fabricators purchased component kits from the manufacturer or from distributors and sold them along with fabricating the crane structure.
- Importers – Importers represented companies that did not have a manufacturing unit or direct sales presence in India. Some of the distributors tied up with these foreign brand import them and sell in India
- EPC Contractors / System Integrator –These consultants also had the capability to influence the end user to procure a brand of lifting equipment. These contractors sourced the lifting equipment from the manufacturers directly or the distributors.

Route to Market – Direct vs Indirect by Industry

Table 2 : Direct vs Indirect by Industry (*Data Disguised)

End User Segment	Market share by End User (%)	Direct Sales (%)	Indirect Sales (%)
Automotive	xxxx	xxxx	xxxx
General Industries	xxxx	xxxx	xxxx
<i>Heating and cooling & consumer durables</i>	xxxx		
<i>Other General Industries</i>	xxxx		
Total	xxxx	xxxx	xxxx

In India, compared to other countries, the manufacturers and the end users segmented the market into two major categories only as the sale in other sectors compared to automotive are less.

- **Automotive Sector**

Automotive industry preferred to purchase from one vendor. They preferred a reliable supplier having a good equipment and a good service team to support the customer.

- **General Industries**

General industries consisted of white goods industry, consumer durables, food processing, warehouses, foundry, machine shops, steel mills, ports, heating and cooling industry etc. Indirect sales are major in these sectors majorly due to less customized requirements and more standardized product sales.

Route to Market – Margin by Channel

Table 3 : Margin by Channel (*Data Disguised)

Channel Partner	Margin (%)
Distributor / Trade Resellers	xxxx
EPC contractors / System Integrator	xxxx
Crane Fabricator	xxxx

- Distributors/Trade sellers – When the distributors sold the lifting equipment with extended warranty and service contracts margins were higher due to additional risk involved. Government selling results in lesser margin to the distributor due to the tendering process. Discounts demanded by customers impact distributor margin.
- EPC Contractors / System Integrators – EPC Contractors / System Integrators worked within a budget that was fixed at the initial stage. The actual margin based on cost over-run would be lesser based on project execution.
- Crane Fabricators – A distributor with fabrication capabilities got additional margin generated due to crane fabrication and other allied services. Standalone crane fabricator have lesser margin.

Purchase Process and Drivers

There were mainly 5 steps in the purchase process of industrial lifting equipment as below:

- Origin - The process of purchasing originated during new plant launch / line expansion, Safety / Regulations change, Increase of productivity and efficiency, Technology up gradation – safety, productivity and Straight Rebuy.
- Information Gathering – The next step was to gather information. The people / teams assisting in information gathering were Tech centre (specific to larger companies), Project Team / Engineering Team, Plant / Production Engineering Team, Manufacturing Department, Project Launch Team / Tender Committee team (responsible in case of government projects), Central Procurement Team (New Projects), Maintenance & Purchasing Department (Replacement) and Project Management Consultant.
- Evaluation – The parameters considered for evaluation of proposal were Quality, Safety, Reliability, Durability, Previous Experience with the Manufacturer, Ergonomics, Performance / Efficiency, Technology, Price, Service - Support/technical expertise, Life cycle cost, Design, Availability of support/technical expertise and Data collection.
- Purchase Decision – Project Engineering Team, Project Launch Team and Central Procurement Team while coming up with an approved list of suppliers to supply the product or gathered the product information like the material used in the manufacturing of the product, Load capacity requirements, technology of the products etc. to prepare a technical specification. Larger companies preferred full line manufacturers as it helps in procurement and maintenance.
- Post purchase – Post purchase factors played a very vital role in the decision making of the company to purchase a lifting equipment. The factors that are considered are 24/7 support (over phone), Someone to come to the facility (need-basis), Distributors visited with new product information, answer questions, repairs, etc., Manufacturers should take the customers input for improvements, Routine maintenance support and keep downtime low – fulfil replacement parts

Purchasing Decision Influencers in Lifting Equipment Market

Table 4 : Purchasing Decision Influencers

The purchasing decision of a consumer is influence by the following factors

Purchasing Decision Influencers	Ranking	Core (C) or Differentiating (D) Factor
Product Quality and Reliability	1	C
Service Capability	2	C
Price	3	D
Brand Reputation	4	D
Product Portfolio of the manufacturer	5	C
Previous experience with the manufacturer	6	D
Product Technology	7	C
On time Delivery	8	D

Learnings

- This research provided an opportunity to understand the functioning of material handling equipment industry.
- The usage of snowball approach was a must to approach potential respondents for depth interviews in industrial market research
- Analysis of qualitative data using strategic market analysis technique.
- Performing an industry opportunity analysis and capability mapping.
- Buyer behavior in B2B scenario was totally different. The number of people involved in decision-making were more and influencers play a major role in decision-making.
- Existing products need to be time and again checked for the suitability in the market (Health Check-up) and was very important for the survival of the company.
- Segmentation, Targeting and Positioning plays a major role in brand recall even in B2B scenario and thus helping purchasing behavior of the customer.
- Brand reputation and brand recall was the next in importance role after past experience with the supplier.

Limitations of the Research

- The research restricted itself to the Indian market with focus on lifting equipments below 20 ton capacity.
- Purchasing process or behaviour that have come out of this research were general to the industry and might vary to an extent across companies within the sector.
- EPC contractors were assumed to be the ones who usually deal with green field or brown field expansions.
- Automotive industry also included automotive ancillaries apart from the automobile OEM's.

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