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CASTLE

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March, 2014

Dear Readers,

We are pleased to present to you the second issue of CASTLE – The Biannual Case Journal of Jansons School of Business. This issue has seven interesting cases that may be very useful for teaching many courses in the MBA programme. Each case aims to address a riveting business issue. An industrial unit attempts to rationalise its costing structure to keep from grinding to a halt which is narrated well in the first case. The case on Aachi group explores what is cooking at their Kitchen project and whether their diversification plans are meaty. The case about GMR describes how a large infrastructure company thwarts a crisis by making some quick and firm decisions with no shades of grey. In another case, a business firm is forced to rethink on the ABCs of its sales force management practices to arrest the declining sales. With the support of some survey findings, the case on Chotukool explains this brand's need for setting its motto right to stay cool in rural markets. How market conditions pour cold water on the business plan of a new mineral water plant is interestingly captured in the subsequent case. The last case in this issue narrates the Dettol’s ability to get extended into 'everything but (including!) the kitchen sink' in the Indian market. The soft-copies of these cases are available for download at our website.

We wish you all a wonderful reading and we look forward to seeing your valuable comments on all these cases at editorcastle@jsb.ac.in

CONTENTS

COSTS

Grinding the cost for growth

Teaching Objectives:

This case is intended for use in Operations Management, Cost Management and Supply Chain Management courses to

I. Teach the importance of breakeven point , contribution and make or buy decision in Operations Management

ii. Teach the power of variable cost reduction in Cost management

iii. Teach the need for designing and maintaining a cost effective value chain in Supply Chain Management

Key Issues:

Micro, Small and Medium Enterprises (MSMEs) operate with limited resources and market constraints. Reducing variable cost is the best option available to them to establish competitive advantage. Make or buy decisions and intelligent sourcing are the techniques to achieve the same. Competitive advantage can only help them stay in business for long and grow.

Abstract:

Partners of a small engineering unit seek the advice of a consultant. He wants them to conduct an in-depth and perfect analysis on the variable cost per product and take all possible actions to reduce the same to reach the targeted growth.

J. RAGUNATHA RAGHAVAN

Professor - Operations

Jansons School of Business, Coimbatore

jrraghavan@jsb.ac.in

Call for a Solution

M/s. Bala Abirami Industries could achieve only a negligible growth in the past 15 years and FY 13/14 also ended up with a minimum profit though they worked hard to gain more profits. Partners of the firm, Suresh and Sounder wanted to establish a reasonable growth at least in FY14/15. They invited a well-known MSME consultant Rudra and discussed with him. After scanning the environment, Rudra came with a report including 2 tables. Table 1 showed the cost of the components incurred by his client at present and Table 2 exhibited the general business patterns, variable cost slabs and contributions of the wet grinder industry of Coimbatore . The report read as below.

Industry and Market Scenario

Client*:* Bala Abirami Industries. (BAI- A small engineering unit at Coimbatore)

Product: 2 litre Table top wet grinder only.

Industry environment: There are about 400 wet grinder manufacturers in Coimbatore district. Out of them 196 firms manufacture only 2 litre table top like the client and others make 1 litre to 10 litres in Conventional type, Tilting type and Table Top type in various combinations. There are about 600 small and micro industries that do not make on sub contract basis the grinder, but only make the accessories and components that go into a grinder and supply to about 360 manufacturers out of the 400. The 40 wet grinder manufacturers make all the components themselves. There are about 200 traders who supply bought out components for grinder manufacturers.

Market environment: Most of the above manufacturers supply wet grinders to dealers in various cities and towns spread all over India. Due to local influence and channel power, the dealers will buy only on previously agreed prices and terms and expect the manufacturer to supply trouble-free grinders in time every time, as the service networks of the manufacturers as well as the dealers are not wide and strong.

Decisions derived after analysing the Market and Swot of BAI

1. Due to the high risk involved, switching over to the manufacturing of other products like mixies, washing machines or adding them along with the existing product is ruled out.
2. Due to hectic competition and also due to the changes to be brought in the marketing network, producing 1 litre to 10 litre table top or producing conventional or tilting types in various specifications is not recommended.
3. Establishing growth by increased profit attained through cost effective manufacturing of 2 litre table top is the apt solution to the present situation.

Slabs of variable Cost

The concentration has to be focussed on the cost sheet given in Table 1 which explains all the components of variable cost and they are very important for any wet grinder manufacturer. Total fixed cost at present for BAI is at Rs 50000 per month and it is difficult to reduce the same. The Table 2 shows the business patterns exhibited by almost all the manufacturers similar to BAI. They incur different variable costs mentioned in different slabs of the VC ROW. Some of the competitors have achieved better growth because their VC is less than that of BAI. Table 2 also shows the way in which the contribution changes from its base level when the following two strategies are adopted.

Strategic Options

First strategy is that the manufacturer is negotiating with dealers and getting 5% increase in price based on the 5% increase in variable cost. Price rise could be obtained only on proving the rise in raw material prices and this situation can happen only when there is a notable increase in raw material prices at the national level. Second strategy is that the manufacturer is able to reduce the variable cost per grinder by 5% from existing level without reducing the “value” to customer by appropriate efforts.

Table1: VARIABLE COST OF BAI FOR 2 LITRE TABLE TOP WET GRINDER

S. No.	Component of variable cost	Mode of procuring at present by BAI	Quantity / Grinder	Cost /Grinder in Rupees
1.	Stone	Subcontracting	1	500
2.	Fixing lead in stone	Subcontracting	1	80
3.	Fabricated iron body structure	Subcontracting	1	200
4.	Drum with paste applied	Subcontracting	1	180
5.	Pulley with fittings	Subcontracting	1	200
6.	Arm set	Subcontracting	1	200
7.	0.25hp1440rpm single phase motor	Bought out	1	850
8.	Wires	Bought out	1	30
9.	Bolts and nuts	Bought out	1	40
10.	Belt	Bought out	1	30
11.	Switch	Bought out	1	30
12	Top cover, screws, bushes for base, plug	Bought out	1	90
13	Labour for testing the subcontracted and bought out components, transportation, consumables including labour for assembling and testing the grinder	Labour	1	170
14.	Total variable cost per grinder(total of 1 to13)	SC+BO+L	1	2600
15.	MAXIMUM MARKET PRICE OBTAINABLE FOR 2 litre table top WET GRINDER			3000

PERCENTAGE OF VARIABLE COST ON MARKET PRICE FOR BAI= TVC/MP X100=2600/3000 X100=86.67%.

BUSINESS PATTERNS EXHIBITED BY WET GRINDER MANUFACTURERS SIMILAR TO BAI

Table 2 : Slabs of variable cost incurred by various 2 litre tabletop grinder manufacturers are mentioned in the variable cost row. The resultant contributions and the changes in contributions as a result of 5% increase in market price associated with 5% increase in variable cost (strategy1) or alternatively 5% reduction in variable cost (strategy2) are also indicated.

COST/PRICE DETAILS	FOR EXISTING LEVEL OF VARIABLE COST SLABS MENTIONED IN VC ROW						STRATEGY1: GETTING 5%INCREASE IN PRICE BASED ON 5% INCREASE IN VARIABLE COST						STRATEGY2: REDUCING THE VARIABLECOST BY 5% FROM THE EXISTING LEVEL BY SUITABLE ACTIONS					
Market price	3000	3000	3000	3000	3000	3000	3150	3150	3150	3150	3150	3150	3000	3000	3000	3000	3000	3000
VCROW Variable cost incurred by manufacturers	2400	2500	2600	2700	2800	2850	2520	2625	2730	2835	2940	2993	2280	2375	2470	2565	2660	2708
Contribution per grinder-R3: (MP-VC)	600	500	400	300	200	150	630	525	420	315	210	157	720	625	530	435	340	292
VC/MPX100	80%	83.33%	86.67%	90%	93.33%	95%	80%	83.33%	86.67%	90%	93.33%	95%	76%	79.17%	82.33%	85.5%	88.67%	90.27%
CONT/ MPX 100	20%	16.67%	13.34%	10%	6.67%	5%	20%	16.67%	13.34%	10%	6.67%	5%	24%	20.83%	17.67%	14.5%	11.33%	9.73%
%increase in contribution from base level due to strategies	THE CONTRIBUTIONS MENTIONED IN R3 OF THESE COLUMNS FORMS THE BASE FOR CALCULATING % INCREASE IN CONTRIBUTIONS WITH RESPECT TO STRATEGY 1 AND 2 COLUMNS ON THE RIGHT HAND SIDE						*5%	5%	5%	5%	5%	5%	**20%	25%	32.5%	45%	70%	94.67%
Calculating the percentage increase of contribution							*(630-600) x 100/ 600 and so on. The % increase is minimum and same						*(720-600) x 100/ 600 and so on. The % increase is substantial and helps for growth.					

RECOMMENDED SOLUTIONS BASED ON NATURE AND DATA OF THIS BUSINESS

1. Strategy 1 is difficult to implement in a highly competitive and dealer dominated market. It involves convincing each and every dealer. That can be tried only when there is a proved and accepted increase in raw material prices at the national level which will make a strong impact on the variable cost of a grinder and when all the manufacturers similar to BAI feel the pressure of it. Even if it is tried and implemented by a manufacturer with very great difficulty, it will produce only the same % contribution on market price. This is evident from strategy 1 columns of Table 2. Such a minimum increase in contribution will only help to cope with the inflation. Because of these reasons I recommend BAI not to waste their time and effort on Strategy1.

2. Strategy 2 is the only optimum solution suitable to the existing problem and I strongly recommend BAI to take all actions for reducing VC as per the action list enclosed herewith.

3. The Table 2 clearly brings out the increase in contribution per grinder from the existing level which is high for a slight decrease in VC. Moreover the table clearly shows that the strategy 2 is most suitable for a market where hectic competition exists like the wet grinder market. It is also implementable by the manufacturer himself and he need not depend on his dealer to successfully implement it.

4. Reducing VC will bring the following results.

   The BEP quantity comes down and so the manufacturer can reach BE at a quicker time.

   The area of profit region increases in the BEP curve and the profit margin increases in the operations.

5. Everybody knows that perfect grinding of the high quality rice and dal will yield high quality batter and it ends up as a tasty dosa.

   Reducing the variable cost of a grinder without reducing “value to user” after perfect analysis (grinding?) will yield competitive advantage and it ends up in healthy profit.

   Best wishes to BAI.

QUESTIONS:

1. What are your observations about the business environment of MSMEs?
2. The consultant indicates that it is difficult to reduce the fixed cost per month of BAI. What are the components of this fixed cost and analyse whether there are any ways to bring it down.
3. What is the break even in number of grinders per month for BAI now and how does BE and Contribution change when they successfully implement strategy2? Draw two BEP diagrams and comment on profit regions.
4. Rudra is enclosing an action list .What could be its contents?
5. Why does Rudra say that strategy 2 is more suitable in a hectic competition?
6. Bring out the role of accuracy in costing from the above case.
7. Bring out the importance of sourcing for an assembled product.
8. What points are to be considered if BAI decides to make all the components subcontracted at present, in-house?

TEACHING NOTE- ANSWERS TO THE EIGHT QUESTIONS

1. MSMES producing fast moving home appliances face hectic competition. They are very safe only when they make Niche products. It is difficult for them to expand or diversify quickly due to limited infrastructure. Due to channel power exercised by dealers in most cases, it is very difficult for a small firm to get price increase when they operate in lean margins. They can raise prices only along with their competitors and only when they can prove with evidence about the raw material price increases. The above is their market situation. They have to continuously innovate to reduce cost and that only will pave the way for growth.
2. The components of fixed cost for BAI are rent of the shed, salary of accountant cum office manager, salary of 2 assistants following up subcontracts and purchasing, salary of inspector who supervises assembly and ensures quality, part salary of common watchman, shed maintenance, water, minimum electricity charges and sales and administration expenses. The ways to bring it down to see the possibility of moving to a more advantageous shed with lesser rent, reducing one assistant and reduction in sales and administrative expenses. Entrepreneurs need to launch an effective search and put extra efforts to bring down the fixed costs as major portion of the same will be mostly unavoidable.
3. The break-even point of BAI now is = 50000/3000-2600= 125 grinders per month. Contribution/grinder is Rs. 400 per grinder. The breakeven after strategy2 implementation=50000/3000-2470=94.33 grinders per month. Contribution is Rs. 530 per grinder. Breakeven quantity /month comes down by 24.54% and Contribution increases by 32.5%. The BE point and its change are shown below.

Figure 1

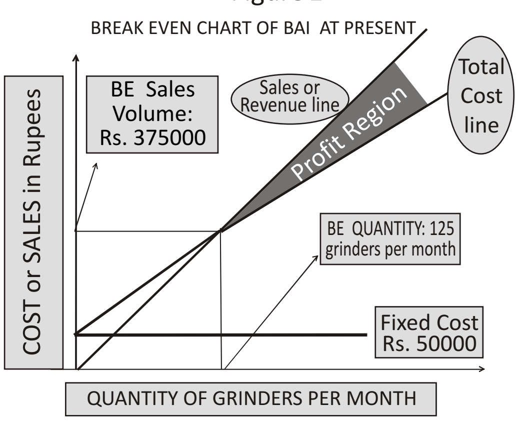
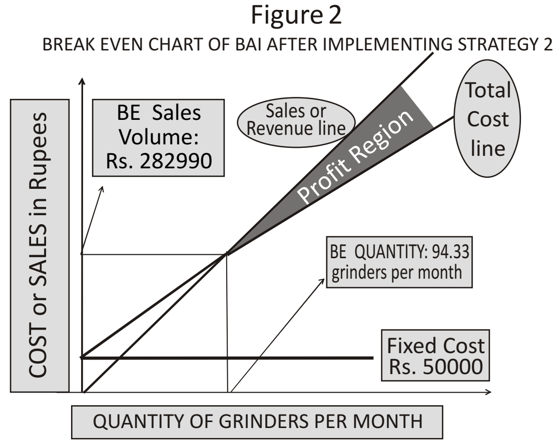


Figure 2



4. The action list demands the following actions from partners of BAI.

   Analyse the variable cost components thoroughly and systematically to launch new methods.

   Analyse each and every component separately and decide whether to make or buy.

   Analyse whether the components can be made with cheaper materials without any problem to its function. So 'value analysis' is to be done on each component separately.

   Confirm whether we can make at the least cost without any major investment or without sacrificing functionality.

   Confirm whether the proposed small investment can be arranged from own funds. Try to avoid going for a loan.

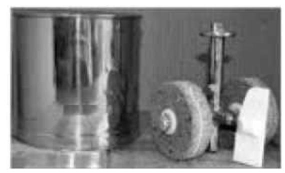
If own funds cannot be arranged, you can think of a very small loan for the proposed minimum investment. But before that you have to be sure that you get positive answer for the questions and phrases mentioned in Q7 If making does not sound positive then go for a vigorous sourcing effort as below. Locate and finalise different subcontractors for components and traders for bought out items. This has to be done with long run approach.

The new sources should supply better quality or at least same quality for a cheaper price. The price differences should be sufficiently high such that they are able to create the desired impact on the variable cost. Better subcontractors and traders can be sourced and contracted with effective " search " as there is a network of 600 accessories manufacturers and 200 traders. The most important is the continuous monitoring of cost of each component and continuous efforts to reduce variable cost without affecting the functions, specifications and preferences of end users. The designs of 2 litre table top grinders and their components are shown below.

Figure 3
2 litre table top - design 1

Figure 4
2 litre table top - design 2

Figure 5
Drum of 2 litre table top



5. When there is hectic competition, the variable cost incurred by the manufacturers will occupy a major and heavy portion of the obtainable market price due to market forces. It is evident from the Table 2 that these manufacturers incur VC to the tune of 80 to 95% of market price. Reducing VC by a small percentage yields substantial increase in contributions for those manufacturers whose VC is already very high. The more is the % of VC over MP, the more is the % increase in contribution from existing level for the same 5% reduction in variable costs. So this is the best solution for manufacturers whose variable cost over market price is 90, 93.33 and 95% respectively, as they can bring it down to 85.5, 88.67 and 90.27% respectively. This is brought out in the 4th row of the table2 and its 6th row shows the substantial increase in contribution from existing level when you observe the part of both these rows pertaining to strategy 2 column.

