

What Buyers Want

India is emerging one of the toughest markets in the world, where buyers are very discerning with stringent Standards across the cost/quality equation. They are also setting the template of key demands in emerging markets. And demand spans the entire spectrum, from products to aftermarket services. India has now turned into a 'Buyers' Market' and OEMs are coming out with innovative offerings to remain competitive. **Satish Chavan** outlines some Buyer Metrics.

India is fast emerging a focal point, as the most lucrative market for Earthmoving and Construction Equipment (ECE) in the world, and major global OEMs are flocking into India to capitalise on the robust demand fuelled largely by its trillion dollar infra budget. However, the demand dynamics are changing now. Till recently most buyers' basic consideration was the immediate cost of the machine, i.e the initial price tag, all other things came later on. Although affordability is still a major issue among Indian buyers, their focus while deciding on a particular brand is now shifting



to the TCO (Total Cost of Ownership) concept. With plenty to choose from, their key choice parameters across the cost/quality equation are shifting towards the higher end, of good quality at reasonable price. Also Aftermarket Services have emerged a major consideration while choosing a particular brand. On the supply side OEM manufacturers are jostling for marketing space to catch the buyers' attention. Most of them now offer aftermarket services as standard offerings, and what they offer has become a major differentiator for a company to stand out among competitors. Also, most buyers are now looking for a one-stop single supplier across product verticals in the long run, for building up their equipment bank to execute as many projects as they can.

Demand dynamics

A huge amount of projects are being rolled out on a fast-track and almost all construction companies, big, small, and medium players, are bagging projects according to their capacity and regions. Most of them are busy procuring their equipment as per their immediate requirements. "Depending on the nature of projects, work generated for a particular equipment/machinery, and site location/logistics we may require things like Formwork and Shuttering, Excavators, Dewatering Pumps, Construction Lifts, Concrete Pumps, Concrete Placer Booms, Concrete Compactors and Vibrators, Concrete Cube Moulds, Bar Bending Machines, Core Cutters, Batching Plant, Safety Gear and the like," says **Sudeep Saha, Managing Director, Avant Group**. Commenting on the impact of demonetisation, **Dr Anil Jindal, CMD, SRS Group**, says, "The requirement of the construction equipment will surely increase in the near future as due to



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demonetisation, the demand for the property will increase. While selecting the construction equipment, we always make sure that they are of superior quality and built with latest technology." Most builders are busy modernising their equipment, "We are looking to invest around Rs 15 crore from 2017-18 financial year onwards on construction equipment as we need to update our equipment base," explains **Vineet Kashyap, Managing Director, BLK**. Some realtors have requirement of specific products, "Our project in Bharat City has 50 lakh sq ft to be built. And we have a requirement of a heavy tower crane in the coming year," elaborates **Kumar Bharat, Director, BCC Infrastructures Pvt Ltd**.

Project requirements

While there is an immediate requirement for new equipment, most contractors are cash-strapped with little or no funds to buy new equipment. Under these circumstances most companies have distributed their procurement between purchasing and renting equipment to save funds for operational capital to be deployed on ongoing or new projects. "We rent out the construction equipment as it has its own advantages, because: renting construction equipment are always cost saving; suppliers of the equipment give us ample amount of

knowledge on the best quality equipment that we can rent at the best cost; and most importantly, we can always go back to the supplier if there is some defect in the equipment," Dr Jindal underlines, who has a procurement strategy focused entirely on rentals, "Since we have always rented out construction equipment, there is no need of purchasing with internal funds or through equipment financiers," he explains.

The Avant Group has a slightly different strategy, "Certain low cost equipment shall be purchased from internal funds," explains Saha, and relies on equipment financing for more costly equipment. Those with a liquidity crunch depend on equipment finance and rent the rest of their requirement, "We plan to get rest of the equipment like transit mixer, etc. on rent till we get over the liquidity crunch," says Kumar of BCC, adding, "If we procure the equipment, then definitely we will be going with equipment financiers." Some companies are opting to buy low cost but essential equipment and resort to rentals for the rest, "We will purchase form work for about Rs 20 to 25 crore, and for rest of the equipment we will go for rentals," says Kashyap, adding, "From internal accruals we shall purchase formwork. The remaining equipment which are necessary to carry out operations, we will look for financing from other sources." With a very meagre budget available in house, most companies are preferring the equipment finance or rental route to procure essential equipment, and conserving their capital to be deployed on actual project execution.



