

**Market Research and Analysis to Gauge Product and Services Performance for TaeguTec India Private limited**

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## **Comment by the Faculty**

Marketing strategies may be strategic or tactical. The basic function of any business is to identify the needs and wants of consumers and segment them so that the companies can target them accordingly leading to satisfying markets better than competition.

In business to business marketing, factors like price, quality, delivery, product features and meeting services expectations play a very important role in differentiating between companies. Such market research studies help companies like TaeguTech to understand and create superior value to their consumers leading to competitive differentiation.

As the tooling is highly fragmented and very competitive with both international and domestic players the market is slowly gaining the status of commodity. This study indicates that tooling improvement and training requirement are critical influence in the buying process. The customer satisfaction level can be further strengthen by improving the service performance with respect to customised online catalogues, regular visits of sales engineers, information regarding product delivery delays if any and providing information regarding the promotions and offers to the consumers are other factors which will strengthen the relationship with their customers and provide an edge to TaeguTech in the highly competitive market.

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### **Introduction**

In contemporary business scenario, it is necessary to understand how the customer perceives you and your competition. Leveraging that understanding will help a business to scale to new heights. Listening patiently to the customer will give the company insights about their requirements. It is only through these insights that any business can produce goods or proffer services which satisfy their customers. Ignoring the voice of the customer will ultimately lead to failure and shutdown of any business enterprise. Success in the past with your customers does not guarantee the same in the present and future. Constant checks on methods and practices are necessary to ensure a business's success in the long run.

### **Introduction to Cutting tool Industry**

The cutting Tools industry in India dates back to the Second World War. Due to non-availability of imported machine tools, a few British owned general engineering firms took up their manufacture in India. With the start of industrialization in a series of Five-Year Plans which is regarded as the first phase in the cutting tool industry, then came the public sector investment in machine tools (HMT 1953) which was the second phase in the cutting tool industry. The 1960's and 1980's saw the third and fourth phase of cutting tools industry. It was during this time that, Japanese players entered the Indian market through licensing agreements (Moriseiki, Mitsubishi etc.) The fifth and current phase began in 90's and after liberalization. Now places like Chennai, Bangalore, Coimbatore etc. are home to many local and international cutting tool manufacturers. These local players compete with international companies such as Sandvik, TaeguTec, Iscar etc. India stands as one of the 20 largest producers of cutting tools in the world.

The tooling industry is estimated to be in between 1000-2000cr in India. It is highly fragmented with the top five international companies accounting to more than 50% of the total market share. The top three players are TaeguTec, Sandvik, and Kennametal. With the progress of technology and globalization quality tools are being made available to all the manufacturing companies. It can be said that these tools are reaching the status of a commodity and price will only be a parameter for differentiation. Qualitative differentiation may no longer be applicable.

### **Company Profile- TaeguTec**

TaeguTec Ltd formerly known as Korea Tungsten Company, is a multinational corporation headquartered in Daegu, South-Korea. It is the largest cutting tools manufacturer in the East, also Korea's largest manufacturer of tungsten carbide cutting tools and hard metal tools with the only integrated tungsten production plant in the world. TaeguTec group has 26 overseas subsidiaries and over 130 distributors and 30 agents in 50 countries. Considered as the world's oldest manufacturer of tungsten and related products, the group has earned reputation for its excellent global marketing and large production capacity worldwide. The current CEO of the company is Han Hyun-Jun.

It is a part of the IMC<sup>1</sup> group, which comprises of Iscar, TaeguTec, Tungaloy etc. The IMC group is now a part of Berkshire Hathaway after the acquisition of the former for a total of \$6.05 billion dollars in May 2013. TaeguTec was the first and only wholly owned subsidiary in South Korea by Berkshire Hathaway.

TaeguTec started its operations in India in the year 2000. It manufactures a wide range of cutting tools in its Bangalore factory. The tooling industry in India is estimated to be in between 1000-2000 cr and the market share of Taegu Tec is expected to be between 200-300 cr. Taegutec was certified as per ISO 9001:2000 standards within a short span of time. The company consists of around 200-300 employees. TaeguTec has a wide reach in the Indian market with eight branches across the country and presence of Stockist's in every major industrial town.