6. Data collected and working out of VC have to be accurate. It will help evaluate the effect of actions and also obtain the desired profit and growth precisely. Inaccuracies will mislead the entrepreneur and the results will not be as expected. Cost sheets have to be accurate at all times and so continuous monitoring of cost and its changes is the need of the hour.

7. A good source provides high quality products at competitive prices in time every time. For an assembled product like wet grinder, the components have to reach the manufacturer in time at required quality at most competitive rates. Otherwise, the transportation and total cost will increase and will pose threat, even to the survival of the manufacturer. Finalising the best source for each and every component decides the profit of the business.

8. If BAI decides to make components themselves, they have to confirm that "yes" is the answer for the following questions and phrases.

   Will the orders be stable with uniform increase in the long run?

   Are the present and future order positions at par with the capacities planned?

   Will the order position in the long run be able to yield reasonable ROI so that the payback period becomes shorter?

   Does that order position firmly demand for establishing additional infrastructure?

   Can we make required quality at a cost cheaper than the purchasing rate for all components?

   Is the difference between making and buying costs large enough to get back the amount invested in a short time?

   Are we investing in the technology which is likely to stay in for a long time?

   Is this technology adaptable to changes that may come in the field of a component?

   This expansion will only accelerate our marketing efforts and there is no chance of losing our marketing concentration because of this.

   Does the addition of infrastructure suit our economies of scale in the long run?

   There is absolutely no threat to the financial position due to the cost of funds for establishing additional infrastructure.


Aachi
TAMARIND RICE POWDER
Aachi
BRIYANI MASALA
HYGIENICALLY PACKED
Aachi
CURRY MASALA

Diversification Strategies of Aachi

Teaching Objectives:

This case is intended for use in Strategic Management and Sales & Distribution courses

- To enable students to understand the diversification strategies of businesses, the reasons for the choice of those strategies and the critical success factors.
- To enable students to understand how businesses can create a competitive edge to succeed in the market place and how innovative ideas help transform businesses.
- To apprise students of how a firm can leverage its existing strengths to build a new product or service portfolio, through a strong customer focus by having a pro-active approach to detect changing customer preferences and tastes that are fueled by demographic shifts.
- To help students appreciate the importance of innovative distribution strategies for successful growth of business.
- To ensure that students understand the importance of developing brand equity.

Key Issues:

The diversification strategies of a corporate group and the critical success factors.

Abstract:

The Tamilnadu based Aachi group has ambitious plans to diversify into establishing a chain of Chettinad restaurants buoyed by the success of its brand. The company is cautious in its approach in terms of its expansion plans. However, diversification has been Aachi's forte as the company has never rested on its laurels. But the positioning of the restaurant business needs to be much more realistic. There are also challenges galore in a restaurant model that is more skewed towards South Indian flavours. If the group is competing against KFC and Marry Brown, then there is an inherent risk in terms of the product profile catering to select clientele. Though the company can leverage its existing distribution network and there are strong chances that the company will explore a retail format in the future, it remains to be seen how the firm will tackle the fierce competition in the restaurant business. Notwithstanding this, the company has made commendable efforts to stay on top of new product development strategy and adopting innovative business practices to grow the business. The company's portfolio of products is too wide and this does not appear to be commensurate with the existing manpower resources that they have at the top management level. The case broadly looks at the diversification strategies of the Aachi group and portends the challenges that the group may face.

Venkatesh Ganapathy
Associate Professor
Presidency College, Bangalore
venkateshganapathv@presidency.edu.in

Diversification has been the forte of Tamil Nadu-based Aachi group. If earlier it achieved a remarkable success in introducing 160 brands in less than a decade of its existence, it is now trying its hand in services. As per the media reports, the group has planned a chain of Chettinad restaurants. This is the latest diversification attempt of this two decade old group. The group claims to have been inspired by the success of global chains like KFC and McDonalds.

The plan is to start Aachi Kitchen in five locations. In Bangalore, for example, there are a few Chettinad restaurants. The 'Annachi' restaurant in Indira Nagar on the 100 ft Road is popular and there are scores of similar other restaurants in the quiet bylanes of Bangalore. How the group is planning to differentiate itself from the other Chettinad restaurants remains to be seen. Is it solely going to rely on the brand equity of 'Aachi' brand?

Mercifully, the Group Chairman Mr. Padmasingh Isaac is much more circumspect about his plans. He wants to see if the new model is sustainable and prefers to keep a low profile. This sort of under-playing is a good strategy as it will keep the expectations of customers at a reasonable level. Over-selling or over-the-top promotion often ends up being counter-productive. To make matters worse, over-enthusiastic and over ambitious entrepreneurs who do not keep their ears to the ground often end up decimating the very business that they have struggled to grow. While the chairman wants to maintain a low profile in the diversification attempt of the group in services, it is clear that in other areas of the business, the group has plans that often appear to be over-ambitious.

Aachi Group - Profile of the Organisation & Analysis

Aachi group was founded in 1995 by Mr. A.D. Padmasingh Isaac, a first generation entrepreneur. Mr. Isaac's strong belief is that entrepreneurs are made and not born. His success in the food industry has proved that his thinking is right. The choice of brand name - 'Aachi' seems to have worked very well for the group as the brand has a good recall value in the market, which is evident from its success. The word 'Aachi' is used in Tamil to address women with respect but the company claims that the word is also derived from the Tamil word - 'Atchi' which means 'to rule'. So, the brand has positioned itself in such a way that it wants to rule the Indian kitchen by providing quality food products that are hygienically prepared at affordable cost.

Under the umbrella brand Aachi, there are three group companies namely - Aachi Masala foods, Aachi Spices & Foods and Aachi Special Foods. The total group turnover in 2011 was Rs.700 crores of which 64% turnover came from Aachi Masala Foods alone. In 2012-13, the company was expecting to clock a turnover of Rs.575 crores. The company claims that even during recession of 2009 it managed to stay afloat. The group is expecting to clock revenue of Rs.750 crores in 2014. It has helped Isaac that he became an entrepreneur only after working in the corporate world for close to 10 years. The factory is located at Keelayyanabakkam, 15 kms from Chennai city. The manufacturing capacity is 120 metric tonnes of spices and spice mixes per day.

Innovation appears to be a core competence of the group considering the fact that since 1998, the Aachi group of brands has grown over to 160 products. Diversification seems to be the main mantra in this group as the group has ventured into diversification in related and unrelated product categories. The company has a dedicated R&D centre where the thrust is on new product development. The success of the company is a direct reflection of how underpenetrated the Southern India's rural market is.

This success is not due to diversification or launching of innovative products alone, but it is also due to the innovative distribution strategies.

Identifying needs of consumers based on market research and developing products that consumers want is not a new strategy. But it is replete with challenges. Domino's launched in Japan with much fan fare but later on, found that something was missing in their product and service offerings. They, then, discovered that the Japanese wanted rice in their menu and accordingly, Dominos modified their product and service proposition.

It is remarkable that the Aachi group has explored the needs of the consumers in the South market and has built their product propositions based on the same. However, the food habits in a country like India are not the same across all geographies. Regional preferences abound with the diverse spoken languages and cultures. For instance, mustard oil is popular as a cooking medium in the East but not so in the West or South. In the last 1 year, the Aachi group has spread its wings pan-India. It remains to be seen if the group can replicate its success in the Northern parts of India as well.

It is amazing that an indigenous group like Aachi has imbibed the world-class quality concepts in the form of TQM and 5S. The importance that the group seems to have given to standards as is visible from the interviews given by the founder and the information available from their website is truly praiseworthy. The quality awards that the group has won shows that this is not simply a brand-building exercise but something that the group firmly believes in. The company has also been awarded the ISO 9001 quality certificate. The R&D team's close networks with CFTRI (Central Food Technology Research Institute), Spice board, BIS etc are strategic attempts in the right direction.

It is all the more significant because in the food industry, even a small mistake can prove to be very costly. Cadbury's faced such a product integrity issue when a worm was found in their chocolate. The firm attributed this to the absence of a cold storage facility in the retailer's shop but the damage was already done. The incident sent shock waves among consumers as chocolate is majorly consumed by children. After this incident, many Indian parents started doubting whether the other popular brand of this Company, 'Bournvita' was safe for their children. Such was the impact of that incident. Later on, Cadbury's managed to rope in Amitabh Bachchan as their brand ambassador to correct the lapse and re-inspire confidence in the brand.

This incident should be a grim reminder to the Aachi group as well. As one diversifies more and more and as its brand achieves greatest visibility on the radar, it has to give top priority to addressing quality issues. It is not that the group is leaving any stone unturned in this direction. But if the group enters into an outsourcing model in manufacturing, the quality and hygiene issues need a hawk-eyed approach. One stray incident pertaining to quality of any one product category could have severe repercussions on the overall brand image.

What is baffling is how the company managed to diversify into so many product varieties in such a short span of time. While the group was originally known for masalas, it now seems to be offering a plethora of products ranging from edible oil, ghee, wheat products, papad, asafoetida, tea, biscuits, pickles, rice paste, thokku varieties, soups to rice and wheat products for diabetic patients. It appears that this is possible because of the company's strategy to integrate unorganized players.

In one of his interviews published in the group website, Mr. Isaac says that more than 75% of Indian food industry is with the unorganized sector and he believes that integrating the unorganized sector with organized sector is the way forward. This is certainly a win-win strategy but as mentioned earlier this also necessitates tighter control. Considering that the Aachi group seems to be literally a one-man show (in one of the interviews published in the website, it is claimed that the founder was consulted by his team on product pricing, supplier management and many related issues) and the founder's sons have also become Directors recently, it is worthwhile if the group brings in some professional expertise to sustain their business growth. The portfolio of the directors seems to be too broad.

The group may argue that they never needed a professional expert until now and would even question the need for it in the future. To achieve success in their ambitious new plans, they need a larger team at the top. For example, they have plans to diversify into launching mineral water, snacks products, frozen foods, fruit juices, beverages and nonveg pickles. The product portfolio is too wide and everything seems to be hinging on one brand, 'Aachi'. The group does not seem to have given thought to the possibility of some of these brands cannibalizing their other brands. For example, people may not buy pickles, thokkus or ready-to-eat food products all at the same time.

As mentioned earlier in the case, the group has an excellent distribution network in the South which explains their popularity and ability to penetrate the market well. People generally associate innovation only with products, but credit has to go to the founder for understanding that distribution strategies need to be innovative too. The group's products reach consumers through 3500 agents and 10 lakh retailers. Considering that the group started off by selling masala powders in rural and semi-urban areas, this is a feat that the company ought to be proud of. The group claims that this is their greatest strength. The product range is classified into 8 divisions for better and easy distribution.

However, the group is lagging behind in their market segmentation. The segmentation attempts are not clear though their positioning in the food products category is solid. For instance, is the company going to sell ready-to-eat products to the rural consumer? Or is this product more suited for the busy working woman in urban areas? Which of their products are targeted at the housewife who may want to deploy innovative methods in the kitchen to satiate the palate of her family members?

Taking a cue from 'Tupperware', the Aachi group seems to have identified a new distribution channel in the form of women's self help groups where 3000 women have been engaged. The company claims that this number is expected to reach 1 lakh soon. The group has also conceptualized the idea of `Model shops' based on the franchise model that would sell the entire range of Aachi products. The company plans to have 10000 such model shops in Tamil Nadu alone. But the real challenge lies in the execution of this plan. The success of companies like Flipkart may inspire the Aachi group to target on-line sale and delivery of their products. The group can also look at the successful rural retail model of ITC's e-choupal. The group seems to be resource constrained and bottom heavy in its organizational structure. The group does not seem to have a strong middle management structure. It is clear that it is a one-man show, as the website claims, since all the marketing activities are always undertaken under the leadership and guidance of the founder-chairman.

In today's fiercely competitive world, gaining visibility and maintaining it are humongous challenges. The group wins brownie points on this front going by the number of awards it has won and the visibility that it has obtained in the print media. The group even plans to start a business school. Ambition seems to be the mainstay of this group. The company is also looking at exports as a thrust area. The icing on the cake is the fact that Aachi masala has emerged the No.1 brand in the masala category in a survey conducted by Trust Research Advisory (TRA). It has attained a rank of 174 among 1000 odd brands in India.

The manner in which the CSR (corporate social responsibility) efforts are seamlessly blended into the company's business agenda, also needs mention. It can be surmised that the founder-chairman understood the relevance and importance of empowering rural community, as he hailed from Tirunelveli district. Tirunelveli and the areas surrounding it do not have IT companies or manufacturing industries in the manner that Chennai or Bangalore has. So, an attempt at bringing about a positive transformation in the rural economy by this company is indeed a commendable effort in the right direction.

Diversification attempt of Aachi group in services

Aachi group has been in the forefront when it concerns diversification. Not happy with only having the masala products, the group diversified to make products like herbal cosmetics, herbal cough syrup and even a matrimonial site! But this time the group has big plans.

The investment needed for their expansion into Chettinad restaurants is to be met through internal accruals and bank loans. But what is indeed disconcerting is their positioning strategy of the restaurant services business that can make male members in a family cringe.

Cooking is often considered to be therapeutic. But the growing urbanization and high levels of disposable incomes have spawned a new generation of Indian women who look down upon cooking and have also indirectly led to the prosperity of eateries. In Bangalore, for instance, a research has revealed that every 2^{nd} home has a cook. In some cases, even stay-at-home moms have successfully outsourced the cooking operations at home. While this says a lot about the rising prosperity of Bangalore, there is also a worrisome statistic. Bangalore has gained the dubious distinction of having the highest number of diabetics. Mr. Isaac says, "There should be no kitchen in South Indian houses. Ladies are like in jails in kitchens. They are also human capital. They spend 8-10 hours in the kitchen”

Inspired by KFC and Marry Brown, Mr. Isaac wants to provide services in the same format but with the traditional Chettinad flavour. Cuisine from Chettinad is high in non-vegetarian content and so this strategy can only be music to the ears of those with a penchant for non-vegetarian fare. But the positioning strategy sounds dubious, isn't it? Can families eat out 365 days a year? Will it not get boring and monotonous? What about concerns regarding health and hygiene? It is agreed that the health plank has been commoditised and done to death in most of the promotions. But one cannot deny yet that there is greater consumer awareness about the deleterious effects of foods high in calories.

Aachi's strategic timing needs to be noted. Southern restaurants like Hotel Saravana Bhavan and Adyar Ananda Bhavan have global ambitions and are planning for their international business ventures. The quick service restaurant market is expected to swell in the years to come. This format is expected to achieve a size of Rs. 7000 crores by 2015-16. Nearly 2/3 of this market is cornered by global players. Indian players like Jumbo King, Kaati Zone and others have invested in centralized cooking infrastructure to compete with their global rivals.

We also need to remember that the Indian market is strange as the cultural preferences abound in each region. Vadapavs are a rage in Mumbai but the reception to GoliVadaPav in Bangalore shows that the South has not still warmed up to the delectable VadaPav. VadaPavs are usually good with dry garlic chutney powder and curiously, in Bangalore, VadaPavs are offered along with tomato ketch up.

There is a challenge in serving Indian food under a quick service model. Idli dough can become sour if stored for more than the prescribed number of days. The same cannot be said about pizza bread. Pizzas will empty one’s wallet in no time. The pricing strategy of pizzas remains an enigma ever.

Not content with setting up restaurants, Aachi is readying to foray into snacks, sweets and bottled water. They are setting up a Rs. 30 crore plant to make these products. Where the Aachi group's strategy is going to differ is in terms of packaging.

In the snacks segment, north Indian players like Haldirams, Bikarams, Garden and Chitale Bandhu have also forayed into this segment with packs of Rs. 5. There are also brands like Lays and Kurkure. Aachi group is planning to sell snacks in Rs. 5 and Rs. 10 packs. They wish to leverage the strength of their distribution network for this.

Aachi's market position is strong and their strategy of periodically introducing new products has worked in their favour. The only drawback seems to be that Aachi's products are skewed towards South Indian flavours where there is heavy competition. For example, in Karnataka there are players like MTR and Maiyas. But the strategic advantage for Aachis is that there is no major player that offers anything similar under one single roof.

Going forward, one can expect Aachi group to have their own retail store formats that are appended to their chain of restaurants. Considering the Aachi group's dynamism, anything may be possible for them!

