Atanu Adhikari · Sanjit Kumar Roy
Editors

Strategic Marketing Cases in Emerging Markets

Springer

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ISBN 978-3-319-51543-4 ISBN 978-3-319-51545-8 (eBook)
DOI 10.1007/978-3-319-51545-8

Library of Congress Control Number: 2017936056

Printed on acid-free paper

This Springer imprint is published by Springer Nature
The registered company is Springer International Publishing AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Preface

In an article published in HBR about a decade back,[1] authors said that large corporations in developed countries like North America, Europe and Japan acknowledged that internationalisation of their products and brands was the most challenging task in the coming decade. The last decade has proved their prediction was quite right. With great uncertainty these companies tried to formulate the business and marketing strategy to fit their product and services to the diverse emerging economies like China, India and Brazil; however, they remained largely unsuccessful. Despite putting a large amount of time and financial resources, many multinational companies were unable to find out the right strategy for each of the emerging markets in the globe. Consequently, despite having deep pockets and other resources many multinational corporations are struggling to harness the benefits of huge consumption of emerging market consumers over their local counterparts. Hence, there is constant increase of interest of these multinational corporations to understand the behaviour of emerging markets and its consumers. Both domestic and multinational companies have realised that these emerging market consumers are highly diverse and their behaviour is dynamic. Due to an increase in consumers' purchasing power, cheap products are not the solution. They have also realised that replicating the strategy they adopted when today's developed countries were in emerging stage is not the solution. Each industry needs to be studied with greater detail and as its consumers.

This case book is a collection of short and long cases written on different industries having varying complexity and consumer behaviour. Such types of issues are unique to emerging economies and need to be studied in this context. Each of these case studies describes unique business situation and then poses several business problems which need to be solved. The dilemmas of the protagonist in these cases are carefully built to cover unique teaching objectives that are special to emerging economies. These cases are useful not only in academia but also in industry. It is important for the would-be managers to understand the dynamic nature of the business as well as the consumers in emerging economies, and in that

[1]Strategies That Fit Emerging Markets, by Tarun Khanna, Krishna G. Palepu, Jayant Sinha, Harvard Business Review, June 2005 Issue.

sense, we believe that this book would do a reasonably good job. We hope that this book will appeal to the international audience and would be helpful in the classroom of both undergraduate and graduate students. This book would also be a perfect fit in executive education programmes that deals with international marketing and strategic marketing.

This edited case book has contributions from lecturers and practitioners of India, UK, Turkey, Australia and other countries. We hope that this book could be useful to the global audience and we welcome any feedback for further improving the book.

Kozhikode, India Atanu Adhikari
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About the Editors

Atanu Adhikari is an Associate Professor at Indian Institute of Management Kozhikode. He was selected as *Emerging Scholar* in 2011 by the Academy of Marketing Science, USA, and was a *Commonwealth Academic Fellow* to London Business School, London. His current area of research includes Tourism and hospitality marketing, behavioural pricing and applications of Bayesian econometrics in marketing research. Atanu has published his research work in many national and international peer-reviewed academic journals and edited books published by leading publishers, namely Sage, John Wiley, Cambridge Scholar Press and Gower Publication. His research work has been selected and presented in a number of top-level international conferences organised by Marketing Science, American Marketing Association, 7th World Congress in Probability and Statistics, Royal Statistical Society and similar academic forums in USA, UK, France, Germany and Singapore. Atanu was a visiting researcher to Syracuse University, USA, and a guest faculty to several business schools in India and abroad. He has taught as a co-instructor in postgraduate programme for executives with leading international faculties from Cornell University and Syracuse University. He was a student fellow member of Royal Statistical Society, London. He is a member of INFORMS Marketing Science and Academy of Marketing Science.