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Important KPIs

Once the equipment requirements have



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been listed, the next important step in purchasing equipment is measuring the Key Performance Indicators (KPI) while choosing a particular brand. The KPIs will vary depending on your budget and end-user requirements. Some see it as a profit centre where funds can be saved. The Avant Group's strategy is to build an equipment bank “We will treat all high value equipment as an independent profit centre and evaluate if we can be competitive hiring or purchasing. In most of the cases hiring/contracting the high value equipment becomes more competitive/efficient due to the large uncertainties involved in real estate projects. In fact even the contractors do not own all the equipment needed for their ongoing projects. They too hire. Equipment Banking is already a concept in the construction industry to effectively and efficiently utilise the equipment pool,” says Saha, elaborating further, “Given the typology and scale of our projects, currently available equipment is adequate. Our KPIs include aspects like Fuel Efficiency with respect to actual work done, Low Maintenance Costs, Near Zero Breakdown Time during our Break Even Duration, Ease of Serviceability, Gurantees/Warranties, Easy availability of original spares and consumables at reasonable costs, Competitive Costing, Offers such as hire-purchase/buyback by manufacturers, Offers for reconditioned equipment by manufacturers at lower costs but with guarantee of performance.”

Defining their KPIs to select a particular brand, Kashyap says, “Firstly, we take a look at our requirements as to what equipment are needed. Then we look for similar brand machines we have been

using as it will be easy to operate them and saves a lot of time in learning the nuances of operating these equipment. Additionally, we can also save time as far as spare parts usage is concerned, which ultimately reflects on project time lines. If BLK has to go for new brand purchase, we look at the make, their local presence, spare parts availability etc. in order to meet our project timelines.”

For Dr Jindal, these KPIs are straightforward, “First the equipment should be cost effective, second important is that the quality should be of the supreme level, and finally the construction equipment should be aided with latest technology.” “We decide on the purchase of equipment on the good performers and also who are competitive in the market,” adds Kumar.

Aftermarket services

While latest technology and equipment financing have traditionally been the major parameters for equipment purchases, the new differentiators for OEMs to get a competitive edge is the spectrum of aftermarket services they offer. These range from equipment finance to rentals, and from data analytics to machine programming, spare parts availability to MRO, to remanufacturing

and buy back of old equipment. Major OEMs already offer this entire spectrum of aftermarket services and those who don't are catching fast in this critical segment.

India's ECE market is currently undergoing a structural change with the addition of aftermarket services becoming de rigueur. Demand metrics of customers are changing and so are expectations of OEMs. Potentially revolutionary technologies are coming (for instance, telematics and big data), and major OEMs are focused on them.

The importance of this is underlined by **Atarw Technologies'** transformative Aftermarket IT products and solutions which have enhanced aftermarket revenues of many heavy equipment majors. The company assists its clients in implementing a wide range of IT initiatives that includes software applications and data enabling. Its offerings include the entire gamut of aftermarket IT products, including Field Service Management (FSM), Aftermarket ERP, Electronic Parts Catalogue, Support Desk, Remanufacturing, Customer Service Agreement, Training Portal, Float Management, Tools Management, and Bay Management Systems. Atarw has made its products available on multiple devices and incorporated technologies like RFID, GPS, Mobile, and SMS integration. It is now expanding its global footprint through its partners and directly as well in markets including the Middle East, Africa, Europe, and North America. “While the average lifetime of automotive and construction equipment products are around 10-15 years, many OEMs do not have systems and processes to capitalise

