

## **Vertical Market Penetration Leadership Award Uninterruptible Power Supply Services North America, 2011**

### **Frost & Sullivan's Global Research Platform**

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360 Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2011 North American Vertical Market Penetration Leadership Award in Uninterruptible Power Supplies (UPS) to Thomas & Betts Corporation.



### **Significance of the Vertical Market Penetration Leadership Award**

#### **Key Industry Challenges Addressed by Increased Vertical Market Penetration**

Original Equipment Manufacturers (OEMs) face significant competition from third parties offering UPS services at a lower cost. Today's UPS manufacturers must often balance between providing the best services while ensuring optimal energy efficiency and power management. OEMs typically excel in replacing older systems or components under a full service contract and in providing the latest products based on customer's ability to spend. However, independent service providers (ISPs) traditionally generate revenue from the maintenance of older systems. Although ISPs are typically engaged in multiple UPS dealerships, they have the capability to service older systems, which, in turn, can boost their service revenues.

OEMs are of the opinion that services offered by ISPs lack quality. However, third parties argue that their expertise is complete and in multiple areas, including the ability to service UPSs derived from multiple manufacturers. This capacity offers benefits to consumers, providing them with the flexibility to choose from a variety of vendors and products at very competitive prices.

To recover from the drop in the telecom market in 2000, OEMs adopted the strategy of bundling extended service offerings, especially for three phase products. A decade later, in 2010, end users' expectations have changed. Their bargaining power has increased because they have been provided more for less, which increasingly places price pressure on the OEM. This pressure has resulted in decreased overall margins for OEMs, particularly in the services area. OEMs have lost significant service revenues to local ISPs, as these third parties have an edge with respect to cost.

Placing an ISP as an integral part of an OEM while continuing to leverage the brand equity of the service provider has enabled companies to expand service revenues and remain competitive, especially when product sales lag behind. In addition, the ability to offer versatile localized services along with experienced and seasoned personnel helps in enhancing the customer relationship for long term service contracts.

### **Impact of Vertical Market Penetration Leadership Award on Key Stakeholders**

The Vertical Market Penetration Leadership Award is a prestigious recognition of Thomas & Betts' accomplishments in the UPS services market. An unbiased, third-party recognition can provide a profound impact in enhancing the brand value and accelerating Thomas & Betts' growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**

Investors and shareholders always welcome unbiased and impartial third-party recognition. Similarly, prospective investors and shareholders are drawn to companies with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.

- **Customers**

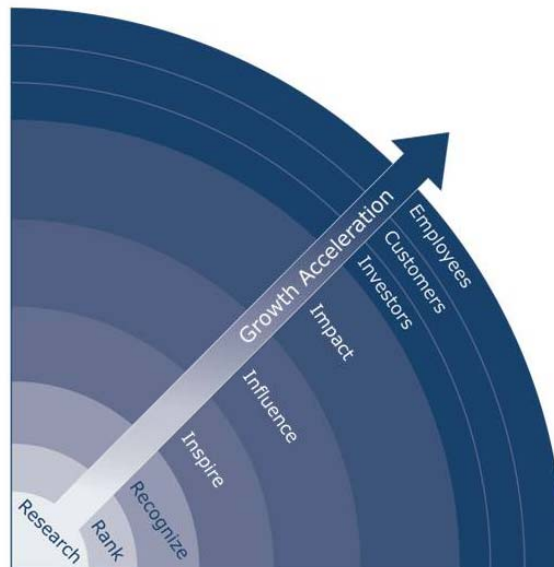
Third-party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.

- **Employees**

This Award represents the creativity and dedication of Thomas & Betts' executive team and employees. Such public recognition can boost morale and inspire your

team to continue its best-in-class pursuit of a strong competitive position for Thomas & Betts.

**Chart 1: Best Practices Leverage for Growth Acceleration**



### Best Practice Award Analysis for Thomas & Betts

The Frost & Sullivan Award for Vertical Market Penetration Leadership Award is presented each year to the company that has demonstrated excellence in capturing the fastest measured rate of change of market share of a specific vertical market. This Award recognizes how fast a company increases its vertical penetration of a market, in terms of revenues or units as specified.

#### Thomas & Betts' Performance in UPS Services Market

In January of 2010, Thomas & Betts completed the acquisition of JT Packard, an independent third party service provider specializing in UPS and other power quality equipment. The company has leveraged the service expertise of JT Packard to increase its customer base and its reach into the North American UPS market for specific end user verticals such as the industrial UPS market. JT Packard currently holds the highest market share amongst third party service providers in North America.