“Nothing gives me more pleasure than seeing my brands stocked on the shop shelves", says Mr. Isaac. His passion is palpable. His efforts have ensured that the customers associate the brand name with hygiene, trust and quality. His keenness on ensuring good manufacturing practices and insistence on consistent supply from the suppliers are good strategies. Unlike other entrepreneurs who wish to take full credit, Mr. Isaac acknowledges the importance of people in his success. His plans for backward integration by venturing into contract farming, investment in cold storage infrastructure at the Gummidipundi plant and planned forays into fruit juices, give rise to a concern of whether the group is planning too much too soon.

In business, one should not only be aware of the existence of competition but also the strengths of competition. The financial and marketing muscle of multinational companies can never be underestimated. While we need to appreciate the group's intent while selling badam milk powders at Rs.3 which is an adaptation of the bottom of the pyramid marketing concept that was introduced by Marketing Guru C.K. Prahlad, one easily gets the impression that the group attempts to do too many things too fast. For instance, the group plans to get into microfinance by 2015.

The group needs to follow a differentiated strategy in different Indian markets. They can look at strategic alliances with well-established Indian players too. For example, Khakras, Theplas and Dhoklas are popular in West (Mumbai, Gujarat & Rajasthan). Aachi group can target this category. It can look at launching its own brand of noodles, pizza breads and garlic breads . Accordingly it can segment the market based on the needs of the respective population. This approach will help the group to experiment in its Chettinad format restaurants and eventually can help plan multi cuisine restaurants in the future. Going forward, even their model stores can be located in the vicinity of the restaurants. Regional alliances with some of the players can prove to be a good strategy in the long run for which the company has to start planning now and accordingly augment its manpower resources.

To sum up

Notwithstanding the risks and challenges, it can not be denied that the success of the Aachi group will serve to be an inspiration for all the future entrepreneurs in India. The 'Aachi' brand is one of the few Indian brands to have tasted success despite the modest beginnings. The firm has managed to stay afloat and maintain the brand equity. Innovation and diversification are the two bulwarks on which the company has leveraged its growth aspirations. However, the company's future strategies have to be planned considering the dynamic market environment and intensifying competition.

Questions for Discussion

1. Do a SWOT analysis of the Aachi group.
2. Comment on the diversification strategies of the Aachi group in view of growing competition in the market.
3. Do you agree with the Aachi group's positioning? Do an incisive analysis giving reasons for your answer.
4. What do you think is missing in Aachi group's strategy? What recommendations will you make to ensure that their strategies are more in tune with market demands?
5. Comment on Aachi group's segmentation strategies and discuss how this can be improved.
6. If Aachi group wants to enter the foreign markets, what advise will you give to the group as a consultant?

Teaching Note :

Students must be given a hard copy of the case in advance and the instructor needs to conduct a group discussion in the class. It will help to adopt a Socratist approach by asking questions to students and conducting a brainstorming session lasting 10 to 15 minutes related to strategy at first. This may be needed to stimulate the thinking of students in the right direction.

The first two questions are simple to answer and students will find it easy to do a SWOT analysis or to comment on the diversification strategies. Students can be encouraged to think about the strengths and opportunities while commenting on these strategies.

On the positioning aspect, the instructor can conduct a group discussion. Students need to understand the absence of market research supported data that can pinpoint needs in specific consumer segments. The company needs a strategy to counter competition, especially in terms of what is so unique in their product and service offerings. Consumer tastes and preferences are dynamic. How is the company going to tackle this challenge? There is a need to keep their ears to the ground to understand the market dynamics. The fact that they are not showcasing any `health' platform is a lapse. Every product / service latches onto the health bandwagon today. Onset of lifestyle diseases like diabetes and hypertension has made the average consumer much more vigilant. So, how is the firm going to portray product and service differentiation?

As regards their foray into foreign restaurants, these are early days. The group may be already exporting its masala powders. But now they have to identify key foreign markets where there are matching needs. It would be advisable for the firm to gain solid experience in India and concurrently they can identify emerging markets in Asia where there seems to be a preference for South Indian flavours. Once they taste success in India, they can enter into a joint venture with another restaurant chain in a foreign location. A few years into the joint venture, the group can start planning to enter the market all alone. Though the actions that the group has to take may flow into the next few years, nothing should stop the company from planning these aspects of business much in advance.

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GMR

Creating tomorrow today

Grey is not all that Rosy

A Case Study on GMR Infrastructure Limited

Teaching Objectives:

This case is intended for use in courses related to Strategic Management to

I. Teach the significance of managing environments in Strategic Management

ii. Orient the students to the challenges of growth

iii. Teach strategy formulation and implementation

iv. Provide an understanding of the application of divestiture strategies

Key issues:

I. The case highlights the role of specific internal and external factors in managing business particularly in infrastructure sector.

ii. The case deals with prudence in expansion and its relevance in an infrastructure company like GMR.

iii. The case underlines the importance of financial stability for survival and growth.

iv. The case narrates the specific divestment strategies implemented by GMR to overcome the challenges.

Abstract:

GMR Infrastructure Limited is a leading player of Indian Infrastructure sector. It has presence in power, airports, highways, SEZ etc. GMR has been growing fast in the last one decade and along with the growth, it has also faced many challenges. Major challenges came from the very basic characteristics of infrastructure industry such as high capital requirement and long gestation period. There were also challenges from political and policy environments. These are common for any player in infrastructure sector. But, managing the challenges, surviving and emerging successful, depends on the strategy development and implementation. This case deals with the specific strategies that GMR has embraced to pursue survival, stability and growth. In particular, the case focuses on how GMR managed its financial stability, so that, it could pursue growth unabated.

K. Srinivasan

Professor- Marketing & Strategy

Jansons School of Business, Coimbatore

k.srinivasan@jsb.ac.in

Any frequent traveler can easily connect with GMR, a leading organisation in the infrastructure sector. With presence in highways, airports power, SEZ, railways, mines etc., it has been continuously growing and therefore is constantly under pressure in many fronts. Since GMR group is into infrastructure, its investments are in projects which are very much capital intensive and long term oriented. Its projects have long gestation periods to break even and pay back. So, although GMR's airports and highways are beautiful, its financials are not that pleasant. But, it has been attempting effectively to manage its finances. This case narrates the challenging scenario at GMR and traces the strategies it implemented in its endeavour to stay afloat.

Infrastructure Sector

Grey revolution is the order of the day in transitional countries. Be it BRICS nations or any other fast growing economies, they have understood that the route to catch up with the developed countries is through grey revolution. Excellence in infrastructure, which is the outcome of grey revolution, will facilitate the growth of manufacturing and services. It would also augment agriculture and mining. And so, great highways, glitzy airports, convenient high capacity seaports, power plants that will provide uninterrupted power supply to industries and houses would give a big push for the growing economy to become a developed one. Not to be left alone in the middle of urban glitter is the rural infrastructure that will provide essential facilities like rural roads, health, sanitation and rural industry that will provide the last mile connectivity to all the development that any country is aspiring for.

Companies in infrastructure industry are faced with a typical scenario. Each project they do is almost a new company having a separate capital structure. So, every time they get a project, they form a company. The promoters run the company for few years or few decades before any changes in the ownership as per the contracts. Not only that, they invest a huge capital raised through various sources and stay long term in the project. So, the sector demands high investment capacity, great project management capability and strategic capability of managing the adversaries in implementation. Faced with this background, companies in this sector should possess great strength to survive in the industry as it is also affected by other environmental factors like political and economical climate of the states/countries. Political environment is very critical as projects require cooperation and acceptance from various stakeholders like government, public, NGOs etc.

Changes in economic policies and recession affect everyone. They also affect business as demand for goods and services fluctuate accordingly. But, when recession and policy effects are coupled with other internal and external problems, the impact will be harder on the companies. This case would provide a clear picture about similar hardships faced by companies in the Indian infrastructure industry.

Deep in debt: Indian Infrastructure

As every project in infrastructure industry requires huge investment it is obvious that companies cannot always fund from their own internal resources. But, in their endeavour to build huge empires or simply not to let go of an opportunity to grow, firms have overstepped their limits of debts. This has led to unhealthy financials. Yes, they have built fantastic roads and ultra modern airports, but their balance sheets are in turbulence.

Large infrastructure development companies like LANCO, GVK, ADANI, VEDANTA, GMR etc. have registered a higher level of 'Borrower concentration risk' in the past five to seven years due to steep rise in their debt levels (Refer Table.1). So, all these heavy weights are trying to contain their debt burden by selling their non-core assets. But, as the entire industry is in a lull, the demand for these assets is not overwhelming.

Jaiprakash Associates Group was staring at a debt burden of Rs. 60,000 Crores in December, 2013. In September 2013, JP associates sold its cement business in Gujarat to Aditya Birla group's Ultratech for

Rs. 3,800 Crores. In March'14, it had sealed a deal to sell its stake in two hydropower projects to a consortium led by Abu Dhabi National energy- TAQA for around Rs.10,500 Crores. But, TAQA pulled out of this deal in July 2014 citing a change in strategy.

The country's largest real estate developer DLF had a net debt of Rs. 19,508 Crores at the end of the September 2013 quarter. It has been taking efforts to contain the debt by selling non-core assets. It sold its wind turbine projects in Rajasthan, Gujarat, Tamil Nadu and Karnataka for Rs.610.66 Crores in 2013. It has also sold its 74% stake in its life insurance joint venture with Pramerica to DHFL for around Rs. 300 Crores.

Table 1: Increase in debt during 2008-2012 (Annual growth rate)

Company	Debt growth rate
LANCO	76%
Adani	74%
GVK	65%
Vedanta	58%
GMR	55%
Jaypee	41%

Apart from these companies, ADAG, LANCO and GVK are also reducing their debt by selling their assets. According to Credit Suisse, a leading financial research agency, the collective borrowing of 10 large corporate houses of India rose by 15% during 2012-13. But, it is pronounced more in infrastructure sector. Another critical factor is that a number of these companies have borrowed 40-70% of their debt in foreign currency. Since the rupee value had depreciated, their debt levels have swelled.

Although the entire industry is in deep debt, this case focuses on one of the major companies in Indian infrastructure industry, GMR Infrastructure Limited which has seen great growth and equally big setbacks but is still effectively trying to manage the setbacks.

GMR: Beacon of Infrastructure

The GMR group, founded by Mr. G.M. Rao (Grandhi Mallikarjuna Rao) with a jute mill in 1978 has emerged a major global infrastructure company in our country over the years. Though Mr. Rao tested waters in industries like Banking, Insurance, Software, Breweries, Jute, Sugar, etc., he finally settled for Infrastructure. Today the group runs many projects in Power, Road, and Airport sectors. It also has presence in urban infrastructure, SEZ and has also started exploring railways. Its major projects include the prestigious Hyderabad international airport and Delhi international airport. Apart from establishing itself as an infra major in India, GMR expanded globally with infrastructural projects in Maldives, Philippines, Singapore, South Africa, Turkey, Indonesia, Nepal etc. Today, GMR Infrastructure Limited is an Rs.10,000 Crores company with an asset base of Rs.55,000 Crores. Almost all of their projects are in association with Governments in India and overseas under Public Private Partnership (PPP) with the business model of Build-Own-Operate-Transfer (BOOT) or similar arrangements.

While the company was growing aggressively, it was facing problems that are sequel to a large scale expansion particularly in infrastructure sector. But, apart from the capital and cost overrun related problems that are common in the sector, it also faced the music from political and policy environment. This case will look into the specific encounters in the journey of GMR.

The Maldives Mess

The regime change in Maldives spelt doom for one of the most significant airport projects of GMR, The GMR Male International Airport Limited (GMIAL) to modernize the Ibrahim Nasir International Airport at Male. The project was awarded in 2010 to the GMR led consortium in which GMR had 77% of stake and Malaysia Airports Holdings Berhad (MAHB) had 23% of stake. The deal was to upgrade, maintain and operate the existing airport as well as build a new terminal by 2014 to increase the traffic from 2.6 Million passengers per annum to over 5 Million. The total outlay of the modernization contract was $511 million. The contract had allowed GMR to levy Airport Development Charges (ADC) to manage any cost escalations. As per the agreement, GMR had proposed to collect ADC of $25/passenger and an Insurance surcharge of $2 per passenger from Jan 2012. But, this was struck down by the Maldives court in December 2011 on the apprehension that it amounts to levying a new tax. The previous regime led by President Mohammed Nausheed, which had awarded the contract supported GMR and accepted to compensate the additional cost, and allowed it to be deducted from GMR's payments of revenues to government. Since this also didn't meet the shortfall, GMR asked the Maldives government to pay the balance. In a few months, the government owed GMR to the tune of $3.5 Million. So, the new government saw the bomb in it as it required the government to shell out huge money. Because of this reason and political pressure, the entire contract was cancelled by the Maldives government, and the airport was taken over by MACL (Maldives Airport Company Limited). This was also allowed by the Singapore court, the court of disputes as per the contract.

GMR had invested $250 Million on managing and upgrading the facilities at the Airport. The project had a debt component of $358 Million. So, that was seriously a precarious state for GMR. GMR had demanded a compensation of $1.4 Billion for scrapping the deal and the appeal is in the Singapore court. Recently, the anticorruption committee in Maldives that scrutinized the deal has ruled out any corruption in the award of the Male airport contract to GMR as alleged by the current government. Also, the international arbitration has ruled that cancellation of the contract was a wrongful repudiation on the part of Maldives government. These recent developments are the hope for GMR to get a sizeable compensation.

Delhi Travails

Delhi International Airport Limited (DIAL) is run by a consortium in which GMR has a stake of 54%, Airport Authority of India has 26% and Fraport & Eraman Malaysia have 10% each. GMR built the world class airport terminal (Terminal 3) with a capacity of 34 million passengers in a record time of 37 months (from 2007 to 2010).

The Delhi Airport was to be modernized at a cost of Rs. 9,875 Crores as per the original estimate. But, the actual cost overran this budget to touch Rs. 12,857 Crores. The cost overrun was purely due to improved facilities and increased infrastructure works which were not as per the original project. But, these were carried out anticipating the future requirements.

After accounting for the Equity, Debt and the Government funding, DIAL was still in short of Rs. 1800 Crores to meet the cost overrun. The civil aviation ministry accepted GMR's proposal to collect ADF (Airport Development Fee) of Rs. 200 for every departing domestic traveler and Rs. 1300 for every departing international passenger to compensate the cost overrun. But, the cause of worry for GMR came from the shift in power equation from the civil aviation ministry to the new regulator, Airport Economic Regulatory Authority (AERA). AERA planned to control private airport operators with a new system of revenue calculation. So, the continuation of ADF came under the scrutiny of AERA. Currently the airport is allowed to charge 50% of the original fee. There are occasional tussles between GMR and AERA on various airport charges.

If this was not enough, GMR got trouble from CAG (Comptroller and Auditor General) of India. The CAG had observed that the terms of the contract were very much favourable to the GMR led consortium, and also the land was transferred for a very meager consideration. This led to a bad publicity in the press and the only solace for GMR was the support from the ministry of civil aviation.

The Darkness in Power

The Power sector was no less in pulling GMR off the line. The entire sector is affected by policy problems, particularly, in uncertainty over the supply of gas and allocation of coal. The industry is also faced with poor demand in the open market, low price etc. In fact GMR requested the IDBI bank, the lead bank to GMR Rajamundry Energy to reschedule its Rs. 2600 Crores loan after asking the lenders to allow the company to delay the commissioning of the project till April 2014. This is an outcome of uncertainty in gas supply to the plant and the delay in the civil work. It has already suffered a cost overrun of Rs. 810 Crores. GMR also lost in bidding a number of power projects because of competition.

The Telangana Twister

The division of Andhra Pradesh seems to have created a new problem for GMR. The Telangana Government's Chief minister Mr. K. Chandrasekara Rao has announced that the government is planning to build 2 more airports in Hyderabad to meet the requirements of the city whose population is expected to swell from the current 94 lakhs to 3.5 Crores in a decade. GMR's concession agreement with the undivided Andhra Pradesh government in 2004 does not allow for a new airport within 150 km in and around Hyderabad for 30 years; it also allows GMR to extend this period by another 30 years. So, GMR has to resolve this issue with the new regime of Telangana.