Dr. Adhikari has received several awards and honours from national and international bodies, which include recognition as Emerging Scholar by Academy of Marketing Science; Meritorious Teaching Award from Marketing Management Association, USA; Best case award from EFMD, Belgium; and Runner up in Oikos International Case Writing Competition, Switzerland, in addition to several research grants from international bodies. Writing of field research cases is Atanu's another area of interest. He has written several cases which are available with Ivey publishing and Harvard Business Publishing and being used in national and international business schools including Cornell University, INSEAD, Syracuse University and IIMs among other business schools.

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Case Study 1: Nestlé in Mexico: The Good Food Versus The Good Life Dilemma

Cristina Galalae and Suresh George

Background

Obesity and Eating Habits in Emerging Markets: The Obesogenic Environment in Mexico

The availability of tasty, convenient and inexpensive foods is a significant contributor to the increase in global obesity (Brug et al. 2005; Chandon and Wansink 2012; de Ridder 2012), especially in emerging countries (World Health Organization 2003). The impact of free trade agreements and subsidised agriculture sectors in tandem with mechanical labour-saving devices have made it possible to produce and process food dense in nutrients at a lower cost than unprocessed food. In the last 20 years, the cost of fruit and vegetables in Brazil, China, Republic of Korea and Mexico soared by up to 91%, above consumer price inflation, while the price of some processed foods such as ready meals fell a fifth in real terms (Wiggins et al. 2015).

As a country known for its per capita consumption of ultra-processed food and drinks, both in Latin America and amongst other emerging economies, Mexico has experienced one of the fastest increases in the prevalence of excess weight and associated conditions (see Fig. 1). Correspondingly, Mexico has the world's highest child obesity rate (Instituto Nacional de Salud Pública (Mexico) 2012) with a rising numbers of deaths from obesity-related diseases such as hypertension, diabetes and cancer. The cost of treating these diseases rising as well. According to the International Diabetes Federation North America and Caribbean, there were nine million cases of diabetes in Mexico in 2014 and the annual cost per person to treat the disease is approximatively GBP 590. This is a notable amount in many emerging markets (Yisahak et al. 2014).

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_1

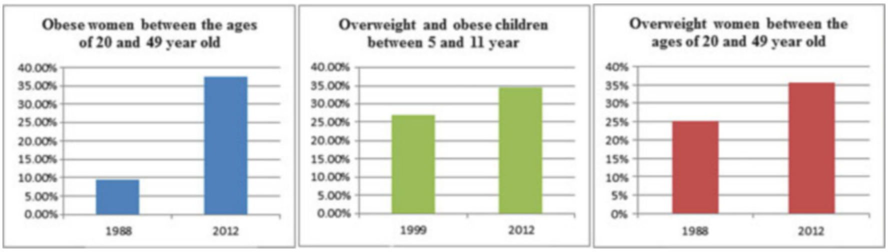

Fig. 1 Obesity and overweight in Mexico. Source: Instituto Nacional de Salud Pública (Mexico) [Mexican Institute for Public Health] (Ed.). (2012). *Encuesta nacional de salud y nutrición 2012: resultados nacionales*. [National Survey on Health and Nutrition 2012: National Results]. Cuernavaca, Morelos, México: Instituto Nacional de Salud Pública: Secretaría de Salud

The high cost of treatment and the increasing incidence of diseases such as obesity, brings us to the ethical dimensional of contextualising the role of different actors responsible for promoting or aiding obesity.

Ethics and Food Consumption: Who Should Solve the Obesity Problem?

Accountability for the problem of obesity appears to be shared between various vectors of globalisation. The World Health Organization identifies three categories of actors who are responsible for addressing this issue: individuals, society and the food industry (see Table 1) (World Health Organization 2014).

