

## Teaching Note

### JAKSON: EVOLUTION OF A BRAND

---

*Bipul Kumar wrote this teaching note as an aid to instructors in the classroom use of the case Jakson: Evolution of a Brand, No. 9B18A041. This teaching note should not be used in any way that would prejudice the future use of the case.*

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com.*

*Copyright © 2018, Ivey Business School Foundation*

*Version: 2018-06-29*

---

#### SYNOPSIS

The Jakson Group (Jakson) was a pioneer in the field of acoustic diesel generator sets (gen-sets). It also served as one of the largest original equipment manufacturers for Cummins India Limited (Cummins). Driven by the insights of its founding members and innovative ideas of the next generation of leaders in a favourable business condition, Jakson grew at a compound annual growth rate of 23 per cent between 2000 and 2008. Jakson was able to build its brand step by step based on strong fundamentals.

Over the years, favourable economic conditions in India and growth opportunities in the gen-set business attracted other players to the industry. As a result, the entire diesel gen-set market became more competitive. In 2008, the worldwide economic downturn, caused by the Lehman Brothers crisis, also affected the Indian market. By 2010, Jakson's revenues started dwindling quickly, leading to a crisis for the company. The owners and top management began contemplating the next course of action to put Jakson back on a growth trajectory. They also brought in one of the big four consulting firms to suggest a few diversification options in line with Jakson's core strengths. The clock was ticking, and Jakson's management needed to act fast.

#### LEARNING OBJECTIVES

This case focuses on a firm's brand building in the business-to-business (B2B) marketing context. It also deals with the importance of the supplier–original equipment manufacturer relationship. The case gives students an opportunity to do the following:

- Consider the role of macro environmental factors in marketing and business decisions.
- Describe the steps in building a brand and brand equity in the context of B2B marketing.
- Understand the relationship spectrum in the context of B2B marketing.
- Explain how a firm uses segmentation and after-sales support to achieve its business goals.
- Examine a firm's diversification options in a dynamic environment.
- The case gives students an opportunity to learn about the following specific aspects of B2B marketing:

## POSITION IN COURSE

This case is suitable for graduate- and executive-level courses on B2B marketing, brand management, and business strategy.

## RELEVANT READINGS

- Sheena Leek and George Christodoulides, “A Literature Review and Future Agenda for B2B Branding: Challenges of Branding in a B2B Context,” *Industrial Marketing Management* 40, no. 6 (2011): 830–837.
- George S. Day, “Managing Market Relationships,” *Journal of the Academy of Marketing Science* 28, no. 1 (2000): 24–30.
- Robert E. Spekman and Joshua Stein, *Customer Segmentation in Business-to-Business Markets* (Charlottesville, VA: Darden Business Publishing, 2011).

## ASSIGNMENT QUESTIONS

1. What are the various macro environmental factors that shaped the business dynamics for Jakson over the years?
2. How was Jakson able to build a brand and brand equity for itself since inception? Explain in the context of B2B branding.
3. Explain the relationship between Jakson and Cummins.
4. How did Jakson use marketing segmentation to achieve its business goals?
5. Which diversification option should Jakson choose in the changing environment to grow its business?

## TEACHING PLAN

This case can be taught in a single 75-minute class, divided into five major segments based on the assignment questions.

Discussion Point	Time (in Minutes)
Introduction	5
Assignment Question 1	10
Assignment Question 2	20
Assignment Question 3	10
Assignment Question 4	10
Assignment Question 5	15
Conclusion	5

## ANALYSIS

1. **What are the various macro environmental factors that shaped the business dynamics for Jakson over the years?**

The following macro environmental factors shaped the business dynamics for Jakson:

- Rising need for infrastructure—Electricity is the backbone of any economy. Although the power sector grew remarkably after India’s independence in 1947, the state of infrastructure in the electricity sector

remained grim. Peak and non-peak power deficit and high transmission and distribution losses remained major challenges. The unreliability of the sector resulted in significant growth in the diesel gen-set business as industrial and commercial establishments required uninterrupted power supply for their operations. In rural areas lacking access to electricity, diesel gen-sets were the primary source of electricity generation for various purposes.