The tooling industry is highly fragmented with many players supplying tools to the manufacturing companies. Few competitors are Sandvik, Kennametal, Walter, Widia, Gurhing, Iscar, Seco, Tungaloy, Hitachi etc.

### **Research Purpose**

The main purpose of this research is to understand whether the customers of TaeguTec are satisfied with its overall performance. This research findings will help the management of TaeguTec to identify any shortcomings or areas where they need to improve to remain a preferable tooling partner.

### **Research Objective**

The objective of this research was to understand the level of customer satisfaction with TaeguTec. It involved understanding the performance of TaeguTec in various parameters such as product range, quality, delivery, technical support etc. It is through these parameters, TaeguTec will be able to understand how the customers perceive their brand.

### **Sampling Technique**

The technique followed was nonprobability convenience sampling. The company provided the prepared list of customers for the visit. A total of 98 companies were given in the Chennai-Trichy-Pondicherry region. The customers chosen for the survey had been using a minimum of 30% tools which were manufactured by Taegutec. The leads in the sample given had the buying influence power. The division which observed is as follows

1. Economic Buyer- 13%(CEO's of small manufacturing firms)
2. Technical Buyer- 79%(Tooling in-charge for mid-sized manufacturing firms)
3. User Buyer- 8% ( Production executives met on the request of senior managers)
4. Coach- less than 1%

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<sup>1</sup> International Metal working companies

## **Questionnaire**

The questionnaire is a tool through which customer feedback is recorded. Importance must be given to the design of the questionnaire. The first week of the internship involved designing the questionnaire.

TaeguTec has some parameters on which it would like to view its performance as well as importance of the same parameter from the customer. These parameters have ratings from 1 to 5, where 1 being least important and 5 being extremely important. A total of twelve parameters were considered. These parameters gave a much needed direction with regard to preparation of the questionnaire.

Through the ratings of the parameters, it will be possible to figure out the importance of performance and other related factors.

## **Research Method**

The method employed involved calling the leads given by Taegutec and fixing up appointments with them for direct interaction and survey. Sending email of the questionnaire or receiving feedback over the phone was strictly avoided. The lead given by TaeguTec was approached at all times, however in certain circumstances, other employees were asked to fill the question based on the suggestion by the company lead.

## **Analysis of Data**

Data collected from a total of 70 companies have been analysed based on various parameters identified by Taegutec. The customer responses to each of the parameter and the subsequent questions were recorded. The analysis comprises of findings using the concepts of chi-square, weighted average and mean. These concepts helped identify few key areas where Taegutec needs to focus on in order to improve its overall performance. The various parameters are product range, technology, specials, product performance in lowering CPC, product quality, tooling improvement, technical support, promotions, response to your needs, delivery, and overall performance.