#### Key Performance Drivers for Thomas & Betts

Thomas & Betts has made a strategic acquisition with JT Packard, placing itself in a strong position to tap increased service revenues and market share in the North American market. JT Packard's key areas of expertise are preventative maintenance and emergency service, which are both important revenue-generating services for an ISP. JT Packard is well-networked in North America, and with the

brand equity of the Thomas & Betts name, will position the parent company to capture a significant portion of the ISP market.

### **Factor 1: Strategic Acquisition and Brand Equity in Rugged UPS Markets**

Thomas & Betts is well-suited to cater to the industrial markets with its parallel offerings of manufacturing and service. The company is already a forerunner in industrial markets due to its rugged UPS design, created to operate in a variety of harsh environments and under conditions of shock, vibration, moisture and humidity. The acquisition of JT Packard in January 2010 was a significant driver to establish Thomas & Betts as a prominent contender in the UPS services market. This happened at a critical time when other top UPS manufacturers had acquired third party service providers and were providing services both as an OEM and through the outlet of the third party service provider. This approach enhances the options available to the customer. For example, when the price of the UPS is high yet coupled with competitively-priced lifetime warranty, the customer is more inclined to purchase this system for its guaranteed lower service cost. This enhances the ability of the third party company to win bids with new customers. In addition, this approach also enables the service provider to be the first-hand supplier of original parts for the given UPS system.

Thomas & Betts continues to provide its North American customers with high quality UPS systems that are designed specifically for the industrial market. These systems are rugged, customized, and highly reliable. The increased ability to cater to the service needs of this equipment with professional services has enabled Thomas & Betts to reposition itself as a major force in the UPS market.

### **Factor 2: Focused on Preventative Maintenance and Emergency Service**

The competitive advantage gained by acquiring JT Packard, an independent service provider acquired by Thomas & Betts, is its focused approach on two aspects of the UPS services market: high-quality and reliable support for preventive maintenance and emergency services. Preventive maintenance services provide on-demand service to an ailing UPS or battery bank. Errors are proactively determined by vigilant monitoring and remote monitoring capabilities adopted by the company. During an emergency, qualified engineers are readily available to troubleshoot onsite. Although emergency services are expensive, quick response time has been commended in North America.

While competition in the industry is forcing manufacturers to offer multiple bundles or packages in order to increase their sales revenues, JT Packard remains focused on its core areas of expertise. This places the company as the preferred service provider to customers that are looking for specialized as well as qualified services in the case of complete UPS failure.

**Factor 3: Leverage of Brand Recognition and Focused Strategy**

A major strength of Thomas & Betts is its expertise in handling both traditional and rugged environments such as the commercial and utility markets. In addition to its impressive UPS products, the company is well-positioned to provide adjacent products and solutions, particularly heating, ventilation and air conditioning systems. Most tier one UPS manufacturers have positioned themselves as complete solution providers in order to provide a one-stop shop solution to their customers. However, Thomas & Betts has not adopted this broad strategy and has instead remained focused on excellence in reliability, efficiency, the ability to cater to rugged environments, and its service capabilities in North America. Thomas & Betts has leveraged its powerful brand recognition to succeed in sales to industrial end users, allowing the company to maintain its focused strategy.

**Factor 4: Well networked Service Outlets in North America**

Thomas & Betts Corporation has a strong distribution network in North America with its service headquarters in Wisconsin. Thomas & Betts has the additional benefit of leveraging JT Packard's resources to capture further market share for its services. Its key resources are its qualified personnel and the experience with which they execute their service contracts to satisfy their clients. Furthermore, its strategic location and focused approach in North America helps the company provide competitively priced products and services to its customers.

**Conclusion**

Thomas & Betts is a deserving recipient of the Frost & Sullivan vertical market penetration leadership award due to its ability to strategize and establish its diversity in the North American market. The company has excelled in focusing its products and services towards its specialized clientele. The company's strategy, brand recognition, exemplary services and its well networked presence in North America have provided avenues for exemplary growth potential in a mature North American UPS market.

**The CEO 360 Degree Perspective™ - Visionary Platform for Growth Strategies**

The CEO 360 Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360 Degree Perspective™ is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360 Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies'

growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360 Degree Perspective™ into their analyses and recommendations.

**Chart 2: The CEO's 360 Degree Perspective™ Model Directs Our Research**



### Critical Importance of TEAM Research

Frost & Sullivan's TEAM Research methodology represents the analytical rigor of our research process. It offers a 360 degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an

evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

**Chart 3: Benchmarking Performance with TEAM Research**



### About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.