- Economic downturns—The 1998 global economic crisis severely affected the Indian market. Many next-generation entrepreneurs in the gen-set business could not survive and exited the market, keeping the competition moderate. In this testing time, Jakson could survive due to its strong fundamentals and overall backward integration in different state-of-the-art manufacturing capabilities. The second wave of economic recession in 2008–09 posed even bigger challenges. The impact on the top line was severe, as Jakson’s order book began to shrink and revenues continued to drop with each passing quarter. At the end of 2010, Jackson’s revenues had fallen to US\$179.73 million<sup>1</sup> from \$209.36 in 2008.
- Government regulations—Because of environmental concerns, in 2003 the Central Pollution Control Board announced a series of regulations that mandated all diesel gen-sets manufactured in India to have a noise pollution level of less than 75 A-weighted decibels. These regulations proved to be a boon for Jakson, since it continuously invested in research and development technologies and innovative engineering skills. Jakson had developed soundproof acoustic enclosures for its gen-sets much before these regulations came into force. The company had been manufacturing gen-sets with acoustic enclosures since 1998 as an alternate product offering. This strategy helped it maintain a clear edge over competitors who could not respond timely to such changes.

## **2. How was Jakson able to build a brand and brand equity for itself since inception? Explain in the context of B2B branding.**

Jakson’s brand building can be understood using the B2B brand pyramid framework suggested by Leek and Christodoulides.<sup>2</sup> With this framework in mind, the following is a discussion of Jakson’s brand building and brand equity development steps.

### Salience of the Manufacturer’s Brand (Who Are You?)

A series of events shaped Jakson’s position as a prominent player in the diesel gen-set market. A lack of electricity infrastructure in India created an opportunity for firms like Jakson to create a niche in the market. By building state-of-the-art production facilities over time, adopting the latest technologies, and continuously investing in its own facilities, Jakson was able to make a mark in the sector. Jakson’s association with Cummins, the leading supplier of engines for gen-sets, also helped in creating a strong identity.

### Performance/Reputation (What Are You?)

The performance of Jakson’s diesel gen-sets was well recognized in the industry. Some of its initial initiatives, like acoustic gen-sets, helped Jakson provide even better performance in the market. It was a time when most players in the market were still working with traditional diesel gen-sets. When the Central Pollution Control Board came up with a policy to reduce noise pollution, Jakson was the biggest beneficiary because it already had the required acoustic technology.

---

<sup>1</sup> All currency amounts are in U.S. dollars.

<sup>2</sup> Sheena Leek and George Christodoulides, “A Literature Review and Future Agenda for B2B Branding: Challenges of Branding in a B2B Context,” *Industrial Marketing Management* 40, no. 6 (2011): 830–837.

Jakson used the best manufacturing practices in its production facilities. It was the first Indian diesel gen-set manufacturer to invest in state-of-the-art computerized numerical control machines, from industry major Amada (India) Pvt. Ltd., for its manufacturing plants. Such initiatives helped Jakson maintain high quality on par with international products at low overhead costs. Jakson also created necessary manufacturing facilities backed by backward integration for input components, which were needed to produce gen-sets. This strategy helped reduce the extent of uncertainty regarding supplies of the input components and helped Jakson commit to better delivery to its customers.

All of these initiatives gave the Jakson brand a strong reputation, which was taking shape step by step.

#### Judgment/Sales Force Relationship (What About You?)

Jakson's gen-sets were judged favourably by customers. The company enjoyed good performance and did well in terms of meeting customer expectations. Many factors contributed to Jakson's success. Its sales force relationship played a crucial role in spearheading the Jakson brand name, leading to higher brand equity. A favourable judgment about the products in the B2B space requires the right blend of excellent product attributes and reliable after-sales support. Some of the factors that helped Jakson in getting this favourable judgment and maintaining an excellent sales force relationship are listed below.

- In the changing regulatory environment, gen-set customers also needed to abide by the government's rules and regulations. Jakson provided high-performance acoustic diesel gen-sets that met the requirements of customers who needed their gen-sets to be within the limit of 75 A-weighted decibels and equipped with reduced carbon emission.
- By 2000, Jakson had 21 sales offices, 50 dealers, and 12 warehouses across India. Its presence at 21 locations helped it develop strong relationships with customers. Jakson was able to collect customer feedback to handle any issue and improvise its products proactively. It was one of the few companies in the sector to invest in setting up a dedicated training facility, in collaboration with Cummins, to train its technical support staff. This strategy enabled it to provide speedy assistance to customers and resolve all kinds of technical issues or emergency situations. Jakson also had readily available spare parts, which helped it provide prompt after-sales support, even in the case of severe break downs. The case describes customers' testimony on this account. Such incidents helped increase "word of mouth" publicity for the Jakson brand, which ultimately enhanced the company's good brand equity.