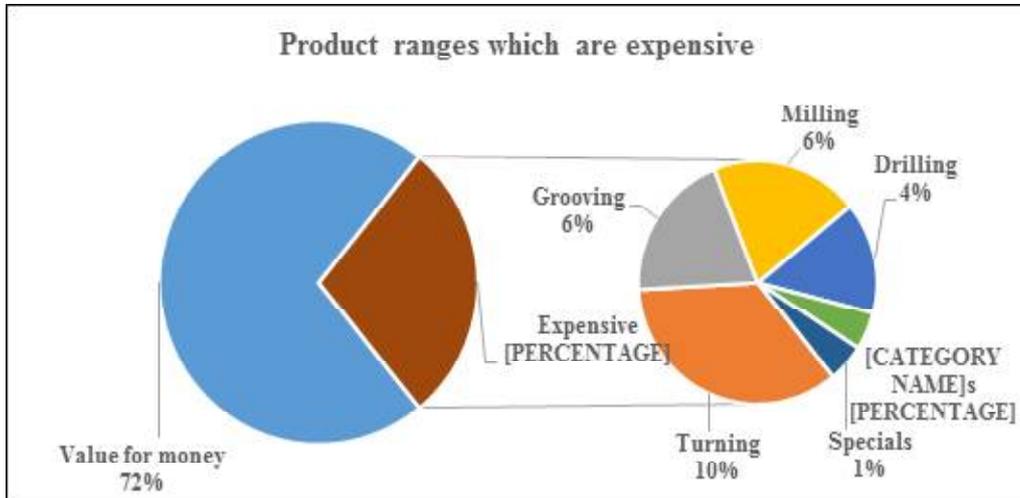
## **Product Range**

This implies all the products launched by Taegutec for various machining operations. The graph shows the areas where Taegutec products are not used. It can be seen that most customers do not prefer the products for solid carbide drills, reaming operations & holding system. Whereas turning and milling ranges are used widely by everyone. The few reasons why Taegutec products are not preferred are-

1. Price of tool is higher compared to other companies
2. Lack of product awareness. Only 10 customers have the latest Catalogue.
3. Insufficient Trials<sup>2</sup> conducted. Trials needed to be conducted to instil a level of confidence among customers to use certain product ranges.

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<sup>1</sup> Trials- These are conducted by the engineers. These trials help in identifying the best tools for the purpose of machining operations.



*Graph 1-Areas where Taegutec tools are not used*

**Test of Independence Between Performance and Product Catalogue.**

To verify if the performance in the product range depends on the presence of a catalogue.

$H_0$ - The performance is independent of the presence of catalogue

$H_1$ - - The performance is dependent on the presence of catalogue

**Actual Values**

Presence of Catalogue/Performance Rating	Fair	Good	V good	Total
NO	1	7	3	11.00
YES	0	33	26	59.00
Total	1	40	29	70.00

**Expected Values**

Presence of Catalogue/Performance Rating	Fair	Good	V good	Total
NO	0.16	4.24	6.44	11.00
YES	0.84	22.76	34.56	59.00
Total	1.00	27.00	41.00	70.00

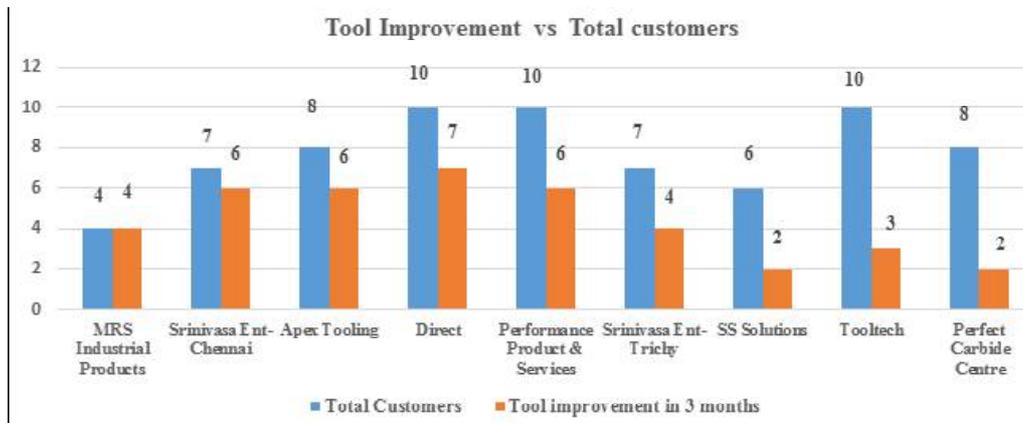
The critical value is 5.99 with level of significance  $\alpha$  is 0.05 and degree of freedom of 2.

The test statistic value is 6.09, where the p-value is .0476. As the test statistic value is greater than critical value, the test statistic falls in the rejection region therefore we reject  $H_0$  and fail to reject  $H_1$ . Hence we can say that, the presence of catalogue and the performance of TaeguTec are dependent. The customer's awareness about Taegutec's product range will improve if they are provided with the details of the products through the latest catalogue.

### Product Performance in Lowering Cost per Component (CPC)

CPC means cost per component. It is defined as the cost of tool by total number of components it makes. All the customers would like the CPC to be as low as possible. This is the key differentiator which influences the buying decision among customers. Out of the seventy companies visited, nineteen feel TaeguTec products are expensive, with turning being the most common range which the customers find expensive. This shows that customers are viewing prices of other competitors. They may be a high chance for these customers to buy the same products from other companies.