The gloomy financials @ GMR

Growth in developing economies across the world and India in particular is a boon to infrastructure companies. GMR used this opportunity to spread itself across the world, while anchoring strongly in India, in sectors like Power, Highways and Airports. But this has led to large investments and heavy long term borrowings. If the skewed capital structure put the company burdened, the problems faced in specific projects added woes to the financial condition of the company.

In March 2011, GMR had a debt of around Rs. 24,000 Crores. A large portion of this was from Delhi airport project. Around the same time GMR was not successful in bidding many road contracts and revenues were slow. This led to the ballooning of debt for GMR.

At this point Mr. G.M. Rao was quoted saying *"We have to set clear hurdle rates to evaluate all opportunities and much more process oriented on risk. What I did in the past was largely intuitive. But the business is much larger and more complex now and gut feel cannot work".*

So, as GMR was getting more into new projects, the debt also was growing at a high pace. From Rs. 24,000 Crores in 2011, it piled up to Rs. 34,560 Crores in March '12, Rs. 39,000 Crores in June '12, and Rs. 40,264 Crores in Sept.'12. GMR shares lost 58% between 1/1/11 and 31/12/12 in the bourses. It paid Rs. 485.2 Crores as interest and finance charges alone in the quarter ending Sept.12. The gross debt levels peaked to touch Rs. 43,000 Crores in some of the following quarters. Another worry was the increasing trend in debt-equity ratio. It had moved up from 2.97 in 2011-12 to 3.54 in Dec.2012. It was moving towards a ratio of 5 by March 2014. But, GMR was optimistic and as a going concern, it continued to pursue growth opportunities.

Betting big on the strengths of GMR, Mr. Vikram Limaye, the Managing Director of IDFC had said, *"GMR has demonstrated the capability of executing projects. Cash flows for the company will improve once projects that are under development come online"*

Awakening @ GMR

Facing difficulties in implementing projects in power and airport sectors, GMR was worried about the increasing debt burden and therefore in early 2012 it decided to analyse in depth to decide its future course of strategy. An analysis on the trends in the infrastructure industry and GMR's capabilities indicated that GMR has to be proactive focusing on operating cash flows and has to develop a mechanism of capital recycling. It set up a mechanism to regularly review its portfolio of businesses to identify assets that create good value and those that erode value.

As the industry was struggling, so was GMR, the group led by Mr. G.M. Rao took some hard decisions. Mr. Rao came out of the typical promoter mindset to hold on with all assets and equity. He got ready to part with the assets and shares to put the group on healthier path. To safeguard itself from the brink and at the same time to stay put in the hunt for good opportunities, GMR decided to sell some of the assets which were either slow in returns or not expected to be much profitable.

In the year 2012, Mr. G.M. Rao declared, *"Our Group is executing an **'Asset Light, Asset Right (ALAR)'** strategy with the theme of **'Develop, Build, Create Value, Divest and Reinvest'** ".*

To implement this strategy, GMR set targets for debt reduction, decreasing the debt-equity ratio and disinvestment. It started identifying the assets for the purpose of disinvestment from the portfolio of businesses that GMR had built across the world. It needed money for servicing the debts, building the equity as well as fresh investments for growth.

The Big and Bold - GMR's Divestments:

Based on ALAR strategy, GMR started selling assets and made profits in most of the divestments. Fortunately, GMR had invested in various assets during the phase of aggressive expansion and buyers were interested in GMR's assets as they were attractive.

Commenting on the GMR's divestments, Kaku Nakhate, the President and Country Head of Bank of America said*, "Because of economic slowdown and high interest rates some companies have more debt than what they are comfortable with. GMR has been proactive in offloading assets to pare debt and unlock value. In fact, many infra companies were referred to so-called corporate debt restructuring cells of banks while GMR managed to stay out of it by offloading assets in advance"*

Following are the divestments made by GMR over a period of 3 years:

» April 2011: GMR completed the sale of 50% stake in global power generation company Intergen for $1.232 Billion to a consortium led by Huaneng Group of China to reduce the debt as well as to focus on Indian operations.

» Dec. 2012: GMR had to quit Male international airport project leading it to write off assets worth Rs.202 Crores. The company is expecting to get compensation and the matter is pending at Singapore Supreme Court.

» Feb 2013: GMR highways divested 74% in GMR Jadcherla Expressways (Farukh Nagar – Jadcherla Highway) for Rs. 206 Crores. The stake was sold to SBI Infrastructure Investments and SBI Macquarie Infrastructure trust. The original investment for this 74% was Rs. 146 Crores in February 2009.

» March 2013: It sold 70% stake in GMR energy in Singapore for an equity value of $660 Million (Rs. 2,923 Crores) to FPM power holdings Ltd. Out of this GMR received $600 Million (Rs. 2,650 Crores) and FPM was to invest $60 Million to complete the power project. GMR made a profit of around

Rs. 1,356 Crores in this transaction. This is an 800 Megawatt gas based power plant in Jurongisland, Singapore.

- March 2013: GMR sold its coal mines in South Africa for about $50 Million.
- September 2013: GMR highways sold 74% of stake in GMR Ulundurpet Expressways for Rs.222 Crores to IDFC fund. This 73km stretch is on NH 45 between Tindivanam and Ulundurpet in Tamilnadu.
- Dec 2013 : GMR put up its 600 Megawatts Warora power plant on sale.
- Dec.2013: GMR divested its entire 40% of stake in Sabiha Gokcen International Airport in Istanbul to Malaysia Airports Holdings Berhad (MAHB) for Euro 225 Million (Rs. 1900 Crores). MAHB, which already held 20% stake, exercised its Right of First Refusal (ROFR) to acquire the stake in the company. MAHB is also a stakeholder in New Delhi & Hyderabad Airports which are managed by GMR. Rs. 1,500 Crores from the sale proceeds was to be used for servicing the debt which had ballooned to around Rs. 41,000 Crores. GMR Infra led consortium had entered this project in May 2008 with rights to operate the airport till 2030. A part of the proceeds was expected to be used to increase the equity in DIAL (Delhi International Airport Limited).
- March 2014: GMR Infrastructure received the approval of its shareholders to raise Rs. 25 Billion through multiple instruments. This will primarily be used to reduce the corporate debt. GMR increased its authorized share capital from Rs 7.5 Billion to Rs 19.5 Billion in order to make a preferential allotment to a consortium of private equity firms led by IDFC Group and Temasek Holdings.
- March 2014: GMR group has put up its premium Hyderabad airport hotel, NOVOTEL for sale. This is a 305 room hotel located in Rajiv Gandhi International Airport. The sale is expected to fetch around Rs. 300-350 Crores.
- July 2014:GMR infra mobilised around Rs.1,477 Crores through the sale of its shares to Qualified Institutional Buyers through Qualified Institutional Placement(QIP) to pay its debts. Shares were sold at a price of Rs. 31.50 per share, lower than the set lower price of Rs. 33.14.
- July 2014: GMR has planned to sell shares of GMR Energy Limited & GMR Airports Limited to public.
- July 2014: The Company has planned to reduce the manpower by 1300 to around 5000.

By selling many of the assets it created in overseas, GMR has been compromising the global presence. But that was a result of group's debt condition as well as part of its strategic roadmap.

Justifying the divestments made by GMR Mr. Subba Rao Amarthaluru, the then Group CFO of GMR group, said, *"Globally large infrastructure groups follow the strategy of churning the mature infra assets to optimize the value realization process and to meet their growth capital requirements. After a phase of rapid growth in diversified infra asset portfolio, we are consolidating our assets as projects get operationalised".*

From Red to Black

Though the sale of road projects like Ulundurpet highways, Jadcherla highways, coal assets of Homeland energy group of Canada and Island power of Singapore has helped GMR to cut down the company's debt by Rs. 5500 Crores, the overall debt picture has not seen drastic improvement due to the fresh investments made in all the verticals of business. But, the debt has not increased or rather the growth rate of debt has been contained. GMR's debt in March 2014 stood at Rs. 37,000 Crores.

ALAR strategy has also helped GMR turn profitable. It suffered losses during the financial years of 2010-11 and 2011-12 to the tune over Rs. 1000 Crores per year. From 2012-13, it has posted profits for two consecutive years (Refer Table 2).

"It is giving good results. We will pursue it"- was the statement from Mr. G.M.Rao about the outcome of the ALAR strategy over a period of one year from 2012-2013. Mr. G.M.Rao reiterated that his group will continue to pursue low capital expenditure, high margin opportunities where it can leverage its experience and knowledge of the business, and change in the group's business model has facilitated a capital recycling mechanism to improve the quality of the asset portfolio at GMR.

Table.2. Financials of GMR Infra over 5 years*

Financial Year	Sales Turnover in Rs. Cr.	Profit After Tax in Rs.Cr.	Total Debt in Rs.Cr	Long term Debt-Equity Ratio
2009-10	4535.28	225.34	21171.27	2.85
2010-11	5718.76	(1046.7)	24229.58	3.02
2011-12	8473.0	(1058.8)	32682.27	3.63
2012-13	9974.1	174.52	36489.78	4.62
2013-14#	10653.1	108.4	37788.0	Not Available

*Data sourced from www.moneycontrol.com
Data for 2013-14 was sourced from the financial reports in www.gmrgroup.in

Going further, Mr.MadhuTerdal, Group CFO of GMR has said *"GMR is well positioned to service its debts. While the energy vertical is affected by the delays in the availability of Gas and Coal, the abundant Cash flows from airports and road projects will take care of the debt servicing"*. Therefore with ALAR strategy, under the theme of *'Develop, Build, Create Value, Divest and Reinvest'*, GMR is in the right path to recovery and growth.

The question is 'Can it sustain the momentum and emerge a winner in containing the debt? Can it emerge unscathed in the growth story at the same time?'. Well, with its expertise in project management, if GMR can further manage the internal finance systems, the ever polarizing external environment, and continue to implement the emergent strategies like ALAR, then it can perhaps emerge a flag bearer in the infrastructure sector.

No company can avoid the pileup of debt in the infrastructure industry, as debt is a major resource of capital for the long term oriented mega projects. At the same time, top executives should ensure that the debts do not eat away the companies. Survival is the key.

Because, creating large scale infrastructure is completely whitewashing and painting a new canvas. That is Grey revolution and any revolution is challenging. The companies that are party to the revolution should be prepared for the challenges that may come from different sources and to face the challenges, they should first of all survive and be stable….debts are traps….companies should not get struck. They should untangle the trap and lead the revolution.

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Teaching Note:

The case comprehensively covers various features of Infrastructure sector and how GMR has managed to grow, survive and stabilize for further growth. It details the problems of the sector like huge capital requirement, environmental factors that impact, the resultant effects on the performance of the sector and how the scenario can be managed. Students can be asked to analyse the impact of environment on business, particularly infrastructure, the logic behind the expansion spree of GMR, the financial crisis of GMR and the strategies that helped GMR to overcome the crisis. This can be discussed in the perspective of a multi business organisation.

Issues and Influences of external environment on GMR's Business:

As observed in the case, stabilization or consolidation was required at GMR after a spate of ambitious growth strategies. GMR was aggressively expanding through market expansion and acquisitions in all their verticals both domestically, and internationally. The expansion spree was not reckless but was only aggressive and therefore it is acceptable for any growing company. While the expansions of GMR were taking the company to greater heights, the global foot print could not be sustained for long due to the compulsions in domestic market.

The projects in India were in requirement of capital and suffered a heavy debt burden. They were facing problems that are common to infrastructure industry. Typical to the infrastructure industry is the long gestation period not only in completing and commissioning the project but also in getting the returns. This calls for very efficient project implementation that accounts for overruns and effective management of changes in external environment, especially, the political one. Managing the political environment is very important in a sensitive industry like infrastructure, as it is purely a public utility industry. Effectiveness in public relations and lobbying is very much required in managing government and other stakeholders as they are to be taken along with in mega projects like GMR's. The sufferings of GMR in projects like Male Airport, Delhi Airport and the power projects are examples. Another point to ponder is whether the company should take up projects in neighbouring countries, as there could be many border and political issues.

In both Delhi and Male airport projects, cost overrun was the root cause that led to other major problems. Though GMR could execute the projects within the time frame, the cost of execution has shot beyond the budget. But, in any infrastructural project this is bound to happen because of changes or deviations from the original plan as well as the inflation over the period of project development due to the sheer scale and duration of the project. While the strength of GMR lies in the short cycle-time in completing the projects, the weaknesses seem to be the inability to manage costs and overruns with the partners /client. This has been witnessed in both airport and power projects.

Capital requirements, scale of the projects, delays in commissioning the projects, cost overruns and the losses in projects like Male airport have resulted in huge debts for GMR. The debts were accumulating quarter on quarter. Though dependability on debt can be minimised through increased equity, the sector was not attracting investors due to the recession. So, GMR was in a precarious condition with debts of around Rs. 40,000 Crores and long term debt-equity ratio of close to 1:5. So, that was the time Mr. G.M.Rao realized that the company cannot pull on like this for long and some drastic steps have to be taken to put back the company on track. It was right that GMR decided to sell the matured or uneconomic assets to pay the debts and increase the equity.

Divestment/Turnaround strategies:

The *Asset Light Asset Right (ALAR)* strategy implemented by GMR is an excellent example of turnaround through divestiture. Turnaround is a grand strategy of cost reduction and asset reduction by a company to survive, and recover from declining profits. At GMR, the severity of the situation warranted for a quick response system. Since the severity of the situation was high, it was necessary for drastic asset reduction measures.

Divestiture is a grand strategy that involves the sale of a firm or a major unit of a firm as a going concern. GMR is a going concern as it is highly optimistic and growth oriented. Marketing for sale is a practice in divestiture strategy, as the going concern will book a profit from the sale proceeds. When the businesses with high market value are sacrificed, there is a balancing of equity with long-term risks or of long term debt to optimize the cost of capital. GMR did exactly this as understood from its theme *"Develop, Build, Create Value, Divest and Reinvest"*.

As we can observe in the case, the divestiture at GMR was in total. That was the call of the situation. Since the burden was too much at over Rs. 40,000 Crores, they had to go aggressively on divestiture spree in all the verticals and in all the regions. They had to restructure the debt-equity ratio in many of their projects, as they had to bring in more equity to increase the ownership and consolidate the core assets. ALAR was a good strategy to achieve this.

GMR has taken a correction and stabilization measure to save the company from the brink of bankruptcy. It has helped the company to turn profitable also.

ALAR could also be seen as a right tool for balancing the various businesses in the business portfolio of GMR in the context of multi business organisation. In a portfolio management approach, resources received from one business through profits or any proceeds are used to save or build another business. Therefore, GMR has applied the ALAR strategy to restructure the business portfolio. It also highlights the importance of creating assets when the company is growing and profiting. They became handy resources when the company needed them most. So, ***saving for the rainy day*** is essential for any fast growing company.

Companies which are growing or growth oriented attempt the following strategies to come out of the debt or related problems without compromising on their survival and growth.

1. Improve efficiency
2. Retrench manpower
3. Increase the revenue
4. Cut down the borrowings
5. Sell out the NPA
6. Sell non-core assets

We can understand that, GMR has prominently implemented almost all these strategies to come out of the hardship.

Three cardinal rules of strategic management are stated as Stability, Growth and Profitability. An organisation has to give priority to stability before looking up to growth or even when pursuing growth and long term profitability. Stability of the organisation is very important for the survival of the organisation. The case in point, GMR's infrastructure business, underscores the significance of 'stability' for the survival and growth of the organisation.


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Decision Qualms Facing ABC Ltd in Sustaining Sales Force Performance

Teaching objectives:

This case is intended for use in courses like Basic Marketing, Sales and Distribution Management, Human Resource Management and Strategic Management. It can be used for teaching

I) The concept of sales force management

ii) Performance management

iii) Negotiation management

iv) Concept of strategic decision making

Key Issue:

Strategic handling of top performing sales managers' dwindling performance

Abstract:

ABC Limited, a successful auto component manufacturer, of late, experienced declining sales and also faced several challenges in managing its sales force. Much to the surprise and displeasure of the Vice-President, the company's star Sales Manager submitted his resignation during a discussion in the recent sales review meeting.