#### Partnership Solution (What About You and Me?)

This stage is also known as the pinnacle of a relationship between a brand and its customers. It ultimately reinforces the notion of building a strong brand. Over time, customers banked heavily on Jakson as a reliable brand in the gen-set business. The case describes an instance where Jakson provided support to one of its reputed customers and the reported break-down condition of the gen-set installed at the customer's premise was rectified well before the timeline. In later years, Jakson came up with Jakson gen-set models that provided users with a ready-to-use plug-and-play power supply unit. It became a customer favourite, not just with large-scale industrial and commercial users, but also with single-unit users such as event organizers, residential users, and small shops. Jakson soon emerged as a brand that was discussed often by its customers. Such developments took the relationship between the Jakson brand and its customers to the level of partnership solution, wherein both entities took care of each other, leading to bigger brand equities.

### 3. Explain the relationship between Jakson and Cummins.

The relationship between Jakson and Cummins can be explained using the relationship spectrum framework suggested by Day.<sup>3</sup>

- Toward the **value-adding exchange stage** of the relationship—Jakson and Cummins started their relationship somewhere at the stage of transactional relationship, as is the normal starting point for a relationship between any two business entities. Primarily driven by the commitment shown by Jakson, the relationship soon reached the level of value-adding exchange, since Cummins also preferred to keep a partner such as Jakson that followed Cummins's corporate ethos. With an increase in demand for gen-sets, Cummins supported Jakson in terms of providing its world-class engines. For Cummins, Jakson turned out to be a key account with assured business throughout the year. Jakson purchased 40 engines in 1981, and the number grew substantially on a yearly basis.
- Toward the **collaborative exchange stage** of the relationship—The relationship between Jakson and Cummins grew exponentially. It was marked by sheer dedication, commitment, and a feeling of mutual trust and respect. They reached the stage of joint problem solving with long-term benefits in sight. An example of the collaborative relationship was the use of the Cummins logo on Jakson's gen-sets in a co-branding manner.

In time, both partners also benefited from implementing technology such as customer relationship management software to share mutual data, review each inquiry, and make joint action plans related to specific requirements. They made joint visits to customers to understand critical issues and review the demand in order to fine-tune delivery schedules and commitments. Jakson provided a demand forecast to Cummins for engines well in advance, and Cummins reciprocated with similar assistance. Councils with joint representation for price, product, and technology were formed. The companies met quarterly to review the situation and make decisions on important matters. Cummins collected data on sales, stocks, quality control, pricing, and pending orders from Jakson. After analyzing this information, Cummins supported Jakson with the results and inputs on various issues such as market share, forecast accuracy, consolidated engine purchase by net value, and key account visits.

The case mentions that Jakson's top management once commented that this relationship was built on the pillars of mutual trust, commitment, and shared values, which are the necessary ingredients for a collaborative relationship.

### 4. How did Jakson use marketing segmentation to achieve its business goals?

Jakson's marketing segmentation approach can be understood by using the micro and macro segmentation variables suggested by Spekman and Stein.<sup>4</sup>

As shown in case Exhibit 5, Jakson started its segmentation approach using broad sector classification such as agro and aqua, auto, manufacturing, and infrastructure, which can be classified as macro variables. It then moved further, narrowly, within the same sector to reach segments such as agriculture and aquaculture, and cold storage in the agro and aqua sector. Although the case does not provide further details, the segmentation process can delve down to the micro level, such as the decision-making style of the individual members in the buying centre.

---

<sup>3</sup> George S. Day, "Managing Market Relationships," *Journal of the Academy of Marketing Science* 28, no. 1 (2000): 24–30.

<sup>4</sup> Robert E. Spekman and Joshua Stein, *Customer Segmentation in Business-to-Business Markets* (Charlottesville, VA, Darden Business Publishing, 2011).

The compatibility of a segment was also matched with the seasonal demand pattern. As mentioned in the case, gen-set demand in the infrastructure segment picked up heavily from March to June due to power shortages reaching their peak.

Some prominent segmentation criteria—such as durability, substantiality, and measurability, as suggested by Spekman and Stein—have been used by Jakson in an effective manner. This approach helped the company better understand the market and customer requirements. The case mentions that Jakson established its project verticals to customize its products and services for big customers and give them a single-window solution, which was the result of effective segmentation.

Since good segmentation is a key to a successful marketing strategy, it can be concluded that Jakson was able to craft a good marketing strategy, leading it to achieve its business goals based on an effective segmentation approach.

### 5. Which diversification option should Jakson choose in the changing environment to grow its business?

The consulting firm suggested three diversification options: power generation and distribution; solar power; and electrical engineering, procurement, and commissioning (EPC). The following sections discuss the pros and cons of the three options.

