Case Study: The Importance of Customer Service in the Indian Industry

Abhijit Chandratreya

Indira Institute of Management, Pune, India; abhijitc@indiraiimp.edu.in

Abstract

This case let deals with the case of Indian Oil Corporation Limited (Gujarat Refinery), one of the major refineries in India and its contract with a major contractor of Insulation and Electrical Heat Tracing. It highlights the various moves (which includes tie-ups, innovative managerial practices) taken by the company towards catering to the customer needs.

Keywords: Electrical Heat Tracing, Negotiation Skills, Project Management Practices, Service

1. Introduction

1.1 The Client

The Gujarat Refinery at Koyali in Western India is Indian Oil's largest refinery. The refinery was commissioned in 1965-1966. Its facilities include five atmospheric crude distillation units. The major units include CRU, FCCU and the first Hydrocracking unit of the country. Gujarat Refinery, operating with an installed crude processing capacity of 18 million metric tonnes per annum, processes indigenous and imported both low Sulphur and high Sulphur grades of crude oil. The product slate includes besides fuels, petrochemical products such as Linear Alkyl Benzene (LAB), Polypropylene Feed Stock, and Food & Polymer Grade Hexane. Committed to safe operations, Gujarat Refinery has achieved accident free 89 million man-hours till July 2010. All process units - existing and under implementation - comply with all applicable safety standards and norms which includes installation of gas detectors, centralized fire call monitoring system, fire fighting facilities, process interlocks etc. Gujarat Refinery has two fire stations with fire fighting network spreading all over the refinery with monitors, hydrants and remote operated monitors. A three-Tier safety review level operates proactively to avoid any untoward incident. As a part of disaster management, mutual aid facilities among the adjoining industries are in place to supplement a well-defined disaster management policy of the Refinery. Petroleum derived diesel (called as petro diesel) is a mixture of straight run product (150 °C and 350 °C) with varying amount of selected cracked distillates and is composed of saturated hydrocarbons Diesel is used in diesel engines, a type of internal combustion engine. The Indian Standard governing the properties of diesel fuels are IS 1460:2005 (5th Rev). Important characteristics are ignition characteristics, handling at low temperature, flash point.
The above products are derived from LSHS or Furnace Oil and these products need to be maintained at a specific temperature or will congeal. Method used is either steam- or electrical heat tracing and then covering with Insulation.

1.2 The Company
Thermopads Pvt. Ltd. manufactures Industrial Heaters, Domestic Heaters Commercial Heaters for process heating in hazardous & rugged conditions; Heating Cables; Floor Heating Mats Floor Heating Cables; Heat Tracers-Cut to Length and various other Heating Products. It also undertakes Turnkey Orders for Heat Tracing and Insulation, erection of chimney and BOP (Balance of Plant) activities.
It has carried out EHT and Insulation at various Navratna organizations like ONGC, IOCL, GSFC and Industries like Indian Rayon, Garden Vareli etc.

2. Tendering Process
A Government tender follows a two-bid process. At the first stage, interested companies are required to submit their bid covering all technical aspects of the proposal. It also needs to attach proof of similar projects executed earlier. This bid has to be submitted by a stipulated date. In case there are some discrepancies in the tender document, there is meeting called by the client, where all issues are discussed. If the client is satisfied that the concerns are genuine then they might release an addendum to the tender documents, detailing what changes are made to the original.
After the due date, the client declares a date for opening of the technical bid. Suppliers may or may not be invited to this opening which depends on what the bid is for. The client will then scrutinize the technical bids submitted and shortlist the suppliers whom they feel are qualified for the work. The client may or may not ask for clarification to any points in the bids made by the supplier.

The next stage is when the client calls for the price-bid opening. Here too, it may be in-camera or open bid opening. If open, the all the suppliers who have been shortlisted attend this opening. The client will open the sealed price bids one by one and speak out all the terms and conditions and pricing. The suppliers can note down what each one has quoted. In this way, it is easily apparent which company has quoted the highest and which the lowest.

Normally, in a Government tender, the lowest quote (L1) gets the order. In some cases, where the requirement is highly technical in nature and qualified agencies are required to do the job, the client might ask each qualified supplier to re-submit their price bid. The process is then repeated. The client then declares the name of the supplier to whom the contract is awarded.

2.1 The Tender
The tender was for EHT and Insulation of around 35 kilometres of pipeline including headers, valves etc. The route was on ground, overhead and underground. Height of the tallest line was at around 50 feet. Total cost of the job was around 1.5 crores (1998).
The line carries Furnace Oil (FO) and Low Stock High Sulphur (LSHS) fuel which need to be maintained at around 100º and was to be completed in 12 months including monsoon period.
The vendor was able to secure and execute the order by using the following strategies.

2.1.1 Pre-order
1. It produced completion certificates from other companies.
2. Feedback from other companies regarding services provided during breakdowns was excellent.
3. The pricing of the project was done by taking into consideration order values of earlier works at similar sites carried out by the company and also its competitors.

2.1.2 Post-order
1. It met with the production officers of IOCL and understood the daily requirement of FO and LSHS as sometime the line had to be shut down for insulating the valves and headers.
2. It hired a good contractor having an excellent team well versed in the methodology of insulating pipelines.
3. Around 50 workers and 5 site supervisors were deputed for this site, overall in charge being the branch manager at Baroda office.
4. The Branch Manager was responsible for liaison with the labour office, getting necessary permits to work in an explosive atmosphere, providing all the safety equipment for the workers and supervisors. As
most of the workers were on daily wages, he was also responsible for their payments. The Branch Manager also stayed on site for 2 days per week to see to it that all work was going on schedule.

5. The Branch Manager also conducted daily briefing meetings with the Production Manager, the Maintenance Manager and Safety Manager of the Refinery to ensure that everyone was on the same page and having correct and updated information.

6. Once a week the BM also had to brief the Project Officer on the status. During this meet he produced signed MOM copies of the meetings held with other personnel as mentioned in serial 7.

7. A separate team was assembled to go around the site checking for problems and resolving them before they affected the work. It consisted of one engineer having knowledge of EHT and Insulation, one engineer for any electrical fault detection and around 10 skilled workers.

8. Payment for work done as agreed to be released in lots i.e. on completion of 5 kms. As the vendor had all proofs like MOMs and completion certification by the Maintenance manager, there was never a problem of getting the payment released.

In this way, the project was executed successfully within 12 months and later on somewhere in 2002, the vendor was again rewarded a fresh contract.

2.2 The Competition
During 1995-2001, when the writer was employed with the organization, there were only 4 local players who were manufacturers of EHT products. They were: Thermopads Pvt. Ltd., Xicon International, Thermon and Raychem. Another group who used to quote was Insulation contractors who used to take quotation of the EHT product and quote including their insulation. The EHT manufacturers had their own team for carrying out Insulation. Hence normally these Insulation companies were priced out. However, sometimes, the insulation portion was more and tracers required was less, then they were able to walk away with the orders.

3. Questions for Discussion
1. Discuss the various customized services offered by the vendor. What, according to you, could the vendor have done better?
2. Explain how the vendor can reap the benefits from its partnerships and alliances with other players in the industry. Discuss the kind of competition that the vendor could face in the future.

4. References
1. Internet: http://www.iocl.com/AboutUs/GujaratRefinery.aspx
2. Internet: http://www.thermopads.com/