J. CLEMENT SUDHAHAR
Professor - Marketing
Karunya University, Coimbatore
clemns@gmail.com

AB Controls India Ltd

ABC, a leading auto component manufacturer in India has established itself as a top OEM supplier to prominent auto majors in India, namely, Toyota, Tata, GM and Hyundai**,** besides exports. In 2009, the firm received the 'Best Managed Supplier' award from Toyota, apart from being judged as 'Consistent Performer' by TATA. These awards, besides several certificates received from Export markets and quality certification from ISO agencies speak volumes about ABC's consistent commitment to quality in its business practices.

The firm had many milestones of success in every field which it entered in Auto component manufacturing i.e. OEM, Exports, Replacement, Accessories in retail market and also in the servicing of contracts with auto majors in its relatively smaller history. The sales revenue has always been heading north without exception on a year-on-year basis. The top management also never hesitated to press the expansion mode in the last decade.

The salient features of the firm in brief:

Specialized: Competence lies in the forged, CNC-machined, assembly and heat treatment of automotive components for specialized applications.

Scale: One of the largest manufacturers in India of the components used in the manufacture of trailer axles, transmission and air-brake systems.

Competitive: More than 45 per cent of the revenue is derived from exports to quality conscious US and European markets in addition to Australia, Brazil and Mexico, among others.

Customers: Brand-enhancing customers comprise Tier-I and Tier-II companies across the world like Arvin Meritor (USA), Alliance Corporation (USA), Zenus Starker – BMW (USA) and Bosch Rexroth (UK), among others, besides OEM customers.

Responsive: Sampling and prototype development is one of the quickest in the company, thus helping enhance its customers' competitiveness in the shortest time.

Visible: Shares are listed on the Mumbai Stock Exchange and National Stock Exchange.

New Forays and Concomitant Issues

The company with all its focused energy has been very aggressive in expanding its base all the time from being a domestic supplier to the top Indian auto majors to entering exports and replacement markets. A steady growth achieved in all the three areas of its foray is evidence to its efficient sales force management strategies. The foray made by the company into retail and replacement markets has been hugely buoyant in the initial two years, due to the all out effort of Vijay Kumar, Manager-Sales, Retail/Replacement. This fact was very much endorsed by the Vice-President, Sales of the firm, Mihir Sen.

After a sturdy performance in the first two years, 2009-10 and 2010-11, the retail segment of the company in specific, saw the sales moving southward in 2011-12 which impacted the overall results. And first two quarters of 2012 were also no great shakes as far as sales growth is concerned. The annual Sales Review meeting was held in Jan 2013 at Chennai, India. Fearing backlash from the President concerning dwindling sales performance in one specific segment headed by Vijay in South of India which was supposed to be the citadel of the firm's performance zone, Mihir called his Secretary Joy to meet him with all the reports. Vijay was the awardee of 'Star Performer' of the country. What followed was a conversation which goes like this:

"Have you collated all the reports from the different verticals?" asked Mihir.

"Yes sir, but..." was the stunted reply from Joy.

Hesitantly, Mihir quizzed Joy, "Where is the let up happening?"

"To your surprise, this time the lag is from Vijay only"

Securing the instance, Mihir quickly flipped through the records and asked for the managerial aspects of the super sales man turned Manager, Vijay's moves in the last one year of his business realm.

"What is the turnover rate in the retails sales division headed by Vijay?"

"It is 32% in 2011-12"

"It's astonishingly very high"

"On the rise from year-on-year, that is 20 to 32 in the last two years"

"Did you ever check the exit views of those sales people?"

"Not much... sir"

Scanning all the information which his Secretary could muster, Mihir turned very thoughtful and wanted to have a candid chat with Vijay.

Review Meeting Turning Soar

Vijay was summoned that evening by 6'o clock. Slowly over a cup of coffee and saucer full of dry fruits and nuts, the discussion started.

Mihir was very objective in his assessment of decline of a star performer, after giving provisions for initial performance burst of Vijay. Mihir had no other option but to acknowledge and applaud the team building efforts of Vijay, not only in one zone but right across the country. He was very appreciative of the fact that building efficient sales teams in particular was herculean task and categorically said, “Hats off to you Vijay”.

Vijay was steadfast with all the anticipation that the discussion would henceforth centre around his vertical's downward slump.

On the expected lines, when question arose on the 2012 spiraling effect, Vijay was very calculated in his responses as he started listing out the steps taken by him and outcomes.

He gave region-wise actions taken by his Managers in arresting the trend and summed up overall tactical moves adopted by him in countering the situation over the last one year.

1. Optimize the Sales Process
2. Optimize the Sales Pipeline and Create Effective KPIs
3. Build a Proper Recruiting Process
4. Develop the Sales Management Team through Training and Coaching
5. Optimize Compensation
6. Test and Manage Talent

“But all these steps together, surprisingly yielded counterproductive results”, quipped Mihir in a sombre mood.

“That's it”, summed up Vijay in disgust.

The conversation went on for another 15 minutes, and then came the 'bolt out of blue';

To the utter surprise and dismay of Mihir, Vijay handed over his resignation letter.

Mihir did not want to give any knee-jerk reaction but had no clues as how to proceed further.

Questions for discussion:

» Comment on the move of AB Controls concerning expansion drive into Replacement market.

» Consider the status and mood of Vijay and justify his decision to quit.

» If you were the Vice-President, Sales of AB Controls, how would you react to the situation posed by Vijay's resignation

» Comment on Mihir's handling of Sales Manager just prior to the Annual Review Meeting.

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Annexure

EXHIBIT 1 : Values, Vision and Mission of AB Controls India Ltd

VALUES

As a company, and as individuals, we value

" Integrity and honesty in our dealings

" Passion for excellence

" Dignity and value of individuals working as a team

" Taking on big challenges and seeing them through

" Accountability to customers, shareholders, partners, and employees for commitments, results, and quality

" Meeting delivery requirements of our customers

VISION

"To be Global leaders in manufacturing of automotive components, assemblies and complete transport solutions by giving cost competitive quality products to the retail customers."

MISSION

"To provide superior products for the automotive segment and increase its market share through quality, innovation in manufacturing and cost efficiency."

EXHIBIT 2: Philosophy and Strategy

Philosophy

» As a manufacturing company in the automobile industry we stand for a systematic quality management and an open information policy, paying attention to and fulfilling the wishes and needs of our customers.

» Our aim is to continuously increase our company's competitiveness. We want to be a reliable and flexible partner for our customers. Therefore, all the employees, whether in the manufacturing sector or in other sectors of the company are trained to meet all the quality standards of our company in their scopes of duties.

» In order for us to meet these requirements, we built up an extensive quality management system. It fulfils the requirements of the international norm ISO 9001:2000 and the requirements of ISO/TS 16949:2002 and is integrated and in use company wide.

» We are an organisation inspired by enterprise, fuelled by dynamism and distinguished by service. As an automotive components manufacturer to some of the best known brands Globally and in Domestic Market, we aim for complete customer satisfaction through quality, reliability and time-bound performance. As a dynamic, well-integrated company, we believe in keeping one step ahead of the times.

Strategy

» Create a de-risked business model through a combination of scale and product variety

» Product variety to be widened through continuous improvement & innovation

» This innovation to reflect in cost reduction and an increasing production of value-added products

» Both these initiatives to reflect in enhanced margins and profits in OEM and Retail markets

The profits to be aggressively reinvested in scale and product variety leading to sustainable growth

EXHIBIT 3: Competitive Edge

At ABC, the competitive edge is derived from the following:
» Values: The highest ethical and professional standards
» Knowledge: Most specialized product insight within the niche; ability to absorb manufacturing technologies with speed; ability to absorb customer standards for general benefit; motivated team of around 50
» Mind-to-market: Short tenure makes it possible for business partners to seize the first-mover supply advantage
» Reference: Collaborative working with some of the largest names across a decade
» Scale: Globally benchmarked operational capacity; higher than competition
» Quality / efficiency: Derived from cutting-edge technology, training and progressive shop floor practices
» Logistics: Timely product delivery to the customer's shop floor ensuring an uninterrupted operation at all times
» Balance sheet: Very Low debt and rising cash flow every quarter.

Exhibit 4: Financials and Performance

Operational performance					
Ball thrust and roller bearings and components	**Mar 2008**	**Mar 2009**	**Mar 2010**	**Mar 2011**	**Mar 2012**
Capacity (’ooo numbers)	7.200	7200	7,200	7,201	N.A
Production (’000 numbers)	5,430	4,581	5,222	5,677	N.A
Capaity utilisation (per cent)	75.4	63.6	72.5	78.8	N.A
Sales (’000 numbers)	5.567	4,639	5,303	6,205	N.A
Sales (Rs million)	1,887	1,464	1,685	2,147	1,855
Financial performance					
(Rs million)	**Mar 2008**	**Mar 2009**	**Mar 2010**	**Mar 2011**	**Mar 2012**
Net sales	1,664	1,345	1,623	2,041	1,750
PBDIT	353	266	384	471	316
Interest and lease rental	40	109	22	5	14
PBDT	353	266	384	471	316
Depreciation	68	50	42	42	65
PBT	244	103	310	418	224
PAT	158	69	149	282	135
Exports	5	5	15	28	21
Imports	186	412	40	316	151
Gross fixed assets (GFA)	1,208	1,238	1,301	1,684	1,921
Gross Sales/GFA (times)	1.6	1.2	1.3	1.3	1.0
Capital employed	1,087	1,292	1,301	1,684	1,921
PDIT / Capital employed (per cent)	33.2	20.8	40.7	35.0	18.7
Margins (per cent)					
PBDIT / Net sales	21.2	19.7	23.7	23.1	18.1
PAT / Net sales	9.5	5.1	9.2	13.8	7.7
N.A. : Not Available					
Source : Prowess, CRISIL Research					

EXHIBIT 5: Sales Training Programs at AB Controls India Ltd

Intermittent Training Modules:

Employees train themselves through role plays to face tech-savvy customers and demonstrate the feature updates in the products.

- 10 such training sessions on an average per year, which focus on the features, demonstration and customer interaction.
- Day-long training and online tests once a month.
- Training out-turns at the retail outlets have become integral part of the training schemes.
- Other training sessions are organized for the new recruits and the existing employees regularly in different formats
  - Online packages
  - Classrooms
  - Hands-on experience of the products.

Induction Training Module:

- Imparts the training in the local language.
- Trains the representatives on the
  - Device
  - Services
  - Experiences
  - Conversation skill
- Adopts the role-play format in a big way in its training modules
- Communication Skills Assessment and Up gradation
- Web - based training on products on a continuous basis with focus on the
  - Operating system
  - Hardware
  - Features

Teaching Note :

While administering this case the facilitator can encourage the students to keep a tab of the following strategic moves which could have been adopted by the company while enunciating the new sales divisions. Needless to say, ABC, bereft of this tactical move exposed the Sales Manager as a vulnerable cog, which indeed led to the unpleasant situations depicted in the case study:

1. The organizations which press for expansion should study Product Portfolio models, including ANSOFF Matrix, which deals extensively with Product - Market Attractiveness at strategic levels like Current Product – New Market and New Product-Current Market matrix combinations, before embarking on forays of any nature. Such decision model studies would certainly enhance the success rate of any new venture, leave alone diversifications.
2. Exploratory and Confirmatory research approaches through qualitative and quantitative studies among the respondents including the Sales force of the organizations, who are of course, being deemed 'Foot Soldiers', would undoubtedly offset any misconceptions about the new markets and their dynamics.
3. Any Marketing, in particular, in Sales oriented organizations need to resort to Matrix organization structure rather than Pyramid structure so as to enable smooth sales functioning and monitoring.

Points to be kept in mind while answering the discussion questions

- Presently, organizations across the globe have recognized the keys for success in sales management are innovation, technology and leadership provided at the top.
- These three aspects coupled with latest selling approaches viz. solution selling, consultative selling and relationship selling enable them to deliver the pre and post sales functions at desirable levels.

» When organisations venture into new frontiers, they have to mull over apt handling of performance woes at each level.

» Some changing patterns in personal selling have emerged in recent years such as selling centers (team selling), systems selling, global sales teams, relationship selling, telemarketing, Internet selling, and sales force automation. Rather than resorting to old fashioned hard-post sales reviews the top management must therefore set up fool-proof programmes to motivate, supervise and compensate a sales force in order to keep pace with the changing face of people management and employee engagement

Further, the facilitator can make note of the following theoretical inputs while leading the discussions:

Training a Sales Force

After recruiting, companies let their new and inexperienced sales people undergo an orientation and sales training program, often lasting weeks or months. Even experienced sales people need continual training to improve their selling skills, learn about new products, and improve their time- and territory-management practices. A recent survey in India found that 75% of companies give experienced sales people 1 to 10 days of training a year, with a primary focus on improving product knowledge. One of the primary training areas for experienced sales people is in the use of sales-force automation and other web based selling methods.

Motivating a Sales Force

Sales people, especially field sales forces, require a high degree of motivation. One key is to determine what motivates the sales reps-is it a need for money, status, control, accomplishment, or something else? People differ in what motivates them, and the motivations change over a person's life. A young sales person is more likely to be motivated by money, whereas an older sales person may be more interested in recognition.

Compensating a Sales Force

Financial rewards are by far the most widely used tool for motivating sales people. Consequently, designing and administering effective sales compensation plan is a big part of a sales manager's job. Financial rewards may be direct monetary payments (salary, commission) or indirect monetary compensation (paid vacations, pensions, insurance plans).

Supervising a Sales Force

Supervising a sales force is difficult because sales people often work independently at far-flung locations where they cannot be continually observed. And yet supervision serves both as a means of ongoing training and as a device to ensure that company policies are being carried out. The most effective supervisory method is personal observation in the field. Typically, at least half a sales manager's time is spent traveling with sales people. Other supervisory tools are reports, email, messaging and sales meetings.

Evaluating a Sales Force

Managing a sales force includes evaluating the performance of sales people. Sales executives must know what the sales force is doing in order to reward them or make constructive proposals for improvement. By establishing performance standards and studying sales people's activities, both quantitative and qualitative measures should be used to formulate a complete picture of performance. Quantitative evaluation bases generally have the advantage of being specific and objective as it measures the output in terms of target set vs. achievement. Qualitative evaluation bases often reflect broader dimensions of behaviour, but are limited by the subjective judgment of the evaluators. For either type of appraisal, management faces the difficult task of setting standards against which a rep's performance can be measured.

Recent Trends

Organizations, in the current century, invariably recognizing the paramount role of selling functions, set up state-of-the art structure for managing it effectively as it is one among the many functions of marketing where the deliverables can be assessed objectively, to be precise, numerically per se. The face of any organization is the sales force. Companies spend a considerable amount of time and money on sales force rather than on any other promotional activity. However, sales force is expensive and companies are looking forward to managing them in an efficient manner.

Evolution of Rural Marketing
The Case of Godrej Chotukool

Teaching Objectives:

This case is intended for use in Rural Marketing Courses and Sustainability Marketing modules. Specifically, it can be used to:

- Teach the evolution of Rural Marketing over a period of time to the current best stage
- Introduce the 'Job-to-be done' approach of segmenting the market
- Advance a case for sustainable marketing that brings rural and urban market together

Key Issues:

- Approaches to Rural Marketing
- Clayton Christensen's 'job-to be-done' approach to market segmentation
- C K Prahalad 's 'Bottom of the Pyramid' (BoP) framework in Rural Marketing
- The concept of 'Reverse Innovation' of Vijay Govindarajan and Chris Trimble

Abstract:

Rural Marketing in India has evolved over a period of time through various stages. Godrej's ChotuKool signals a new approach based not just on 'inclusion' but also on 'sustainability'. The product has all the ingredients to break the rural-urban divide by catering to the aspirations of both the segments of customers. Interestingly, this approach to Rural Marketing represents the antithesis of the first one - trickle down where the market trickles down from urban to rural areas. But in the current approach, the product meant for rural market bounces back to urban. In both the cases, economics is the underlying factor.

