

Tata Wiron: branding galvanized wires

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Introduction

The Indian steel sector enjoys advantages of domestic availability of raw materials and cheap labor. Iron ore is also available in abundant quantity, which provides a major cost advantage to the domestic steel industry.

The Indian steel industry is an extremely modern with state-of-the-art steel mills and has always strived for continuous modernization and up-gradation of older plants and higher energy-efficiency levels.

These features of the industry have made India the world's fourth largest producer of steel, and the country is poised to move into the second place position in steel production in the next ten years.

Market size

Steel production capacity of the country expanded from about 75 million tonnes per annum (MTPA) in 2009-2010 to about 101.02 million tonnes (MT) in 2013-2014, when output was 81.7 MT.

India produced 7.07 MT of steel in January 2015, reporting the fourth highest production level globally, 1.7 per cent higher than the country's steel production in the same month the previous year.

The steel sector in India contributes nearly 2 per cent of the country's gross domestic product (GDP) and employs over 600,000 people. The per capita consumption of total finished steel in the country rose from 51 kg in 2009-2010 to about 60 kg in 2013-2014.

Demand from the key consumption sectors of infrastructure, automobile and housing remained strong during the current decade. Majority of the steel consumption sector wise in India is from construction and infrastructure (59 per cent) followed by manufacturing (13 per cent) and automobile (11 per cent). Product wise, bar and rod consists of 35 per cent of consumption followed by HR coil with 32 per cent, CR coil with 19 per cent and GP/GC sheet with 11 per cent. Amid rapid urbanization and spending on infrastructure, the current per capita consumption of steel (approximately 44 to 46 kg) make India a hot bed for steel consumption in the near future with the construction and transportation sectors contributing the most.

Global competition[3]

India's steel production grew at nearly half the world's average in the first six months of the year, but the country still remains at the fourth position among top steel producers. From

January to June 2014, India produced 41.28 million MT of steel, an 1.4 per cent increase over 40.72 MT in the same period of the previous year.

In comparison, global production of the alloy stood at 821.34 MT in the first half of 2014, over 801.23 MT during first half financial year of the past year, clocking a growth of 2.5 per cent. Among major steel-producing countries, China and South Korea were ahead of India in growth rate at 3 and 9.1 per cent, respectively; on the other hand, Japan, the USA and Russia lagged behind. While both the USA and Japan clocked 0.9 per cent growth in the first six months; Russia's growth was little less at 0.7 per cent. China produced 411.90 MT steel, Japan 55.22 MT, the USA 43.49 MT and Russia 34.82 MT.

India's position in the world's steel production has remained unchanged at the fourth place for the past four years since 2010. There was no change in the order of the top three steel producing nations with China, Japan and the USA retaining their slots in their respective order in 2013.

Steel wires market in India

The steel wires market in India comprises four broad segments – Automobile, Construction, Power and General Engineering. The General Engineering segment is estimated to be around 400,000 tonnes per annum (per company estimate). The market is dominated by unorganized players and is equally spread across all the four regions in the country. A brief description of various application segments is given below:

1. Barbed wires:

■ The characteristics are as follows:

- Largest segment in the General Engineering business (20 per cent).
- End use application is in defense, used by large farm owners and institutions, builders and large property owners and government agencies and institutional buyers.
- Concentrated in western and eastern India (75 per cent) – small conversions happen locally in other regions.
- Unorganized players dominate in non-critical segments.

2. Chain link fencing:

■ The characteristics are as follows:

- End use application is in industrial projects, government agencies and large farm fencing, such as for tea and coffee estates.
- Market is fragmented – conversion spread across the country.
- South and west dominate the conversion activity with nearly 70 per cent share.
- Localized product – comparatively less product movement between centers.
- Dominated by the unorganized segment.

3. Weld mesh:

■ The characteristics are as follows:

- End use application is in poultry farming (making cages) and in construction (used as window grills, compound partitioning and fencing).
- While unorganized players dominate among small converters, they are not preferred in poultry farming due to their poor zinc coating.

4. Farming wires:

- The characteristics are as follows:
 - End use application is in grape farming (vineyard grid formation), in tying plants to maintain their shape (tomato, support to creepers) and in fencing of farms and estates.
 - Unorganized players dominate in fencing, but Tata Wire is preferred by grape farmers.

5. Wire mesh:

- The characteristics are as follows:
 - Second largest converted General Engineering product in India.
 - Concentrated in the north and east India (90 per cent) – easy availability of thin wires.
 - Small re-drawers play an important role in wires reaching converters.
 - Dominated by Delhi- and Kolkata-based companies.
 - End use application is in Construction (as window screens, balcony coverings, etc.), in small homes/chicken farms, as filters in industries, mosquito nets, fencing and for river bank preservation.