Although the World Health Organisation seeks to promote a healthy life via healthy habits, a great deal of responsibility lies with food producers, processors and the overall food industry operators. These actors all have a role in in actively promoting, producing and sustaining healthy and affordable food. Conscious of commercial objectives, the food industry firms are expected to take an active role in marketing campaigns that may target vulnerable consumers, who may be unaware of the implications of consuming processed food. In spite of understanding that the consumer is ultimately responsible for what he or she eats, representatives from government bodies, NGOs, industry, consumer groups and labour organisations agree that companies are jointly responsible for the impact of their decisions, commercial strategies and activities on society and environment (Hahn and Weidtmann 2012, p. 201). New standards and legislations in this context have been developed to support the food industry. The International Organization for Standardization developed ISO 26000:2010 as a guidance manual for those organisations who desire to translate ethical principles into effective actions relating to social responsibility. Whilst not a basis for legal actions, complaints, defences or other claims in any international, domestic or other proceeding, ISO 26000:2010 aims to encourage companies to go beyond legal compliance. It

Table 1 Actors who could potentially solve the obesity problem

Individual actors	Society actors	Food industry
• Limit energy intake from fats and sugars • Increase consumption of fruit and vegetables, as well as legumes, whole grains and nuts • Engage in regular physical activity (60 min a day for children and 150 min per week for adults)	• Engage in sustained political commitment and collaborate with public and private stakeholders to provide individual actors with the support that they need • Make regular physical activity and healthier dietary choices available, affordable and easily accessible to all—especially the poorest individuals	• Reduce the fat, sugar and salt content of processed foods • Ensure that healthy and nutritious choices are available and affordable to all consumers • Practice responsible marketing, especially when aimed at children and teenagers • Support regular physical activity practice in the workplace

Source: Adapted after World Health Organization, W. (2014). *Global Action Plan for the Prevention and Control of NCDs 2013-2020*. Retrieved from http://www.who.int/nmh/events/ncd_action_plan/en/

recognizes that abiding the law is a fundamental duty of any organization and an essential part of their social responsibility (Bernhart and Maher 2011).

Firms have the freedom to choose whether they want to actively engage in sustainable activities such as improving the lives of their customers. However, it seems that food operators with strong brands no longer have this choice. This is due to external pressure coming from secondary society stakeholders, such as nongovernmental organisations, mass-media, activists or the Government. As a result, they often face the challenge of developing marketing campaigns that promote their products and communicate their involvement in societal actions addressing obesity at the same time. Overall, as depicted in Fig. 2, marketing promotion and CSR interventions are not driven by the same categories of stakeholders and may lead to very different outcomes.

Since there is a close relationship between food consumption and individual/public health, food operators are expected to take responsibility of their products' effects on consumers. Whereas a car producer is not expected to encourage drivers to exercise, a food operator is expected by its secondary stakeholders to compensate for the potential damage that consumers might do to themselves. This applies in particular for vulnerable consumers.

Global food majors, such as Cadbury Adams, the Danone company, Mars, Inc., Nestlé, Post Foods, PepsiCo, etc. are in the forefront of trying to reduce the consumption of high calorie products. Some of the initiatives are research into new product recipes, developing smaller sized products and educational awareness campaigns on importance of physical exercise. A key academic dilemma that these initiatives bring to our notice is the lack of evidence about (1) the efficiency of these interventions on the decrease of obesity/changing eating habits of consumers; (2) positive effects of corporate social responsibility interventions on the corporate image and on sales of companies developing these interventions; (3) the concrete