S. GNANAHARAN
Professor - Strategy
Jansons School of Business, Coimbatore
sgnanaharan@jsb.ac.in

with

Nithyakalyani .P and **Vishnu Priya .S** (2014 Batch of Rural Marketing Students)

Background

Development of Indian Rural Market, typical of any change initiative has been evolving over a period of time and in stages. Each stage of the growth process is characterised by a distinct approach adopted by the marketers. To begin with, at the time of Independence, marketing as it is practised today had little relevance to Bharat - as Rural India is often referred to. With a sovereign, elected Government in place, some of the basic needs of the rural and poor were met to an extent through welfare measures of the Government. This was also accompanied by aid/grant making international organisations extending help through

Government (like PL 480) etc. Of late, even companies started undertaking such activities in the name and form of corporate social responsibility (CSR). Right from the beginning, accessibility – both physical and economic - has been a challenge of the first order.

With development, marketing to rural people started gaining traction. To begin with, a minuscule per cent of rural people made a grand entry into the market, thanks to development 'trickling down' to villages. It is a typical case of 'the mountain going to Mohammed'. However, marketing as a practice or process had only a peripheral role to play here. But it paved the way for some marketers to recognise the opportunity early without actually taking any tangible marketing moves. This reflects itself in the form of 'Undifferentiated Marketing'.

This, then, slowly gathered momentum heralding the 'Differentiated Marketing' – the first genuine marketing efforts targeted at the rural populace. Marketing outcome in the first two phases were limited in size and resulted only through 'customer pull', whereas in the case of 'differentiated' approach 'push' factor gained credence. The early efforts supplied sufficient know-how to crack the rural marketing code. And many more started following the pioneers.

But from the business perspective, this is still a one-legged journey to the tough terrains of the rural markets. Innovation, the other leg of the twin functions of business is missing in this approach. Marketing is too important a task to be left to marketers (or marketing) alone. The contributions of both Prof. C K Prahalad of Michigan Business School and Prof. Vijay Govindarajan of Tuck Business School, though not directly aimed at rural market, are significant.

Business Approaches

Through his seminal contribution of 'Fortune at the Bottom of the Pyramid' (BoP) Prahalad advanced a compelling case for attacking poverty and non-consumption through his market-based enterprise solution. In the process, he advocated a whole new way to untangle the rural marketing puzzle. Building on prominent Indian success stories like Aravind Eye Care System and Jaipur Foot – and equally successful global cases – he has shown that rural market can be targeted and reached effectively through innovation. To tap the 'fortune at the bottom of the pyramid', Prahalad called for business innovation from the private corporate sector.

In many cases, the cost of accessing products and services can be slashed to a fraction of the prevailing cost by embedding innovation in the form of a product, process or business model. This approach however was criticized and its applicability to commercial enterprises was questioned as most of the success stories are in the NGO arena. It also attracted criticism in view of the inherent role conflicts between the Government, Non-Government Organisations (NGOs) and the private corporate sector. Despite these criticisms, a number of companies have not only adopted the BoP approach but turned out success stories as well.

Though the BoP approach is purported to include the poor, non-customers into the marketing mainstream, it catapulted Rural Marketing into the next stage of its evolution. After all, most of the poor, non-customers live only there. At core is the presence of a kind of arbitrage opportunity in the rural India. This can be compared with the chasm that exists between the developed and emerging markets. But the global companies innovating for the emerging markets are doing that with a view to take them back to the developed markets subsequently. Prof. Vijay Govindarajan and Chris Trimble aptly call them 'Reverse Innovation' (RI).

It won't be an exaggeration to say that what is rural to Indian marketers is emerging markets to the global marketers. This case makes an earnest attempt to tap the rural market opportunity through RI gear of Vijay Govindarajan and Chris Trimble, the way Prahalad's BoP approach did earlier. Though both the BoP and RI approaches are aimed at poor and emerging markets, they can eminently be positioned for urban and developed markets as well.

Towards Sustainability

While the BoP approach is all about including the excluded, the RI concerns with coming out with innovative products affordable to the emerging markets. By combining the elements of both, rural marketing can be taken to the next level of its evolution. This involves promoting 'sustainability' in addition to inclusion. A product coming out of such an innovative approach makes itself accessible to the rural market owing to affordability factor but could gain acceptance in the urban market for a different reason or benefit. This would promote sustainability.

A classic case of this genre showcased by the authors of 'reverse innovation' is GE Healthcare's hand-held electrocardiogram and ultra sound machines introduced for the emerging markets. These products are already selling well in the developed markets – as a second machine for use outside the hospitals. Godrej's Chotukool could well be considered as a typical product meant for the rural market but could find acceptance in the urban market serving a different need.

Together with Tata Nano, they can be considered as two most celebrated recent cases of product innovation aimed at converting the non-customers into customers. Incidentally, the names 'Nano' and 'Chotu' mean almost the same: small. Obviously, these two innovative products are 'small' in size and shape and represent classic cases of frugal innovation promoting both inclusion and sustainability. One can find the reasons for Tata Motors' failure in carving a success out of Tata Nano in marketing, rather than in the product itself.

Grand marketing campaign without an innovative product to boast is something like conducting a classical concert without a classical singer of repute to perform. In the same way, an innovative product without a corresponding marketing strategy can be likened to a great singer without having a right platform to perform. Therefore any innovation, if it is to succeed in the marketplace, has to be accompanied by right marketing strategy. Godrej's Chotukool is an innovative product designed exclusively for the rural households who can not afford the conventional refrigerator. The product deserves much better market response from a much larger target group. Despite LG's early lead in the product segment, Godrej is eminently placed to produce a breakthrough in the rural market space through its Chotukool.

Summer Projects

The research findings of two summer projects carried out by two management students individually (the co-authors of this case) during May – June 2013 throw some light on this. One project was undertaken in 9 villages in the 15-25 kilo meter radius of Avinashi and the other in 12 villages situated in the 15-20 kilometer vicinity of Tirupur. These places are located in close proximity to each other in the new Tirupur district carved out of the combined district of Coimbatore. In both the cases, a sample size of 200 women cutting across income groups was chosen and information were collected with the help of structured questionnaires.

While the Avinashi project had a single objective of finding out the awareness, perception and penetration levels of Godrej Chotukool, the Tirupur one had a broader scope of studying the consumer durables as a category. Most of the findings converge and are quite instructive.

Rural Respondents' Occupational Profile

Avinashi Cluster of Villages	Occupational Profile	Tirupur Cluster of Villages
12	Farmers and Farm Workers	20
18	People in Non-Farm Activities	21
7	Government Employees	3
45	Private Employees	24
16	Businessmen	29
2	Retired/Not Working	2

Survey Findings

Both these villages have, by and large, moved away from agriculture and are into factory work that is offered by the cotton hosiery cluster in Tirupur. Interestingly, the proportion of village people dependent on factory work in the Avinashi cluster was much higher at 45% as against 24% in Tirupur. Presence of power looms in the Avinashi cluster provides another reason for greater reliance on factory work. However agriculture in Tirupur has a much stronger presence than Avinashi – 20% as against 12%. And unlike Tirupur, a few percent of them are farm-workers. Naturally, the percent of population belonging to the business category are much higher in Trippur (29%) as compared to (16%) in Avinashi.

Unlike Avinashi cluster of villages, Tirupur cluster boasts more job-creators than job-seekers. Most of them are part of the hosiery cluster value chain. This is also reflected in the proportion of people working in Government offices. The ratio in Avinashi at 7% is much higher than 3% reported in Tirupur. It can also be deduced that business people in Tirupur cluster of villages also undertake farming activity owning large holdings and farm houses. But there is no substantial difference when it comes to people involved in non-farm activities.

Avinashi Survey: Key Findings

» Product Penetration: TV came on top with 95% with close to half owning Government-distributed free TVs. Brand-wise LG was the topper with 23%. Other major brands were: Samsung (8%); Onida (7%); Philips (4%) and Videocon (4%).

» Refrigerator ownership with 47% came as a distant second. LG topped the chart here as well with 16% - the only company to have double digit shares. Three other brands worth noting are: Godrej (6%) and Samsung (6%); and Whirlpool (5%).

» Washing machine came third even further down with just 22% of the households owning one. For LG, it is a kind of a hat-trick, leading this market also with 8%. The other top three brands were: Whirlpool (3%); Onida (2.5%); and Samsung (2%).

» Reasons for not buying a refrigerator include: Affordability (61%) and Space Constraints (14%). In between these two, about a fourth of the respondents supplied 'Only Fresh Consumption' as the reason for not owning a refrigerator.

» On the purpose of buying a refrigerator, 96% for storing vegetables; 84% for storing batter; 57% for fruits; 54% for milk products; 51% for leftovers; and 37% for cool drinks.

- Level and Source of Awareness: 80 out of the 100 respondents were aware of Godrej as a brand and company. Interestingly, a single largest number of respondents (38%) came to know Godrej through refrigerators. A fourth of them associated Godrej with washing machines.

- Turning to Chotukool, a third of them were unaware. Only 10% related to refrigerators, although 40% of those who were aware of Godrej knew only as a refrigerator company. Another 5% of them related to air-coolers and a few with washing machines. The word being in Hindi, most of them were not able to make the connection.

- 'Affordability' came only as the third important attraction with 26%. 'Portability and size' with 39% scored the top rank followed by 'low electricity consumption' (31%). In other words, 'portability and low electricity consumption' constitute top most drivers.

- A largest percent of households (68%) expressed 'willingness to buy'. A slightly less than a third evinced no interest in buying Godrej Chotukool. 45% of the respondents wanted colours (45%); 17% greater capacity; and 15% front door open.

- Some of the respondents revealed their preference for waiting and buying regular refrigerators. To them, Godrej Chotukool appears as a poor (in image and perception) to the regular ones. One can detect a kind of 'Nano Effect' for Chotukool in villages like these where income is regular, reasonable and much higher than a typical village.

Trippur Survey: Key Findings

- Almost every other household has grinders and/or mixes. The next product to enjoy wider penetration and usage was Electric iron with 65%. Only 22% owned water purifiers.

- The ownership pattern of TV, refrigerator and washing machine stood at 97%, 63%, and 42% respectively. In all the three product categories, LG was the clear leader.

- The penetration level for mobiles, bikes and cars reached the levels of 92%, 80%, and 33% respectively. In mobiles, Nokia was the leader. TVS came first in bikes and Maruti-Suzuki led the car ownership.

- As far as the influencers of purchase are concerned, quality was assigned the top most importance followed by brand name which was perceived to have a relationship with quality.

- Rural respondents wanted to see the product and experience its functions and features before buying high-ticket consumer durables. They are not attracted by freebies, discount and other sales promotion gimmicks. Seeing, touching, and feeling the product as a pre-purchase experience package plays an important role among the rural customers when it comes to durables.

- Surprisingly, price was ranked only as the third important influencer of consumer durables. Contrary to commonly held view, sensitivity to price was less pronounced in the case of low income category of below Rs. 5000. Being long-awaited and long-lasting products, these customers were not willing to trade quality and durability off, for the sake of price. The price-quality trade-off changes from product to product and across customer groups.

- The motivating factor for purchase changed across age groups. Lifestyle scored first (86%) in the 16-25 age group; functionality ruled the roost for 26-35; status meant not much for 36-45 (39%) and for 46 and above (33%).

- Credit as a driver came down gradually from 71% for the 16-25 to 33% for 46 and above. Except for the younger consumers, credit facilities mattered less and less for the subsequent age groups. Villagers by nature believe in saving and buying rather than buying and paying back. This trend was bucked only in the case of younger customers.

» Barriers for Purchase: Lack of purchasing power, non-availability of acceptable product, and lack of awareness about products and features are the three most important barriers to buying consumer durables. Affordability was found to be the most powerful barrier for rural households earning less than Rs. 10000 per month.

Issues for Discussion

The primary objective of this case is to understand and appreciate how Rural Marketing evolved over time and see how the concept of 'Reverse Innovation' advanced by Prof. Vijay Govindarajan and Chris Trimble can be combined with Prof. C K Prahalad's concept of 'Bottom of the Pyramid' (BoP) to take Rural Marketing to the next level of sustainable marketing. The case of Godrej's Chotukool is used to illustrate this point of view. Please refer to the Notes of BoP and RI.

Teaching Note :

Bottom of the Pyramid (BoP)

The first person to use the term “Bottom of the Pyramid” (BoP) interestingly enough is the US President Franklin D Roosevelt in a radio address in 1932. He was talking about the 'forgotten man at the bottom of the economic pyramid'. But it was late Prof. C.K. Prahalad who turned it into a business concept and a way to remove poverty and non-consumption. In 2002, along with Stuart Hart, he wrote an article challenging the dominant logic. But big business for long considered them as inaccessible and unprofitable to serve. However more than two-thirds of world population belong to the catagory.

According to Financial Times Lexicon: “The Bottom of the Pyramid (BoP) is a socio-economic concept that allows us to group that vast segment – in excess of 4 billion – of the world's poorest citizens constituting an invisible and unserved market blocked by challenging barriers that prevent them from realizing their human potential for their own benefit, those of their families, and that of society's at large”. Prahalad stated: “When the poor are converted into consumers, they get more than access to products and services. They acquire the dignity of attention and choices from the private sector that were previously reserved for the middle-class and rich”.

The long-held view was that the needs of the poor people should be taken care of by Government doles and philanthropic giveaways. Prahalad advocated an alternative approach to fight poverty and non-consumption through market based enterprise solutions. His message for big business: “The future lies with those companies who sell to the poor as their customers”. Prahalad strongly believed and advocated that by designing, developing, and delivering quality products at affordable prices, these out-of-scope customers can be brought into marketing mainstream.

Per-use sachet shampoos, accessing rather than owning the service providing technologies like phones, no-frill products, and cross subsidizing are some of the innovative business models used by the successful companies tapping the BoP segment. Though the approach has been criticized by many on a number of counts a number of marketers put this into work and produced success stories across the world.

Reverse Innovation (RI)

Prof. Vijay Govindarajan (VG) coined this term when he was working as the first professor in residence at General Electric (GE) during 2008-10. It originated while he was working at GE Healthcare. Subsequently, he introduced the term in a HBR article entitled “How GE Disrupting Itself”, along with GE's CEO, Jeff Immelt.

This ultimately culminated in his book on 'Reverse Innovation' coauthored by Chris Trimble.

What is Reverse Innovation? Prof. VG explained: “Historically, multinational companies innovated in rich countries and sold those products in poor countries. Reverse innovation is doing exactly the opposite. It is about innovating in poor countries and selling those products in the developed markets”. He adds further: “The fundamental driver of reverse innovation is the income gap that exists between emerging markets and the developed countries… Buyers in poor countries demand solutions on an entirely different price-performance curve. They demand new, high-tech solutions that deliver ultra-low-cost and ‘good enough quality’.

VG describes the emerging markets as 'mega markets with micro consumers' – something akin to the BoP concept of CK Prahalad. The underlying theme of RI is two-fold: inclusion (in terms of customers from the emerging markets) and sustainability of resources (through 'frugal innovation'). In this respect, he talks about the need to focus on 'value for many' as against 'value for money'. In this respect, the authors identified five paths of reverse innovation. ‘Sustainability Gap' is one among them. To quote: “The only way poor countries can sustain economic growth is through ‘green’ solutions. As a result, emerging markets are likely to leapfrog to several next-generation environmentally friendly technologies”.

The reverse innovation is a win-win for both economies. For the emerging economies, it is a huge opportunity to leapfrog. For developed economies, RI initiatives would become attractive ‘by a marginalised market today becoming a mainstream market tomorrow’. The marginalised market here refers to those small market segments that remain unaddressed or underserved for lack of size attractiveness. 'Mainstream Market Tomorrow' on the other hand, would materialize when these RI initiatives change the name of the game.

Water, everywhere!

Teaching Objectives:

This case is intended for use in Financial Management and Advanced Financial Management Courses for teaching the concept and application of Investment Appraisal.

Key Issues:

Pricing Constraints, Low Profitability, Loan Commitments.

Abstract:

Mani, a farmer, saw business opportunity in processing and selling packaged water in a remote town that was deprived of potable water. The business was successful until too many players entered the small market. Faced with dwindling sales and accumulated losses, Mani had to quickly find a way to bridge the gap between demand & supply and regain the lost foothold to pay off his debts. In order to increase the sales and revenue, he had to decide between scaling up the operations and making additional investments to enter new product segments in water sales.