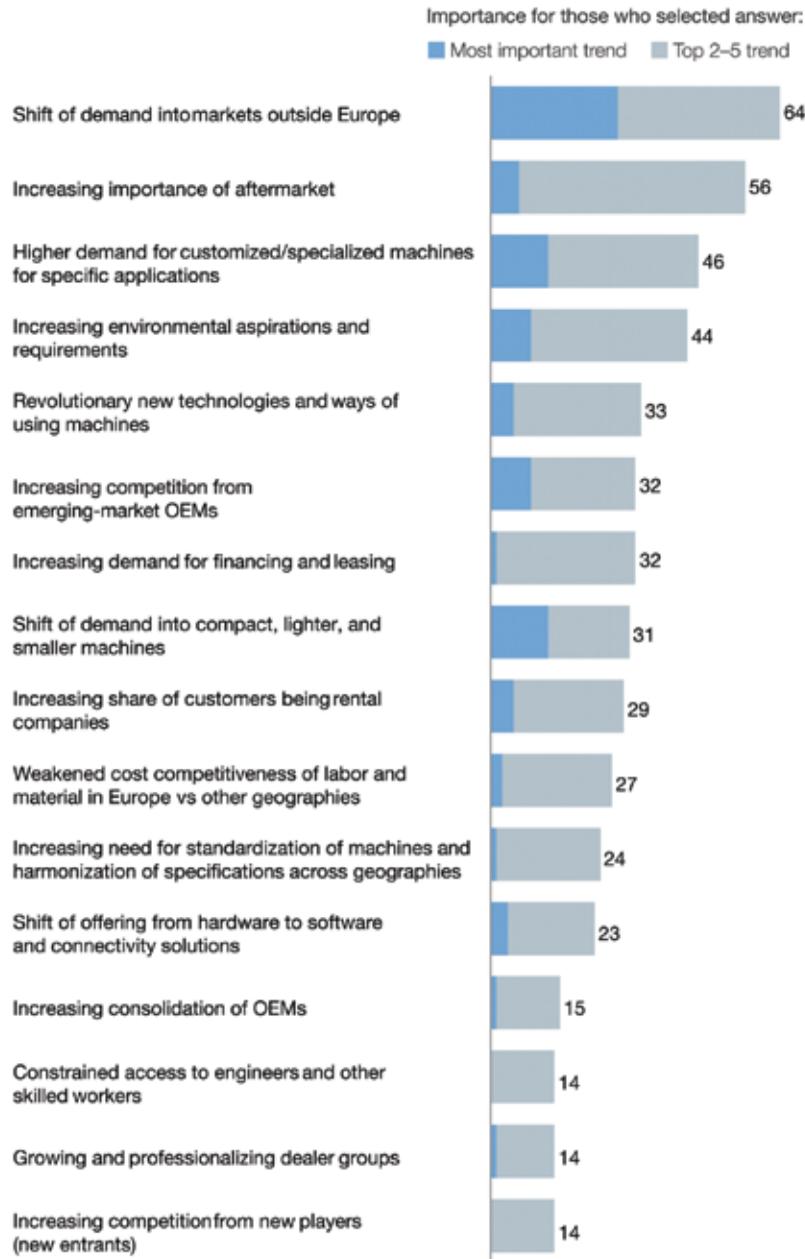


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OEMs consider the shift of demand into markets outside Europe and the increasing importance of aftermarket services the key trends.

Share of OEMs ranking trend among 5 most important, %



McKinsey&Company | Source: McKinsey European construction equipment survey, 2015-16

This Survey conducted recently by McKinsey in the European ECE market is indicative of what's to come into India, where major OEM players are Europeans.

on after sales. Companies have realised the importance of creating an effective aftermarket strategy and relationship

with their clients. With strong industry experience and proven domain expertise, Atarw Technologies has successfully

catered to some Fortune 500 automotive and construction equipment majors with its robust aftermarket products and services. Atarw Technologies helps clients to constantly monitor sales progress, product development, and lifecycle management. Atarw Technologies clients stand to benefit from improved aftermarket revenue, surge in customer response and satisfaction even in the current tough market conditions. Atarw Technologies has emerged as a leader in providing strong customer value to its clients through aftermarket IT support services," concludes **Suraj Godse, Research Analyst, Best Practices, Frost & Sullivan.**

What sells

While there is a clear shift from the initial cost of a product to the TCO concept Indian buyers of construction equipment have definitively outlined their metrics for purchasing capital equipment and buying the attendant aftermarket services. For OEMs to gain deep customer insights and stay at the forefront of technology, they need to take several steps: collaborate closely with dealers to gain access to and deliver on customer insights; raise R&D investments and make other selective investments to keep pace with accelerating technological development; develop refined performance-related offerings for customers; modularise product portfolios to retain scale benefits while differentiating the offering; build new capabilities and rebalance governance from operations to customers; and strengthen their agility and action orientation in corporate processes.

Only OEMs who adhere to these parameters meticulously will thrive in this Buyers' Market, by staying continuously attuned to these shifting customer preferences. The stakes are high on the back of robust demand building up for ECE products in India, and the only way to garner more market share is listening to what the buyers want. **CBT**

(With inputs from Anuradha Ramkumar)