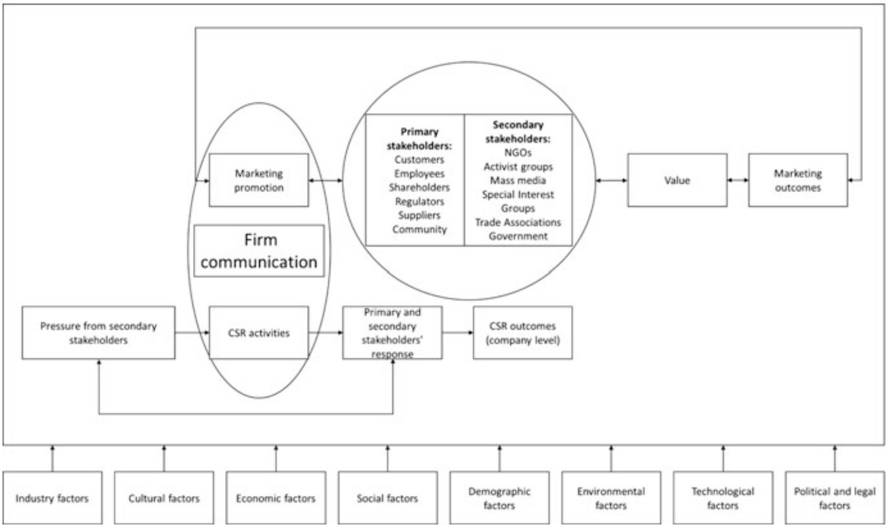

Fig. 2 Marketing promotion and CSR involvement communication: different drivers and divergent outcomes. Source: Hartmann, M. (2011). Corporate social responsibility in the food sector. *European Review of Agricultural Economics*, *38*(3), 297–324

reasons why companies develop this sort of interventions. This case therefore focuses on Nestlé, to explore how its marketing communication and corporate social responsibility (CSR) agenda contributes to its credibility as an ethical food industry operator.

Company Report

Nestlé: Company Profile

Nestlé S.A. is a holding company of the Nestlé Group, which comprises its subsidiaries, associated companies and joint ventures across the world. Known today as the largest food and beverage company in the world, Nestlé S.A., was founded in Vevey, Switzerland by a German pharmacist in 1867. Whilst at its beginnings, Henri Nestlé's company only produced "Farine lactée", a combination of cow's milk, wheat flour and sugar, today Nestlé markets approximately 7500 brands organized into the following product categories: baby foods, breakfast cereals, chocolate and confectionery, beverages, bottled water, dairy products, ice cream, prepared foods, foodservice, and pet care. About 339,000 Nestlé employees are working in 468 factories or operation centres located in almost every country in the world (Company history 2015).

The company reported sales totalling over 91 billion CHF in 2014, out of which about 44% were generated in emerging markets. The latter delivered an 8.9% organic growth in 2014, whilst developed markets had a 1.1% organic growth

(Nestlé Global 2016). These results positon Nestlé in the top of the bestselling food and beverage operators in the world.

Nestlé is publicly owned with over 250,000 shareholders, none of which individually own more than 5% of the shares. In terms of geographic location, Swiss investors held the major part of the stock (35.28%), followed by US (28.53%), UK (6.17%), Germany (4.51%), Belgium (3.49%), Luxembourg (3.00%), Japan (2.33%), Canada (2.13%), China (2.04%), France (1.91%). Group companies were holding together 1.7% of the Nestlé S.A. share capital as at 31 December 2014. As of Dec 21 2014, institutional shareholders represented 79% of the stock, and private investors made up 21% (Investor FAQs 2015).

Nestlé positions itself as a company "committed to enhancing people's lives by offering tastier and healthier food and beverage choices at all stages of life and at all times of the day" (Company history 2015). However, it was also subject to the largest boycott in history in the late 1970s and its ethical behaviour was often questioned, especially in emerging countries where food regulations are not always in place.

Nestlé Mexico

Nestlé started importing food products in Mexico in 1930 and established its first factory in Ocotlán, Jalisco by the end of 1935. In 2014, the company employed over 16,000 people in 14 factories and 16 distribution centres all over Mexico and distributed products under 80 different brands (Historia 2016). Nestlé Mexico reported sales totalling about 2.9 billion CHF in 2014, 6.9% lower than in 2013 (Nestlé Global 2016).

The company considers that "Mexico remains challenging" with a changing fiscal legislative environment, that affects consumer sentiment (Martello 2014). To understand how Nestlé has tried to manage these challenges, Nestlé Mexico's interaction with its stakeholders needs to be explored.