The needs of the market varied for different application segments as evident from [Table I](#) given below.

Value chain

The value chain of galvanized wire is shown in the following [Figure 1](#).

The manufacturer of galvanized wires sells it to dealers who in turn sell it to sub-dealers. The sub-dealers then distribute it among the retailers from whom the contractors buy the product.

Alternatively, the manufacturer of galvanized wires sells it to distributors. The converter buys from the distributor and sells it to retailers or sometimes also sells directly to the consumer or the contractor employed by the consumer.

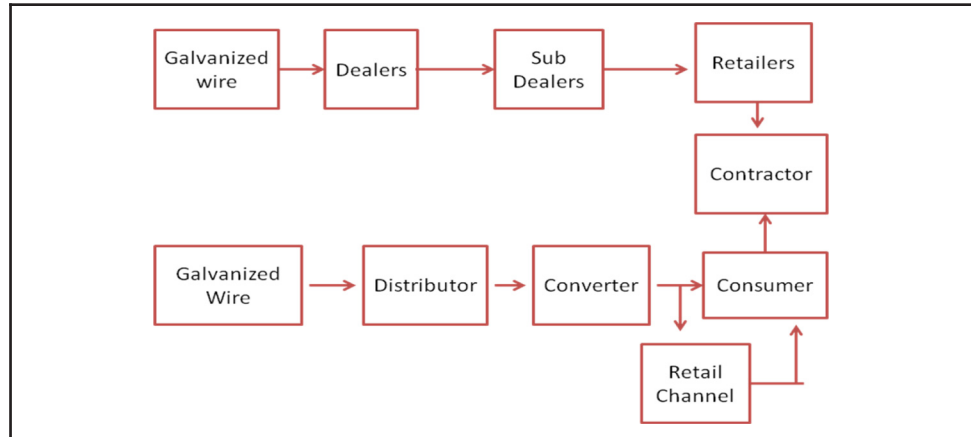
Competitive landscape

Tata Wires was the single largest player in select pockets (application/regions), was predominantly in western and southern India, but was negligible in the north and completely absent in the east. Tata Wire's major competitors are SAIL, JSW Steel Ltd, Essar Steel Ltd, Arcelor Mittal and POSCO Ltd.

Table I Application segments of wire market

<i>Segments</i>	<i>Market needs</i>
Barbed wires	High zinc coated and uniform wires for special applications (defense) Low-priced wires for others
Chain link fencing	Wire softness, high zinc coating (client specific), low prices
Weld mesh	High-quality wires (high zinc coating), uniform wires, less price sensitive
Farming wires	Local availability, high-quality wires for special applications, low-priced wires for others
Earth/stay wires	Low prices, adherence to minimum acceptable quality levels, timely delivery
Wire mesh	Availability, low prices

Figure 1 Tata steel Wiron – value chain of galvanized wire



Regional and local players dominated the market and gained importance, as they provided cost and location advantages. Local unorganized players copied Tata products, including their packaging style (which made it difficult to distinguish from genuine Tata products) and sold their wire products as a “Tata wire” product. Because their costs were lower, they sold at lower prices than Tata products.

The key characteristics of the market were:

- good quality wire requirement limited to few segments (not all application segments have the need of high-quality wires); and
- users unable to differentiate between wires, as most wires look similar.

As it was difficult to distinguish between “Tata wire” and those manufactured by local manufacturers, the consumer who wanted to buy a Tata product sometimes ended up buying a product manufactured by local wire manufacturer. As a result, if the consumer experienced any quality issues, then they were often attributed to Tata products incorrectly, thereby tarnishing the image of “Tata wire” in the market.

Tata Steel Wires Business

Tata is among the largest steel wire manufacturers in the world (and the largest in India, Thailand and Sri Lanka) in terms of product portfolio, production volumes and market share in each product segment. The division was the first to brand its galvanized wires for the retail segment under the Tata Wiron brand.