Taegutec has been identified twenty times by its customers as a company which added maximum value in reducing CPC. This shows that the value Taegutec products add, when compared to the products of other competitors.



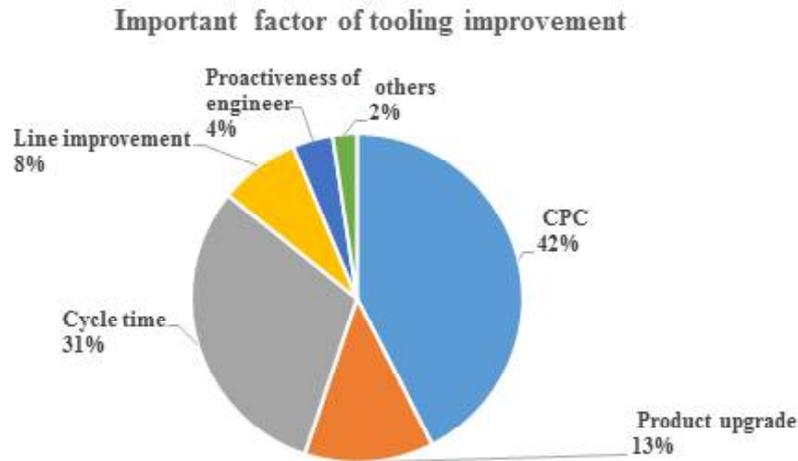
Graph 2- Ranges considered expensive

### Tooling Improvement

It is through tooling improvement, the engineers suggest the customers need better tools for their operations. The engineers visit the customers with new tools and conduct trials where the performance of tool will be recorded. If the tool proves to give lower cost per component, this tool will replace the old one used.

Few customers would want to deal directly with TaeguTec, rather than dealing through the suppliers. The graph shows tooling improvement activities conducted for the customers in the

past three month. Tooling improvement activities in the past three months were conducted only for 40 customers. *Graph 3-Tooling improvement vs Total customers*

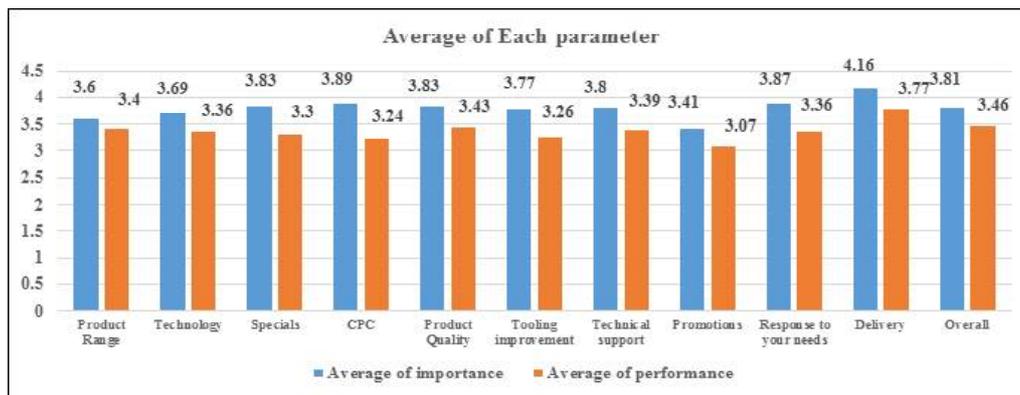


*Graph 4-Important factors of tooling improvement*

CPC seems to be the most important factor of tooling improvement followed by cycle time<sup>3</sup> reduction. This shows the importance of CPC for the customers.

### Overall Performance

The graph shows the overall average of importance & performance in each parameter. It can be observed from the graph that performance of delivery is the highest compared to other parameters and performance in promotions is lowest. Technical support was the area which was identified to be further improved. Improvements here would make Taegutec a preferred supplier. Most of the customers feel their relationship with Taegutec is good. This implies they are satisfied with the products & services offered by Taegutec. However, they are customers who feel their relationship can be better.