Nestlé's Stakeholders

Consumers

Corn, beans and chili peppers are some of the staples of the Mexican cuisine which dates back to Aztecs and Incas. Whilst homemade meals are still preferred by Mexicans, studies show that the establishment of supermarkets and hypermarkets following the North American Free Trade Agreement (NAFTA) in the early 1990s has led more and more Mexican consumers to change their shopping and consumption patterns (International Markets Bureau (IMB) 2013).

Despite the importance of fresh food in the Mexican diet, packaged and industrialized food experienced higher share growth than fresh food, as people have less time for buying, preparing and cooking food, especially in urban areas. This can also be explained by the increasing size of the working population, the decreasing number of members per household, the increasing purchasing power of children, and the sizeable proportion of the aging population. Thus, many Mexicans from all income segments are now replacing whole meals with packaged food, which is not only cheap and convenient but widely available at different retail outlets across the nation.

According to the most recent Census in Mexico, it appears that locals direct 19% of their total food expenditure on cereals, a percentage surpassed only by the meats expenditure (22%) (Instituto Nacional de Salud Pública (Mexico) 2012). They also drink 176 l of sugary drinks per year, on average, compared with just under 22 l globally (CAMARA DE DIPUTADOS 2016). As a consequence, Mexicans do not consume enough protein and their sugar consumption—92 g per day (International Markets Bureau (IMB) 2013) is almost twice the quantity recommended by the World Health Organizations (World Health Organization 2014).

Nestlé's food and beverage products rank third on Mexicans' preferences. The leading companies at industry level are domestic players, headed by Grupo Bimbo SAB and Grupo Lala SA Small artisanal companies remain the biggest influence on the industry, especially in categories such as bakery, where traditional retail outlets remain a strong tradition and part of Mexican culture. Coffee mixes, cereal products and dairy are amongst the bestselling Nestlé products in Mexico (Nestlé Global 2016; Martello 2014).

Government and Regulators

Alarmed by the obesity epidemic, the Mexican Government decided to take a leading role in persuading its citizens to follow healthier lifestyles. To this end, in 2013, it has launched La Estrategia Nacional para la Prevención y el Control del Sobrepeso, Obesidad y Diabetes de México (The National Strategy for the Prevention and Control of Overweight, Obesity and Diabetes) one of the most comprehensive government strategies in this area. It includes awareness-raising, health care, regulatory and fiscal measures (OECD 2014). Specifically, up to November 2015, Mexican authorities initiated several interventions aiming to (1) determine consumers to purchase and eat less unhealthy products; (2) convince individuals of the benefits of having an active lifestyle; (3) constrain food operators to develop healthier products/products with a lower calorific content. Table 2 summarizes some of the interventions that the Government initiated. The third column indicates Nestlé's implication or contribution for each intervention.

The Media

A recent study by Mexico's National Public Health Institute found that packaged food and beverages accounted for one in five advertisements on open-TV, and three-quarters of those ads were for products that the institute considers unhealthy,

Table 2 Interventions initiated by the Mexican Government to support the fight against obesity

Objective	Intervention	Nestlé's reaction/ involvement
Determine individuals to consume less unhealthy products Convince individuals of the benefits of having an active lifestyle	"Unidos por Niños Saludables" (United for Healthy Children) is a national information campaign initiated by the Mexican Health Department, which seeks to educate parents about how to ensure a better diet for their offspring	Nestlé is the main partner of this campaign; its efforts focused on developing a large online platform aiming to inform individuals about what a healthy lifestyle entails. The information provided by Nestlé on the website https://www.uxns.com.mx can be summarized in the following categories: (1) details about the quantity of food and the macronutrients that people should consume; (2) information regarding the relevance of physical exercise; (3) tips for parents who would like to make sure that they children have a healthy lifestyle In addition, El Fondo Nestlé para la Nutrición de la Fundación Mexicana para la Salud (The Nestlé Fund for Nutrition and el Instituto Nacional de Salud Pública (National Institute for Public Health) published a comprehensive book including an analysis of food consumption in Mexico. The book, entitled "Qué y cómo comemos los mexicanos? Consumo de Alimentos en la Población Urbana." (What and how do Mexicans eat? Food consumption of Urban Population) aims to raise awareness about the unhealthy eating habits and how they can be avoided
Constrain food operators to develop healthier products/ products with a lower calorific content Determine consumers to consume less unhealthy products	A new tax 8% called IEPS -Impuesto Especial Sobre Producción y Servicios (special tax over production and services) was imposed on all packaged food products considered to be	Nestlé didn't explicitly express their official position regarding the tax. However, food and beverage industry associations of whom the company is part of, met the Mexican Government