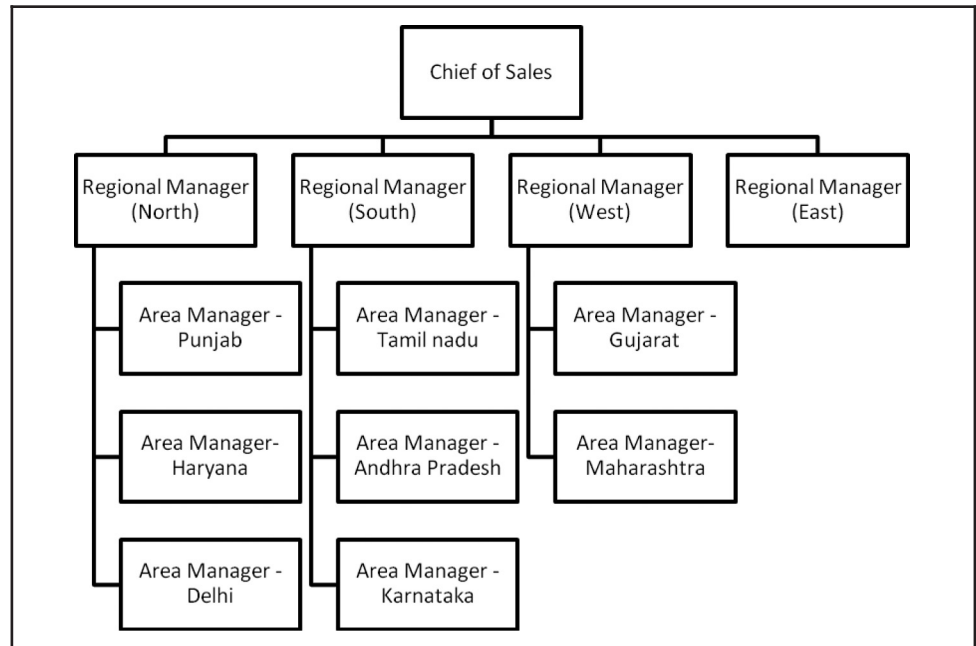
It has a 30 per cent market share of the organized wire market in India. Tata Steel Wires meets the most exacting specifications and requirements of customers and is manufactured with the latest technology coupled with a wealth of experience and expertise in the wire industry. Wide ranges of wires cater to the needs of various industry segments, such as Automobile, Infrastructure, Power and General Engineering.

The Wire Division in India operates Wire Plant 1 and Wire Plant 2 at Tarapur, two wire plants at Indore and one wire plant in Bangalore.

History of Tata Steel Wires Business

Tata Steel Wires Business had been targeting four specific customer segments: Automobile, Construction, Power and General Engineering. It was primarily business-to-business (B2B) selling and comprised selling to a finite number of customers. The marketing organization structure was sales-oriented (Figure 2).

Figure 2 Marketing organization structure of Tata steel Wiron



Distribution was through dealers who are essentially financiers and primarily interested in making money. They acted as disaggregators and gave a discount of 2 per cent to the customers who paid up front. The customers who availed the credit had to pay 2 per cent per month interest.

1999: formation of a task force

In 1999, a task force was formed to study the wires business, and an external consultant was appointed. The external consultant presented the following findings:

- Although 30 per cent of the market seemed to be buying Tata wires products, only 5 per cent was from actual sales done by the company, as local players were selling under the Tata name.
- Dealers were financiers interested in making money, and they played minimal role in generating or expanding business.
- There were spurious competitors who copied Tata wires and sold the counterfeit products under the Tata name.
- Market was segmented based on “different value propositions” at different price points, such as Rs 100, Rs 500 and Rs 1,000 per kg.

2004: formation of “Tata Wiron” brand

Based on the thorough market study done by the task force between 1999 and 2003, the decision was taken to brand the galvanized wires. To address the issues of commoditization and spurious brands, the “Tata Wiron” brand name was coined and registered.



Branding of wires was not an easy task and its implementation during the manufacturing process posed a technological challenge. In addition, it required convincing the workforce of the significance of branding, which itself was another challenge. Because 100 per cent implementation of producing branded “Tata Wires” was a challenge, some unbranded Tata wires were also available in the market.

Redefining segmentation

Segmentation of the market was done based on three factors:

1. benefit sought by the customer;
2. value proposition; and
3. geographic location.

Based on the study done by the task force, following four segments emerged:

1. Using galvanized wires for grape farming (vineyards).
2. Using galvanized wires for poultry farming (cages).
3. Drawing wires to finer sizes for making meshes.
4. Making fences.

The value proposition was different for different segments, as evident from examples below:

- Grape farmers were using wires for making “*mandaps*” (*Wires used for support – vertical and suspended – horizontal*) which would last for about 15 years and, therefore, wanted wires which would bear the weight and support the grape vines.
- Poultry farmers wanted the wires for making cages which were strong enough to hold millions of eggs laid by birds and, at the same time, soft enough not to harm the birds. Second, they wanted wires which would withstand the corrosive atmosphere created due to H₂S gases released from birds’ excretions (if the wires rusted, then it would harm the birds).
- The customer drawing wires to finer sizes wanted the wires to be soft.
- Fencers wanted barbed wires.

