

Behind the Scenes Amarjit Singh, founder, Intec Group was tired of being an OEM supplier with no brand recognition. He wanted the thrill of owning a consumer brand.



CASE
STUDY

Intec was tired of being an OEM manufacturer for electronics. Could it create its own brand identity?

BY SONAL KHETARPAL | PHOTOGRAPH COURTESY SUBJECT

For two decades, Intec was an OEM manufacturer for consumer durable giants like Bajaj, Samsung and Videocon. In spite of that, Intec did not have any brand equity of its own. Could Intec successfully launch a new brand of air conditioners to get the scale and visibility it wanted?



THE BACKSTORY

The journey so far

Amarjit Singh started his career by working with his brother who was an OEM (original equipment manufacturer) supplier for exhaust fans. In 1990, when Singh started Intec, he was clear about following his brother's footsteps to become an OEM manufacturer. Soon, he was supplying fans and machine parts for desert coolers to Videocon and Symphony. But, Singh's company got its first big break in 1995 when Bajaj gave them a contract for manufacturing 15,000 geysers.

By 2000, Intec had become a major supplier for Bajaj. Its total turnover was around ₹40 crore by then. The steady growth had emboldened Singh's ambition. He forayed into other consumer durable categories such as air conditioners and colour TVs. In 2002, Intec won an order from Samsung to manufacture TV sets. Singh set up a factory in Jammu & Kashmir to service this order. Within six months, Samsung also signed them up as an OEM for its range of air conditioners. Their relationship matured steadily. What had started as an order of 12,000 air conditioner units in 2003 had grown to 1.5 lakh units annually by 2007.



THE NEXT STEPS

Building a brand without threatening existing clients

Singh zeroed in on air conditioners as the first product category to take to the market. Air conditioners, he says, have a better margin, and with more and more people coming into the urban middle class, have a growing, steady demand. Intec launched its own brand of air conditioners in May 2013. But Singh treaded cautiously as he did not want to threaten his established OEM business.

"I talked to all our clients individually to assure them that Intec's products will be based on a different technology and separate suppliers will be used for all spare parts". Once his OEM business was secure, Singh knew he needed to create a strong product to attract buyers in what is a crowded, competitive market. He partnered with China-based electronics company, TCL Corporation in 2012 to leverage on their strength in air conditioner technology. In addition, Intec



THE PROBLEM

A lost identity

Today, Intec is a ₹260 crore company with 600 people across its four production units. It manufactures geysers for Bajaj Electricals, air conditioners for Samsung, Voltas and Blue Star, colour TVs for Onida and mixer grinders for Kenstar. Over the past couple of years though, Singh realised he wanted more. Despite the growth of his OEM business, Intec wasn't a recognisable brand. Singh was tired of the anonymity that came with being an OEM supplier. He wanted to build his own home-grown brand. Earlier this year, Intec launched its brand of air conditioners. But, could it make the switch to being a consumer brand?

4

THE AFTERMATH

Smart incentives, strong sales

Some smart business modelling helped as well. "We offered our dealers a better profit margin to keep their interest in promoting our product," says Singh. Intec offered them margins of ₹2,000-2,500 per air conditioner, in contrast to the ₹1,000 per conditioner they typically get from other brands. Singh hoped that the generous margins would prod the dealers into selling Intec's air conditioners with greater enthusiasm. His logic worked. Within the first month, Intec sold 2,000 air conditioners in Delhi NCR.

To motivate them further, Intec started a clever campaign. Any dealer who bought more than 40 air conditioners from them within two months would be eligible for a week's fully-paid trip to Spain. Two months later, 65 dealers were eligible for this Spanish holiday. Their robust dealer network also helped them bag corporate orders from institutions such as Lloyd Law College, Greater Noida and Vrindavan Garden Hotel, Vrindavan. In the first three months, Intec sold about 5,000 ACs.

also decided to use the more expensive copper coil in their air conditioners whereas most leading brands use 80 per cent aluminium coil, he says. Copper coils help prevent the machinery from rusting, and make the air conditioner more durable and long-lasting. In May 2013, Intec finally launched its range of window, split, inverter, floor standing and cassette air conditioners for sale in the Delhi NCR market. The company opened two exclusive showrooms in the region. Uptil now, Singh was in familiar territory. But, manufacturing is only one part of building a brand. Pulling in customers and establishing a brand amongst the swarm of MNCs was a huge challenge—an experience he did not have. Here, he could leverage his "social capital" of goodwill built over decades as an OEM supplier. Jogesh K. Jaitley, Samsung's country head of air conditioners, and Manish Srivastava, general manager at LG, advised Singh in building a dealer network for his brand. As senior members of the industry, their endorsements helped Intec reach out to dealers, earn their trust and convince them about the quality of the product.

Building the after sales connection

5

THE TAKEAWAY

"We got a good response from customers because of the whole package—a strong product and it's after sales service," says Singh. Intec offers a five-year warranty (other brands offer maximum two years, he claims), three services for free, and a coupon to get the compressor replaced in case of any default. Singh proudly claims his company takes action within 24 hours of registration of any customer's complaint. Also, the trip to Spain

helped Singh connect with the dealers in a way that no number of professional meetings could have. "The dealers got to know me and my family. I built a personal rapport with them and could win their confidence," he adds. The next plan, Singh says, is to open 12 more exclusive Intec showrooms in Delhi NCR by 2014. "We will launch our brand in Mumbai in January 2014 and go pan-India over the next two years."

THE EXPERTS WEIGH IN

LOW PRICE STRATEGY NOT ENOUGH

Becoming a brand would require Intec to have a strategy that covers competition from existing players who have deep pockets and can bring a lot of marketing, distribution, and price cut muscle to the market to squeeze Intec out. Just being a low cost provider is a slippery slope where winners are large players with deep pockets and hence, low cost in itself is not a competitive strategy. Another thing Intec can do is to strategically plan on building a professional management team as it scales pan India.

Hitendra Chaturvedi | FOUNDER & MD |
Reverse Logistics Company, New Delhi

TACTICAL, NOT STRATEGIC SUCCESS

Intec has mastered the operational complexities of setting up factories in greenfield sites, optimising supply chains and manufacturing efficiencies of assembly plants. Building brands at a national level while competing with established MNCs requires a different skill set and deep pockets where Intec is fundamentally at a disadvantage. Despite the initial success—which is tactical, not strategic and can be replicated by any competitor within weeks—Intec will be ill advised to foray in a low margin crowded market with low entry barriers dominated by MNCs.

Harsh Chopra | PRESIDENT—ASIA PACIFIC |
Encell Technologies, Gurgaon

CREATE A PULL, NOT PUSH MODEL

The number of customers in a B2C model will increase substantially and Amarjit needs to ensure that there is adequate bandwidth in his team in terms of numbers and skills to manage that. The management of working capital, particularly debtors will need a clear focus. He is following a push model for sales by giving more margin to dealers. Instead, he should create a pull factor. He also has to be conscious of the fact that for this activity the expenses and return on the same are not as well defined as in case of manufacturing.

Pramod Gothi | FOUNDER |
NorthStar Advisors, Mumbai