T. SENTHIL KUMAR

Associate Professor - Finance & Systems

Jansons School of Business, Coimbatore

t.senthilkumar@jsb.ac.in

Mani was checking the stock level in his water treatment plant when he received a call from the bank manager. It was a call that Mani had dreaded during the last few days. Mani had availed a loan from that bank two years ago for starting his business and he had defaulted on the last two EMI repayments. He was helpless since the business was dull and there was hardly any surplus cash to repay the loan. Bank officials were initially considerate since they were aware of the developments in that locality and they allowed him to repay two EMIs together. However, the situation worsened and Mani was not able to make the payments.

The manager was polite but firm in his message. He asked Mani to repay both EMIs within a week or face legal action. Mani muttered in the affirmative and hung up the phone. He sat up and started analysing the options. After all, he was known for his unconventional approach in his native village, Kalayarkoil. He mulled over the situation which prompted him to invest in a water treatment plant. None of his friends or family members were entrepreneurs when he took a decision to start his own business. Like most of the other villagers they were mainly dependent on agricultural income for their livelihood. Mani was educated up to high school and had always dreamt about becoming a businessman. He was wary of subsisting on agricultural income or income from micro ventures. Some of his friends engaged themselves in petty trades during lean seasons when there was not much agricultural work. A few worked on the lands of other agriculturalists for additional income. None of these choices were appealing for Mani. His lateral thinking made him see an opportunity where others saw a problem.

Kalayarkoil was a part of one of the most backward districts in India i.e. Sivaganga that faced perennial water shortage. Some, who had resources, procured bottled water in 20-liter cans from the nearby Sivaganga municipality. Many others had to fetch water from nearby agricultural wells and ponds, though the cleanliness of such sources was questionable. They were not willing to travel a few kilometers on a regular basis just to procure bottled water. Mani saw this situation as a great chance to start his business. He decided to buy bottled water on wholesale basis from Sivaganga and resell it in his village. The investment requirement was less and the profit potential appeared lucrative. The supplier allowed him to procure up to 100 cans of 20-liter capacity on an initial deposit of Rs. 10,000. He was also given one-week time to pay for the merchandise. To begin with, Mani procured 50 cans and stocked them at his house. He sold the cans from his house and decided against door-to-door delivery to reduce the expenses. He demanded a deposit of Rs. 100 per can and sold them at a price of Rs. 40 per can. He had procured them at a cost of Rs. 30 per can.

Mani thought that he would be able to sell about 10 cans per day and that he could make a profit of about Rs. 500 within a week. During the first few days there was not much activity. A few neighbors bought the cans and the whole idea looked like a failure since the supplier would demand Rs. 15,000 (50 cans x Rs. 30 per can) in a week's time for the cans that Mani had bought from him. Mani was not deterred. He pasted handwritten notices near grocery shops and bus stops. He distributed the notices to household. He contacted the supplier and sought two days more time for settling the payment. However, this turned out to be an unnecessary request. On the same day he sold 25 cans and on the next day he sold the remaining cans. Eventually, he had to turn back a few customers and to them he promised to deliver the cans at doorstep by evening.

He rushed to the supplier and bought 50 more cans. On the way home he delivered the cans to those whom he had turned back earlier in the day. He stocked the remaining cans at his house. Next day, he encountered both new purchases and repeat purchases. More villagers started buying the water cans since it was convenient and hygienic. Shop owners and residents from the nearby villages also started buying from him. Within a few months' time he was selling about 500 can per day. Mani was overwhelmed by the acceptance rate and high demand for bottled water. He guessed that there would soon be more demand and sought to capitalize the situation by making quick moves. One of the options he considered was to invest in a mini truck that could be used for door-to-door delivery in the nearby villages. In that case he would have to employ a person who would drive the truck and also load/unload the water cans. He was willing to pay Rs. 6,000 as salary and estimated that fuel and maintenance expenses would be about Rs. 15,000 per month. Enquiry at the local bank revealed that he could buy the truck on loan and repay through EMIs of about Rs. 6,000.

The second option was more ambitious; he envisaged setting up a water bottling plant himself. Being educated up to high school he collected some details about water purification plants. He realised that he would have to register his firm as an SSI (Small Scale Industry) unit and obtain certificates from Bureau of Indian Standards and Pollution Control Board. Further he required laboratory certificate and pest control certificate. He thought of focusing only on 20-liter cans and not on smaller can sizes or water packets. Though a huge demand existed for one-liter cans and water packets he ruled out those options since that would necessitate additional investment and intense marketing efforts.

An investment of about Rs. 36,00,000 (Refer Table 1) was required for a 2,000 liter per hour plant. He had saved about Rs. 500,000 in the past few months and assessed that he would further be able to raise Rs. 400,000/- by monetizing a part of his farmland. He could raise the remaining capital as bank loan at an annual interest rate of 14%. He relied on the information provided in the website http://mineralwaterprojectinformation.org and anticipated a Return on Investment (ROI) of 30% and pay back period of about 40 months. He would have to earn a profit of Rs. 87,500/- per month to reach this target. He wasn't concerned much since his current profit was more than Rs. 150,000/- per month sans manufacturing expenses.

The second option appeared very attractive and he decided to invest in the water purification plant. He acquired the necessary land on lease and the plant was commissioned within a few months. It operated for one 8-hour shift rolling out 100 cans per hour. In a day, the plant was able to process 800 cans of water. Mani wasn't wrong; the demand increased from an average of 500 cans per day to 1,000 cans per day, as he expanded his operations in the nearby villages. He was glad that he had made the right decision and contemplated the idea of running a second shift to expand his reach further. But, market is not always kind to the players. The fact that he was able to earn more than 30 rupees profit per can (Refer Table 2) proved to be too lucrative to be left alone and others players entered the market quickly. In two years' time there was a water purification plant almost on every vacant land in the village. It became difficult for Mani to sell his water cans at the same price. He had to eventually reduce the price to Rs. 25/- per can. Even that was ineffective to sustain the business.

Soon, the other players were selling the purified water in pots at a throwaway price of five rupees and that too in push carts. It cost about four rupees to process a 20-liter can and they were selling it in unpacked stage with one rupee margin. Buyers didn't have to make a security deposit and didn't have to rely on one player for their requirement. They preferred buying this water owing to cost advantage and flexibility. The demand for Mani's water cans dwindled to about 20 per day. He was faced with multiple challenges. He had to quickly find alternate markets which would be operationally and monetarily viable, and repay the loan too.

Questions:

1. How long would it take for Mani to repay the loan at the current demand level?
2. What would be the Net Present Value (NPV) of the project at the current level of ROI and earlier level of ROI?
3. What changes should be made in the 4Ps of the product to increase the ROI?
4. If Mani is able to market all the produce at a price of Rs. 20 per can when would the project pay itself back?

Annexure

Table 1 : Estimated Cost of New Bottling Plant

	2000 LPH Standard Plant	2000 LPH Economy Plant	Just Jars Plant
Description	Bottles, Jar, Pouch, with Bottle Making Machine	Bottle, Jar, Pouch, WITHOUT Bottle Making Machine	20-liter Jar Filling Line
Building Cost Calculated @ Rs. 800/- per Sq ft.	3000 sq. ft. (Rs. 24 Lakhs)	2000 sq. ft. (Rs. 16 Lakhs)	2000 sq. ft. (Rs. 16 Lakhs)
Machinery Cost	Rs. 40 Lakhs	Rs. 26 Lakhs	Rs. 20 Lakhs
Manpower	Moderate, 3 Managerial, 7 Workers	Moderate , 2 Managerial, 6 Workers	Moderate, 1 Managerial, 5 Workers
List of Machinery	1. Water Treatment Plant 2. Bottle Blowing Unit 3. Bottle Filling Machine (30 BPM Auto) 4. Pouch Packing Machine 5. Ink Jet Coder	1. Water Treatment Plant 2. Bottle Filling Machine 18 (BPM Semi-Auto) 3. Pouch Packing Machine	1. Water Treatment Plant 2. Jar Rinse-Fill-Capping Machine (Auto)
Remarks	Most Feasible	Bottle Cost High as there is No Blowing Facility	Focussed, but not equipped to handle all types of demand

(Source: http://mineralwaterprojectinformation.org)

Table 2 : Estimated Expenses

S. No.	Description	Cost [Rs]
1	Cost of Water	0.60
2	Cost of Maintenance	1.00
3	Transportation	1.00
4	Interest on Capital	0.60
5	Miscellaneous Expenses	0.40
6	Total Expenses	3.60

(Source: http://mineralwaterprojectinformation.org)

References:

1. http://mineralwaterprojectinformation.org
2. http://en.wikipedia.org/wiki/Sivagangai_district

Teaching Note :

Discussion could be commenced with an introduction to project evaluation and about the various techniques that could be used for project evaluation such as Payback Period, Discounted Payback Period, Internal Rate of Return, Net Present Value etc. In the second stage, pros and cons of each method could be discussed. In the third stage, suitability of different techniques in various situations could be explained. The importance of choosing an appropriate discount rate for NPV calculation could be deliberated in the next stage along with the notion of project life span. Here, the difference between bank loan rate and cut off rate could be explained. Subsequently, the focus could be shifted to choice of strategic alternatives such as additional investment, development of new distribution channel, introduction of new product line etc.

In this case, the payback period could be calculated by taking the lowest demand level of 20 cans per day as input for revenue computation. However, from a practical viewpoint at a demand level of 20 cans per day even the EMI payment for bank loan cannot be made.

Demand	=	20 cans per day ~ 7300 cans per year
Selling price	=	Rs. 25 per can
Total expenses	=	Rs. 3.60 per can
Profit per can	=	Rs. 21.40 (25 – 3.60)
Annual profit	=	Rs. 1,56,220 (7300 × 21.40)
Payback period	=	22.4 years (35,00,000 ÷ 1,56,220)
Original estimate	=	40 months (before the current crisis was encountered)

Likewise, assumptions could be made about lifespan of the project and the discount rate. Since, the post-crisis cash inflows are very low the NPV would be negative implying that the project is not suitable for investment at a demand level of 20 cans per day.

Project life span	=	5 years
Return on investment	=	30% p.a.
Net cash inflow	=	Rs. 1,56,220 p.a.
NPV	=	$-35,00,000 + \Sigma\, [(1,56,220) / (1+0.3)^{i}]$ (i = 1 to 5) = -31,19,448

Yet, as the investment has already been made, turnaround strategies must be evaluated and implemented based on viability. One strategy would be to reduce the profit margin per can and reduce the selling price to the maximum extent possible. As water is an essential commodity lower prices would lead to higher sales and the decline in profit margin could be compensated by increased sales volume. This strategy could be implemented by expanding the presence in nearby markets.

Example:

Expenses = Rs. 2.10 per can

(Cost of water, cost of maintenance, transportation expenses and miscellaneous expenses could be reduced by 50%)

Selling price	=	Rs. 20 per can
Profit	=	Rs. 17.90 per can
Expected sales	=	100 cans per day
Expected profit	=	Rs. 6,53,350 p.a. (17.9 × 100 × 365)
Payback period	=	5.4 years (35,00,000 / 6,53,350)
NPV	=	-35,00,000 + Σ [(6,53,350) / $(1+0.3)^i$] (i = 1 to 5) = -19,08,439

As seen above, the NPV is negative still. Yet another strategy that could be considered is to make additional investment to manufacture 300 ml and 500 ml bottles. These small bottles are commonly used in social gatherings and the profit margin on smaller bottles would be relatively higher than 20-litre cans. Though this is a risky decision, the uncertainty of catering to the needs of a single market with just one product i.e. 20-litre bottle can be avoided in the long-term.

Investment already made	=	Rs. 35,00,000
Additional investment	=	Rs. 6,00,000

Variables	300 ml bottle	500 ml bottle	20 litre can
Estimated sales per month	2,000	2,000	3,000
Expected selling price (in Rs.)	3	5	20
Expected expenses (in Rs.) **	1 (0.1+0.25+0.25+0.2+0.1)*	1.2 (0.15+0.4+0.25+0.25+0.15)*	3.6 (0.6+1+1+0.6+0.4)*
Expected profit (in Rs.)	2	3.8	16.4
Profit per annum (in Rs.)	48,000 (2,000 x 2 x 12)	91,200 (2,000 x 3.8 x 12)	5,90,400 (3,000 x 16.4 x 12)
Total profit p.a. (in Rs.)	7,29,600		

* Cost of water + cost of maintenance + transportation + interest + miscellaneous expenses
** Typically, higher cost is incurred for smaller bottles.

Payback period	=	[35,00,000 + 600,000] / 7,29,600 = 5.6 years
NPV	=	-41,00,000 + Σ [(7,29,600) / $(1+0.3)^i$] (i = 1 to 5) = - 23,22,694

Here too the NPV is negative indicating that the project is unviable at the current demand level. Though this is a reflection of the real life situation, the choice of cut off rate and life span of the project are two other factors that would influence the investment decision. Since there are too many players in a very small geographical area, the cut off rate of 30% is rather unrealistic. Hence, the cash flows could be discounted with a cut off rate that is one/two percent higher than the bank loan rate. By extending the project life to 12 years a positive NPV of about Rs. 29,536 could be achieved at 14% cut off rate. Various permutations and combinations of the life span and cut off rate could be evaluated to find a realistic solution.

Manufacture of water sachets and 1-litre bottles could be avoided since the product segments are rather different. These products would add to the complexity, since an entirely new distribution network must be developed. Moreover, the resellers would expect credit facilities and the margin on water sachets would have to be low as it caters to a different customer segment. In case of 1-litre bottles, it would be difficult to compete with the established brands. Hence, that segment could be avoided and 300 ml bottles and 500 ml bottles can be manufactured. The marketing could be done by fostering a relationship with marriage halls and catering contractors.


Dettol
HEALTHY
Kitchen
Dettol
Kitchen

How Dettol ventured forth to kitchen space!

Teaching Objectives:

This case is intended for use in Brand Management Course for teaching the following

I. The concept of Brand Image and its role in the success of a new product

ii. The concept of Brand Extension and its application in real-life business situations

This case can also be used in Marketing Management and Integrated Marketing Communication courses

Key issues:

A business firm's decisions related to branding of a new product and several factors that influence them.

Abstract:

Reckitt Benckiser India decided to enter kitchen dish wash liquid category in 2013. While it had various options for branding this new product, it opted to use its flagship brand, 'Dettol'. Contrary to the views of many critics, the risk that the company assumed did not backfire. The case explores the influences on this brand extension decision and how the company managed to leverage the power of 'Dettol' effectively. The alternate branding approaches that the company could have used and their possible match are examined in the teaching note.

K.R. SENTHILVELKUMAR
Professor - Marketing
Jansons School of Business, Coimbatore
krsvk@jsb.ac.in

"...kitchen sponges are known to be a breeding ground for germs. It made complete sense to extend this promise of Dettol's germ protection to kitchen by providing a single solution for truly healthy kitchen"
- **Chander Mohan Sethi**, Senior Vice President - South East Asia, Reckitt Benckiser, 2013.

The new product launch of Reckitt Benckiser during February 2013 and this subsequent statement from a senior executive of the company took many by surprise. Many critics in the FMCG industry and outside felt that Dettol Kitchen Gel was a misstep from Reckitt Benckiser. They cautioned that the new product was going to be a failure and it was certain to affect the parent brand badly too. Contrary to these predictions, Dettol's new extension managed to grow and it appeared to have only strengthened the parent brand.

Reckitt Benckiser India is an unlisted Indian arm of the British global consumer goods company, Reckitt Benckiser Group plc which recently generated global net revenues of 10 billion Euros in 2013. The group is presently headed by an Indian national, RakeshKapoor, as CEO. Reckitt Benckiser India has its central office in Gurgaon. The company has 8 manufacturing facilities in India which are situated in Tamil Nadu, Jammu & Kashmir, Uttarakhand and Himachal Pradesh regions. The company has a glorious history of building many successful brands in the Indian market. Apart from Dettol, its other brands such as Mortein, Lizol, Harpic and Cherry Blossom have also achieved high brand awareness and acceptance among Indian consumers. Some of the offerings of the company are shown in Annexure 1.