(continued)

Table 2 (continued)

Objective	Intervention	Nestlé's reaction/ involvement
	non-nutritional (with at least 275 kilocalories per 100 g)	officials to negotiate a smaller tax
	New legislation relating to advertising in mass media channels was developed in order to limit advertising targeting children directly. Specifically, products such as chocolate, candies, chips, soda, sugary cereals, yogurts, cookies, cakes etc. can no longer be promoted on afternoon and weekend television time slots during programs in which the vast majority of viewers are under the age of 12, or on the screen before children's movies in cinemas	As part of ConMéxico, a food industry group made of 47 companies, Nestlé declared their adhesion to the new law. However, one week after the regulations were set in place, La Comisión Federal para la Protección contra Riesgos Sanitarios (The Federal Commission for the Protection against Sanitary Risk) reported that 3% of the commercials aired in the first week after the ban did not respect it. One of the commercials shown at the wrong time was an ad for Nestlé's Nesquik Duo cereals. A sanction has been launched against the brand, but Nestlé representatives did not comment

like sugary drinks. Up to the end of 2015, broadcasters in Mexico did not reveal any information about the impact of the new advertising restrictions.

NGOS and Activist Groups

There are several nongovernmental organizations and activist groups who play important roles in the fight against obesity in Mexico. La Alianza por la Salud Alimentaria (The Association for Food Safety), the UN branch called the Food and Agricultural Organisation or El Poder del Consumidor (The power of the consumer) are just some of the most well-known ones. These groups generally support the measures taken by Mexican officials and severely criticise the behaviour of the industry operators. For example, Alejandro Calvillo, the director of the Power of the Consumer Association recently underlined that food companies can easily promote their highly calorific products to children without running afoul of governmental regulations. Calvillo mentioned that companies can target children through television advertisement aired outside the hours mentioned in the new advertising legislation (Alianza por la Salud Alimentaria – Actúa por la salud 2016).

Interestingly enough, while Nestlé created its own associations, NGOs and civic groups in Mexico, they did not partner with any of the established activist groups in Mexico.

Discussion

At the 2014 World Economic Forum at Davos, Nestlé's CEO, Paul Bulcke announced that Nestlé will invest one billion dollars in Mexico, building two new factories in the country. The five-year investment, will fund a new infant nutrition factory in Ocotlán, in western Mexico's Jalisco state, and a pet food factory in the city of Silao, in the central Mexican state of Guanajuato. It will also be used to expand Nestlé's cereal factory in Lagos de Moreno, also in Jalisco state, with state-of-the-art technology, making it the company's largest in the region (Nestlé Global 2016). The company also announced that on a long term, it will change the recipes of their products targeting children to reduce the sugar content.

Simultaneously with publically announcing its devotement for Mexican consumers, Nestlé runs some of the most visible projects and initiatives aimed at educating consumers. For example, September 2014 to February 2015 Nestlé sponsored Hermosa Esperanza (Beautiful Hope), a weekly reality show in which eight families work with experts in nutrition in order to develop better eating and exercise habits. The type of programs that Nestlé is sponsoring or initiating is rather different than the ones promoted by the Mexican officials. The latter aim to constrain companies to produce healthier products and consumers to stop purchasing the unhealthy ones. Nestlé's initiatives appear to attempt to teach people about how their lives can be improved. This seems to enable consumers to take control over their lives and bodies, whereas the government's work aims to make them unable to make any mistakes. This way, Nestlé answers the pressure exercised by secondary stakeholders and capitalizes on its image based on the answers of its primary stakeholders.