The above four segments also gave rise to clear geographies as follows:

1. Grape farming – Nasik, Sangli, Karnataka and Tamil Nadu.
1. Poultry farming – Andhra Pradesh, Haryana, Punjab, Pune and Hubli.
3. Drawing wires – in and around Delhi.
4. Fencers – across the country.

Because the value proposition varied among different set of customers as seen above, the company identified clear SKUs and packaged them in different color materials as follows:

- Grape farming – Green.
- Poultry farming – Red.
- Drawing – Blue.
- Fencing – Yellow.

“Targeting” however was a challenge. The end consumers and the decision-makers (who buy the wire products) are different. Most often the jobs of “fencing”, “building *mandaps* for grape vineyards” and “building cages for poultry farming” are done by contractors who are normally freelancers. Hence, it was difficult to locate these contractors.

Revamping distribution network and selling

Authorized distributors were appointed and boundaries were drawn to do the demarcation of territories. Accordingly, the shipping of the product was done: for example in Nasik, supply only wires with green bands or in Andhra Pradesh, supply only wires with red bands.

This led to reduced supply chain cost and a shift from a disaggregation centre to a consumption centre. To date, the company has 32 distributors with clearly identified consumption centers and the market potential of each consumption centre is identified and sales targets are assigned accordingly. The marketing organization structure also underwent the change (refer Figure 3) and the sales team comprised two sales personnel each in four zones. Each territory had a back-end marketing group, which monitored prices on monthly basis and tracked the coil numbers which helped the company to take care of infiltration.

With the branding initiatives and improved distribution and selling networks, the company market share went up to 18 per cent in 2013.

Competition

Competition was primarily from small-scale operators who had their stock points in front of the “Tata Wiron” stock point and who sold the similar product at lower prices.

Promotion

Because the wire market was more like a “commodity market”, it was essential to educate the “sales force”, “distributors”, “dealers”, “consumers” and “contractors” about the branded “Tata wire” product, which was yet another challenge.

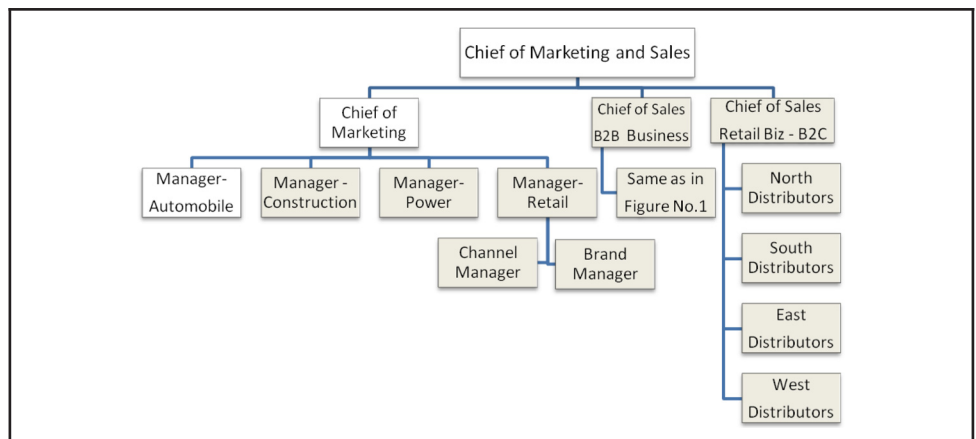
Promotion methods utilized to highlight value proposition through various modes can be seen below:

- Advertisements through leaflets.
- Wire trade fairs/exhibitions.
- Poultry exhibitions.
- Van campaigns.

Way forward

The contribution of galvanized wires business to the total wires business has gone up to 30 per cent in the year 2013 from a mere 13 per cent in the year 2004. The “branding activity” coupled with systematic marketing approach has made this possible. The task now is to build the brand further. The management has set an objective of increasing market share from 18 to 25 per cent in next five years.

Figure 3 Revised marketing organization structure of Tata steel Wiron



Keywords:

Market segmentation,
Commodity branding

A cross-functional team of experts led by the marketing team called “*Antardrishti*” has been set up to exploit the value potential. The *Antardrishti* team has provided many insights into consumer behavior, and the onus is now on rigorously implementing their recommendations for success.

Notes

1. <http://wiron.tatawire.com/about-us/our-profile.aspx>, accessed on 13 July 2015.
2. www.ibef.org/industry/steel.aspx, accessed on 15 July 2015.
3. www.wirecable.in/category/industry-trends, accessed 15 July 2015.

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