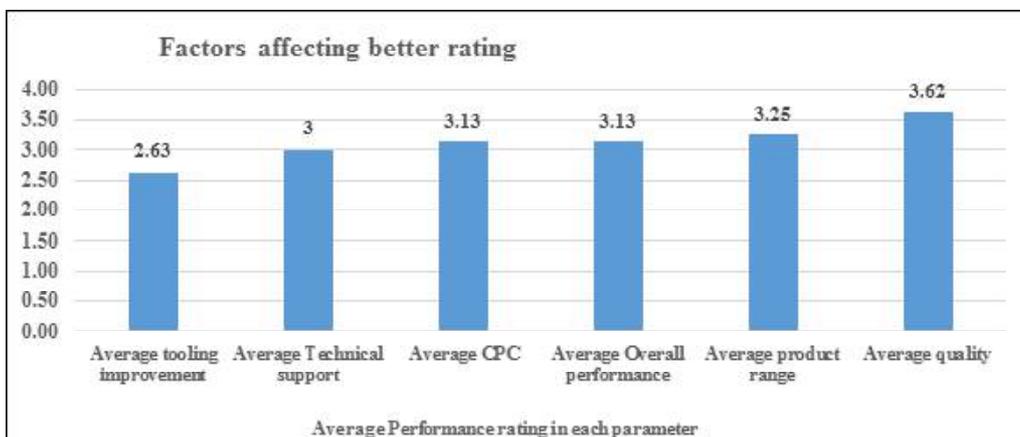
*Graph 5- Average of each parameter*

### Analysis of Responses Recorded Under Customer Relationship

The graph show the parameters which the customers considered while giving an excellent rating to the relationship. It can be seen that, very good performance in tooling improvement yields an excellent rating. Also the overall performance value is high. Tooling improvement covers the service aspect and involves direct interaction with the sales engineer. This implies that customers with better service feel their relationship with Taegutec is excellent.



Graph 6-Factors affecting excellent ratings



Graph 7-Factors affecting can be better rating

The graph shows the reason why customers have given a can be better rating with respect to relationship with Taegutec. The low value of tooling improvement shows that customers with a poor tooling improvement activity perceive a weaker relationship with Taegutec. This may be due to lower frequency of visits or poor quality of tooling offered.

Hence it is implicit that from the above graphs tooling improvement plays a very crucial role in determining the type of relationship they maintain. Changes in this parameter would yield to better performance results.

## **Recommendations**

- Conduct Case studies showing the success rate in using special tools. Taegutec can leverage the fourteen customers who have mentioned it is the number one special tool supplier to write case studies. These case studies can be carried by the sales engineer. Sharing the case studies and explaining to them the effect of using Taegutec products can increase the probability of a sale.
- The analysis indicated that tooling improvement is a very important factor which influenced the customers in their buying decisions. Hence, a separate team dedicated to tooling improvement can be formed. This team would be trained only in performing trials and tooling selection. Introducing such a team can increase the quality & frequency of tooling improvements.
- Knowledge sharing sessions with the operators and supervisors regarding tooling technology. The operators are not aware of the usage of tools, hence training needs to be provided which will enable the operators to work independently.
- Providing a customized online catalogue to the customers. The survey indicated the products which the customers do not use. Hence, a customized online catalogue can be designed for each customer and shared with them. Instead of printing a bulky catalogue which contains all the product ranges.
- Increase the frequency of visits of Sales engineers.
- As information flow is very crucial in delivery, hence order tracking can be made available to the customers. Customers complained about products delivery delays. They need to be intimated about any delays so that their production plan is not affected.
- Regular intimation of promotions and offers through emails.

## **Conclusion**

Internship at Taegutec has been a great learning opportunity. This industry is truly a dynamic one. With each company offering an exhaustive list in product range, it is obvious that there is cut throat competition here in this industry. The customer demands constantly change. This can only be met with the right technology and innovation. Hence a lot of importance must be given to research and development. Along with this, it is important to maintain healthy relationships with the buying influences within the organisation. This is possible only by the sales engineers who act as liaison between the customers and company. Their role is extremely crucial and is an important factor to decide the satisfaction level of customers.

The study sensitised regarding the importance of customer satisfaction, and the need for a win-win in every buying situation.

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