#### Power Generation and Distribution

This option includes a complete range of gen-set products, along with material handling and distribution of machinery parts.

##### **Pros**

- It aligns with Jakson's core strength—the gen-set business.
- The case mentions that Jakson primarily does not want to deviate much from its core strength.
- Jakson is already working in the gen-set business and has moved substantially well on the learning curve. If Jakson adopts this option, the learning gained will help it in dealing in the complete line of business, which includes material handling and distribution of the machinery parts.
- Jakson has adequate presence in the gen-set market due to its sales force and channel partners. Such an established network is expected to help Jakson.

##### **Cons**

- Entering into a complete line of gen-set business may divert Jakson's attention from its core area, which is selling gen-sets.
- If Jakson also manages material handling and distribution of machinery parts, some of the channel partners may not agree, since it will increase their involvement.
- Since material handling is a capital-intensive job, some of the channel partners may not be equipped to do so; hence, Jakson may also have to support them financially.
- As mentioned in the case, Jakson has some key accounts. If it diverts some of its sales force to a new line of business, these key accounts may suffer.

#### Solar Power

This option includes a complete range of solar business, from dealing in components like solar photo voltaic modules to setting up solar power projects.

**Pros**

- The learning achieved in the gen-set business can be leveraged to some extent by Jakson if it enters the solar power business.
- Solar power is a renewable source of energy and has good scope in the future.
- Although not mentioned in the case, there are various policies by the government of India that encourage solar power adoption by companies and customers.
- Jakson needs to understand that it operates in the energy business and it makes sense to use the complete portfolio. Solar power is one such growing option in the entire energy portfolio.

**Cons**

- Jakson may not stick to its core area of expertise if it plans to enter the solar power business.
- Jakson does not have prior knowledge in the solar power business and hence will need substantial investment to gain the required knowledge.
- This diversification option may place an additional burden on the existing sales force, which may not devote quality attention to some of the key customers in the gen-set business.

Electrical Engineering, Procurement, and Commissioning

This option includes the execution of major electrical projects.

**Pros**

- Drawing on the idea of marketing myopia, it makes sense for Jakson to venture into a related business with a broader horizon.
- Jakson needs to understand that it is in the energy business, not merely in the business of diesel gen-sets.
- Jakson has gained knowledge about the electrical industry while doing its gen-set business. Such knowledge and learning is expected to help it in the electrical EPC business as well.

**Cons**

- As with solar power, Jakson may not stick to its core area of expertise with this EPC option.
- Jakson does not have prior knowledge in EPC and hence will need substantial investment to acquire such knowledge.
- This diversification option will also place an additional burden on the existing sales force, which may not devote quality attention to some of the key customers in the gen-set business.

In view of the pros and cons of the three options, it can be concluded that Jakson should contemplate diversifying into option number one—power generation and distribution—and option number three—EPC.

**WHAT HAPPENED**

Based on the consulting firm's recommendation and top management's decision, Jakson finally decided to diversify into all three suggested options. Each option, created as a vertical, was assigned to a separate business unit head with complete profit and loss responsibility.

The power generation and distribution business was also extended internationally in countries such as Nepal and Bangladesh. Jakson started its solar power business with a complete range of offerings, from solar components to solar power projects. The portfolio of solar business included components such as solar photo-voltaic modules, solar substations, string combiner boxes, and module mounting structures boxes. As a solar independent power producer, Jakson set up two power plants with a total installed capacity of 60

megawatts in the states of Rajasthan and Uttar Pradesh. The power generated was sold to state governments, with a 25-year power purchase agreement.

The electrical EPC business included project execution for urban and rural electrification, electrical substations, electrical transmission and distribution networks, metro rail electrification, and defence applications, among others. Most of these projects were primarily in the government domain.

Jakson was also active in corporate social responsibility related to skill development, education, and health care for the underprivileged strata of society.

During financial year (FY) 2016–17, Jakson reported revenue of \$405.98 million. The expected rise in revenue for FY2017–18, ending on March 31, 2018, was almost flat, and the forecasted revenue for FY2018–19 was approximately \$460 million. Jakson is now a leading energy and engineering company in India with a presence across the entire energy value chain—from diesel power generation and solar power to electrical EPC. Jakson's business footprint encompasses India, Bangladesh, Nepal, Singapore, Dubai, and several countries in Africa. Its chosen line of businesses were highly successful and put it back on the growth trajectory. The company employs more than 2,000 workers across India. It plans to be a \$750-million company within the next three years.