There are undoubtedly many great lessons that marketing enthusiasts can learn from the brand management initiatives of Reckitt Benckiser. Their commitment to building each product into a strong brand is certainly remarkable. Developing each brand with an exclusive image ensuring little of overlap with other offerings is a unique ability of this company. Each brand in their portfolio has a significant presence in the Indian market. Mortein is used for pest control in homes. Its mosquito repellent products are very popular in the Indian market. Lizol, the floor cleaner brand was launched in 1997 in India and it is the market leader in this category. Harpic is a successful lavatory cleaner brand and it is the leader in the Indian market. Cherry Blossom is a leading brand in Indian Shoe Polish market. The use of Charlie Chaplin images in its advertisements and the wide availability of its products in the market have enhanced its popularity among users over the years. Strepsils which is a leading global brand for curing sore throats is popular in India too. Disprin, the world's first stable soluble analgesics is available in India since 1977. Colin is a glass and appliance cleaner brand. It is the market leader in the glass cleaner category. Airwick that was launched in 2008 in our country, has a wide range of fragrances in product forms ranging from base aerosols to automatic sprays. Easy Off Bang is useful in effortlessly removing tough stains commonly found on various surfaces at home. Finish is used for cleaning in automatic dishwashers. It is available in three product forms namely Finish Power Detergent, Finish Shine & Dry and Finish Salt. Vanish is used on clothes for removing tough stains. It was initially introduced in India in 2005 and it was relaunched with an improved product formulation in 2010. Veet, the hair removal cream was launched in 2004 and it was introduced in wax strip forms in 2009. Stopache is a tablet brand used for treating headache, toothache and body aches in general. Itchguard, Ringguard and Moov are some of the brands that Reckitt Benckiser acquired from Para Pharmaceuticals, which are effective in providing fast relief from itching, fungal skin infections and back pain respectively. Thus the company owns a solid portfolio of brands in India. Though Reckitt Benkiser group owns more such brands which are globally successful, they are not made available in India. The introduction of new brands is a well-planned decision in the company. The company does not yield to transitory market trends or get overwhelmed by past success. However, as India is targeted by the company as one of the four power markets in the world, many of their global brands may find their way into India in the future.

Reckitt Benckiser's Dettol is a leader in antiseptic liquids market worldwide. It is present in India since 1933 and is a strong brand, having a huge base of loyal customers. The trust of 'Protection against Germs' promised by Dettol has gained increasing credibility over the years. The brand continues to retain its market leadership in the Indian antiseptic liquid market too, with a huge market share of about 80%. Dettol has been rated No.2 in the survey of Most Trusted Brands, 2013 of ET Brand Equity and it continues to be one of the top brands in this list year after year. Dettol in its original product form of antiseptic liquid was initially used by consumers for application on cuts and wounds. Indian consumers stayed along with Dettol in its journey of brand extensions and gave patronage for almost every new product offered to them by the brand. At first, moving away from its medicinal moorings, Dettol took a bold step to enter into personal care segment. The new offering in the form of toilet soaps was introduced in 1984 that was followed by the launch of Dettol Shaving cream. The introduction of Dettol hand-wash succeeded this in 1994. This was followed by other extensions of Dettol. It is currently one of the top 4 soap brands in the country with a considerable market share and it is the market leader in the liquid hand wash category with a share of about 50% of the Indian market.

With the increasing awareness on hygiene among Indian consumers, Reckitt Benckiser understood that products promoting health and hygiene for homes would be favoured by them. They predicted that Indian consumers would especially accept a product that promises to keep their kitchen healthy. The company felt that they would have many instant advantages, if they use one of their power brands like 'Dettol' for this kitchen dish wash product. Affirming its confidence in the brand, the company launched Dettol Kitchen Gel with much fanfare. They released a TV advertisement that directly challenged the market leader, 'VIM' of HUL. This aggressive campaign communicated, quoting their lab tests, that Dettol left the cleaned plate in the kitchen more germ-free than a leading Indian brand which could not do so. This campaign created legal issues for the company and it had to withdraw it subsequently. VIM also swiftly hit back by releasing a series of advertisements mocking its new challenger. A print advertisement was released initially by HUL which was followed by TV advertisements. HUL claimed that the power of 100 lemons present in VIM was more appropriate and safer for cleaning kids' food boxes than a harsh antiseptic. The advertisements used by these two brands to confront each other are given in Annexure 2. The dish wash cleaning market in India is estimated to be of the size of Rs. 2000 Crores. Exo and Pril brands of Jyothi Laboratories are the other strong brands in the market next to VIM. Dettol, as a new entrant, took its baby steps into this new category. But, a quick response from the market leader indicated that Dettol was feared to offer a formidable competition. The market leader's unwarranted comparison with its new challenger went on to provide instant consumer awareness for Dettol. Subsequently, Reckitt Benckiser developed some non-controversial mass-media advertisements highlighting the effectiveness of its product in keeping kitchens completely protected against germs. In addition to advertisements, Reckitt Benckiser used some unconventional methods to enhance awareness for Dettol Kitchen Gel. The company partnered with Dabbawalahs in Mumbai and placed a sample product in every lunch box returned to homes, along with a booklet explaining facts about germs in kitchens. This initiative enabled a good trial use of this new product in about 10,000 homes in Mumbai. In their press news releases, the company used to their advantage, Global Hygiene Council's report that had found the kitchen to be the breeding ground for germs at home. The company claimed that Dettol Kitchen Gel was effective in killing 99.9% of the invisible germs found on dishes, utensils and other accessories used in kitchen and besides, the product can also be used on slabs, sink and other surfaces to keep the entire kitchen healthy. Thus, the brand of Dettol currently offers antiseptic liquid, shaving cream, medicated plaster, soaps, body wash, hand wash, sanitizer and kitchen gel products.

» Does the brand of Dettol really match this new dish wash liquid product? Would any other brand of Reckitt Benckiser or an altogether new brand name have fit this new product better?

References:

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Annexure 1

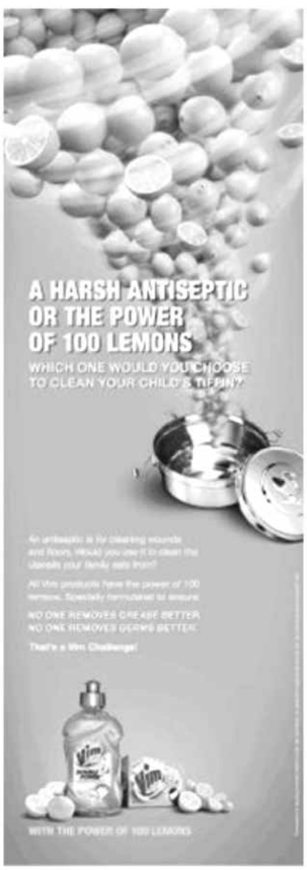
The illustration of some of the offerings of Reckitt Benckiser India

Annexure 2

An image of the TV advertisement of Dettol that ridiculed VIM

A print advertisement of Dettol that teased the alleged ineffectiveness of VIM

The print advertisement used by VIM for the counter attack on Dettol Kitchen Gel



A promotion message at the company's website for Dettol Kitchen Gel

Teaching Note:

» Initially, a debate can be organised for students. Two groups may be formed and each group can have 4 students. While one group is required to argue that a new alternate brand name would have been better for the new product and the other group needs to provide their counter arguments to say how the name of 'Dettol' is only a better option. This debate that may last for 30 minutes will keep students bringing up several interesting arguments. This will also help them analyse the basic branding concepts well. The following provides an indicative list of reasons that would have influenced the company's choice of Dettol for this new extension.

The group arguing against the use of 'Dettol' brand for the dish wash liquid category may cite the following as the reasons for their stand: Dettol was once meant only for healing cuts and wounds. It offered soaps and related products later. What is used for external application cannot go very well with cleaning dishes that store food; one of the important properties required for a dish wash product is stain-removal and Dettol was never associated with this benefit. The group that argues for Dettol may provide the following main reasons: Dettol, a germ-killer, is very high on consumer awareness and it also enjoys a high level of trust among its large base of loyal customers in the Indian market. Hence it is suitable for this new product.

There are several factors that may have indeed influenced the company's choice of Dettol. Coming up with an entirely newer and a more suitable name for a dish wash product could have been possible for Reckitt Benckiser which is good at building many brands from scratch. But this would have called for huge marketing expenses to popularize it among the vast Indian market. This would have consumed a lot of their efforts and time too. Besides, it would have been an onerous task for such a new brand to compete with the iconic market leader 'VIM'. The name of Dettol has helped the company steer clear of all these possible glitches. But for the brand image of 'Dettol', this new product of Reckitt Benckiser India would not have had the substantial awareness and recall that it enjoys in a short period of time. Dettol antiseptic liquid is often added to bathing water for a clean bath, while Dettol soap helps in an even better bath. Dettol hand wash can clean one's hands well, before taking food. In a way, all these extensions have gradually moved Indian consumers closer to embracing this newproduct of Dettol. The core value of killing germs stands the brand in good stead in this. However, the brand was in no way connected to stain-removal. Dettol managed to cover up this weakness by explicitly highlighting the lemon ingredient in the product, as they knew that consumers are aware of the stain-removing property of lemon. The two variants introduced in Dettol Kitchen Gel called 'Lime Splash' and 'Lemon Fresh' showcase its new ability overtly.

The power of its brand image helped in gaining credibility for Dettol's claim. Kevin Lane Keller (1993), building on the work of previous researchers, defines brand image as consumers' perceptions about a brand, as reflected by the brand associations held in consumer memory. These associations are created during consumer interactions with the brand at various levels. Some are marketer-led like promotion and publicity. Some are based on consumer-initiated efforts like their visit to a store, referring to the company's website and other related sources, their own usage experience and so on. Others are due to chance encounters like friends' suggestions, experts' advice and the like. The following are some of the exclusive and distinct associations that consumers seem to hold for Dettol in their minds: The sparkly sword symbol against green colour background, the light brown colour of the antiseptic liquid, the stinging sensation after applying on the skin, the unique bottle design, the medicinal smell and 'Be 100% Sure' tagline are some of the indelible imprints of the brand upon the memory of consumers. Being habituated to seeing the product used by doctors in almost every hospital, this brand is considered by consumers as a necessity at home for first-aid application. All these images and experiences have entrenched a high level of brand salience and trust for Dettol in consumers' minds.

So, it was possible to retain this unflinching consumers' faith on the brand for the new product as well, when it promised to clean and disinfect the kitchen space. As most of the existing competitors' products do not focus so much on sanitizing dishes as they do on cleaning them, Reckitt Benckiser understood that leveraging the brand of Dettol will provide a persuasive point of differentiation for this new extension. This is the second market in the world, next to Korea where Dettol is extended into kitchen dishwash liquid.

» Following the debate, a group presentation can be assigned for students. Each group can have 4 members and totally 3 groups can be formed. They may be allotted about 10 minutes for preparation to subsequently explain for 15 minutes in their presentation, the suitability of the other brands of Reckitt Benckiser India for the new product. This presentation will help students in examining the brand extension principles. The following shows a brief outline of a possible approach in this.

From among the various brands in the company's portfolio, some are related to cleaning benefit. They are: Colin, Easy off bang, Finish, Vanish, Lizol and Harpic. The other brands which are associated with different benefits may not suit this purpose. The adequacy of each one of the chosen brands for the dish wash category can be evaluated. Colin has the credibility of cleaning glass surfaces. This product may be capable of giving the promise of sparkle to dishes. Easy Off Bang is known for removing stains of walls, kitchen platforms and other surfaces. So, this can help in dishwashing, as stain-removal is one of the primary needs here. Vanish may be used only for clothes, but its stain-removing ability will be a strength for dishwashing. All the above three brands seem to qualify for dish wash liquid, because of their respective core values. No doubt, all of them are good at cleaning, but they lack the ability to kill germs which is a must for a dish wash product. This is more important than even stain-removal. Removing stains may be made possible using manual labour, irrespective of the brand of cleaner used. But the disinfecting ability is brand-specific. So, the above three may not fit in, taking into account this pressing need for germ-killing.

Considering this, Lizol is better, as it is powerful in killing germs to the extent of 99.9% as per its own claim. It is also known for removing stains. But the limitation with this brand is that it is basically used on floors, bathrooms and even lavatories by consumers. The brand's transition from these areas to kitchen space may be unacceptable to consumers. It is sure to suffer from perceptual problems. Needless to say, the same will be the reason for the disqualification of Harpic. Finish may seem to the best bet of all of them, because it is already used for cleaning dishes in automatic dishwashers. It has also proven to remove stains. The brand also promises to give 'shine' to cleaned dishes. Moreover, it is also endorsed by all the major automatic dishwasher manufacturers. However, this brand was never explicitly associated with the germ-killing proposition. So, it needs to rework on its positioning to include this promise. The brand is also not popular in the Indian market. This means that the marketing efforts needed for this may amount to be the same as building a new brand. Thus, Finish is possibly the most suitable candidate for this extension with some obvious limitations. This assignment can be used by the instructor for explaining how a brand that is considered for any extension should have (i) the core value match between the parent and new categories (ii) adequate awareness, recall and positive perceptions among consumers (iii) scope for differentiation in the new category which is more than or at least equal to that of the parent category.

» Finally, students can be asked to discuss as to what new brand extensions are possible for Dettol further. This discussion can be made open for the entire class and this may go on for about 30 minutes or even more, depending on the enthusiastic involvement of the students. This will bring in a lot of creative as well as interesting ideas from students. The instructor can take each of their ideas and explain how it may be a fit or misfit for the brand of Dettol using valid justifications.

Students may come up with some meaningful and at times even wild ideas like deodorant, fairness cream or so. The instructor can explain how the brand known for the core value of germ-killing may not support fragrance or beauty products which are expected mostly to offer cosmetic benefits. The examples of the mismatch of Horlicks brand for the Noodles product called 'Foodles' and the misfit of Lifebuoy for talcum powder may be highlighted here. Many similar examples may be identified and discussed. However, some ideas like 'toothpaste' extension for Dettol are debatable. An argument may be raised that a product meant for external use cannot suit toothpaste category that is a kind of internal application. However, some justifications may be given for Dettol's extension into toothpaste as follows: This toothpaste category is also about gem-killing that the brand is much trusted for; the brand already enjoys doctors' endorsement; some tooth problems caused by modern lifestyle are treated effectively only by toothpastes associated with medicinal property. So, Dettol has a natural advantage in this. When supplemented by a right positioning statement, the brand can achieve success. This assignment will make way for enthusiastic participation of students, thus conveniently helping the instructor in explaining the application of several branding and marketing communication concepts. Further exercises can be given to students related to development of brand elements, positioning statement, a sample advertising message and so on for the new possible extension identified for Dettol!

Case Submission Guidelines

Contributions are invited for the forthcoming issue of CASTLE. The case authors can follow the guidelines given below for the submission of their work.

Format:

Caselets and Full-fledged cases will be considered for possible publication in CASTLE. Caselets can have a length of around 600 words and Full-fledged cases can have a length of around 5000 words. It should be an original and unpublished work. The completed work should be submitted as a word document. The text should use single-spacing and the Calibri -11 size font, with equal margins on all the four sides of the page. The tables and drawings need to be included at the relevant places in between the text.

Source:

The work can be based on either primary data or secondary data. While the primary-data-based cases (written based on the interviews/discussions with the company officials) should obtain case-release permission from the organization, the secondary-data-based cases (written based on information available in public domain like newspaper, magazine, internet sources etc) need not have to obtain this. However due credit needs to be given to the source at the end of the case in terms of references.

Narration:

The cases need to take a story-telling style and should end with a thought-provoking question for the readers. The content should be written in the past tense and should take an unbiased neutral stand throughout.

Additional teaching material:

Each case needs to be supplemented at the beginning with (i) Teaching objectives (what concepts/models/theories can be explained through this and what course this is suitable for) (ii) Key issues (what main issues/problems are being addressed) and (iii) an Abstract of not more than 100 words.

The case needs to additionally have at the end (iv) A Teaching Note (to explain as to how this case can be administered to students, what possible approaches are available for solving the key issues and how a specific solution can be executed).

Copyright:

The author needs to provide in writing that the case is his/her own original work and is not submitted to any other publication. The author needs to assign the copyright to the Journal. However, the authors are permitted to use the cases for their personal requirements of teaching.

Submission:

The soft-copy of the Case can be submitted at editorcastle@jsb.ac.in

Depending on the date of submission of the case, it will be considered for possible publication in any one of the biannual issues of CASTLE.

Review process:

Each case will undergo a blind review process and the feedback given by the reviewers will be discussed with the authors subsequently.

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