



IIMC CASE RESEARCH CENTRE (IIMCCRC)

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GROWING THE REMANUFACTURING BUSINESS AT CATERPILLAR INDIA

Satish Rao, an electrical engineer by education is an industry veteran having worked across diverse geographies and multiple companies. Over the last thirty years he has been associated with global behemoth Caterpillar as a supplier, dealer and employee wherein he has undertaken a variety of roles and responsibilities such as Account Manager, Territory Manager, Brand Readiness Manager and Process Development Engineer across India, Middle East, Canada and USA. After spending considerable time abroad he has returned to India and is currently the Market Development Consultant for Caterpillar Remanufacturing based in Bangalore from October 2011 and is responsible for all aspects of the remanufacturing business for Caterpillar in India.

The remanufacturing business is in its infancy in India. The country is mostly unaware of the rapid strides which the remanufacturing industry had made across various countries of the world such as USA, the European countries, Australia, South East Asia, China, Singapore etc. However, there is still a lack of awareness regarding remanufacturing which is often used interchangeably to mention second-hand or used goods. Moreover, the government has not been greatly supportive towards this industry. Import of remanufactured goods was banned as it was considered to be a front for dumping low quality, second-hand goods by countries such as China, USA etc. into India. Such fears were exacerbated by industry bodies such as SIAM (Society of Indian Automobile Manufacturers) who actively lobbied with the government to ban the import of remanufactured goods.

Prof. Subrata Mitra, Prof. Indranil Bose and Debprotim Dutta of the Indian Institute of Management Calcutta developed this case study as the basis for class discussion rather than to illustrate the effective or ineffective running of an organization.

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In Mr. Rao's words,

"There was a lot of opposition towards remanufacturing business in India, mostly due to misconceived notions about it, mistaking it for second-hand goods and a fear of dumping low quality goods into the country."

Satish spent the initial time on lobbying with the government and trying to correct their misconceived notions about remanufacturing. It was a slow and painfully laborious process as he had to navigate bureaucratic hurdles and educate them about the benefits of remanufacturing. After protracted efforts spanning more than a year, he was able to assuage the fears and apprehensions of the government. Consequently, the Government of India allowed Caterpillar to import remanufactured goods into India.

Though Caterpillar has been able to remove a major roadblock in setting up the remanufacturing business in India, there is still a long way to go towards establishing the business in India. Presently, remanufactured parts sales account for hardly 1.5% of the total value of spare parts sold by Caterpillar in the country. Globally, for Caterpillar, remanufactured parts contribute 15-16% of total parts sales. Satish has been entrusted with the ambitious target of increasing the share of remanufactured parts in India to around 10% of total parts sales over the next 4-5 years.

In Satish's words:

"Given the present low awareness and poor penetration of remanufacturing across the country, there is a huge opportunity for growth of remanufacturing. However, we have to improve awareness around remanufacturing and showcase the various benefits it accrues to the overall economy and environment."

Satish would have realized that the challenges in front of him are manifold. How should he increase the market share and reach a number closer to the target which he has been handed down by the senior management of Caterpillar India? How should he grow the remanufacturing business without cannibalizing the sales of new parts of Caterpillar? What sort of promotional campaigns should he launch and how should he connect with his customers and dealers? What should be his business model in India?