The company has the financial means to adapt to the requirements/needs of its stakeholders and exploit the potential of the Mexican market. Less known brands are exposed to the same type of pressure and the question remains whether Nestlé's consumers will not switch to less expensive, non-branded products in the context of higher prices and restricted advertising. Once television becomes a restricted advertising channel for specific products, all the food operators will orient their efforts to less expensive conduits such as social media and point of sales promotion. In such a competitive and changing environment, the balancing act of managing expectations becomes more intricate. The bargaining power of Nestlé's secondary and primary stakeholders is growing faster than ever. To this end, Nestlé has to answer an increasing number of conflicting pressures and expectations raised by its stakeholders, whilst strengthening its position as a leading and/or ethical food industry operator.

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Case Study 2: Tanishq: Bringing Jewellery to Daily Life

Atanu Adhikari, Ramesh Kumar Sankaran, and Trupti Karkhanis

Introduction

It was early April, 2011 and the Senior Vice President of Tanishq, Sandeep Kulhalli was excited about the prospect of launching a new jewellery collection aimed at the women on the go. He and his team headed by Bhuwan Gourav had decided on a sub brand with the proposed name Mia as the new offering. He was pondering over the options he had to derive a marketing strategy in addressing the problem as to how to attract the growing, affluent and lifestyle conscious segment of women for using branded jewellery in their daily life.

Kulhalli recalled the report he had read a couple of week's earlier giving details of the Indian growth story and how the purchase power of the middle class was growing. The five million working women was Tanishq's target and their increased purchasing power was an important part of the India's growth story. He was convinced that the new age working women had better buying power and was increasingly the decision makers for their purchases of gold jewellery. These women, engaged in different professions, complete with well-designed accessory ensemble did not had a choice of fine jewellery designed for daily wear. He felt that a jewellery collection for everyday use, if high on design quotient, light in weight and affordably priced can attract the working women.

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_2

He took the file that had details of the focus group discussions held with the members selected from the loyalty program database on the proposed offering. Reading the same he was increasingly convinced of its prospect. However it was too early to present the report and plan for the offering to the Vice President of Retail business of Tanishq. He still had to finalise the details of the plan. He wondered whether the product mix, positioning, branding and communication strategy for this offering, discussed with his team was the best option. He wondered whether these jewellery would implicitly cannibalize Tanishq's own product made for special, one time purchase like marriage, anniversary etc. He needed to know more. He continued reading the file.

Company Background

Tanishq was the first and most prominent jewellery brand of the jewellery division of Titan industries Ltd., a company promoted by Tata group. The origin of the jewellery business of Titan could be traced back to 1994 when the division was started to export a range of jewellery and jewellery watches to European and American markets to earn precious foreign exchange which was scarce in the early part of 1990s and was required for importing machinery. Indian made jewellery was already a foreign exchange earner and was supported by the government. Also jewellery had a very good fit with watches as articles of adornment.[1] It also appealed to the company that it added a feminine offering to Tata's long line of products that appealed to the opposite gender.

After launch in 1994, the world economic scenario underwent changes with the west experiencing slow economic growth which was followed by recession. When the Indian market opened up and started receiving foreign currency, the basis of the project of the Titan's jewellery business had changed substantially with the Indian market being a better proposition for them. Tanishq started their offerings with the 18Kt gold jewellery, advertising that 18Kt as the international standard. However 18Kt gold jewellery had few takers in India as 22 Kt gold jewellery was the accepted norm. Later on Tanishq entered the market with 22 Kt gold and challenged the consumers trust on their traditional family jeweler. Tanishq flooded the market with facts of rampant impurity in the jewellery offered by the traditional jeweler and introduced Karatmeter to check the purity of gold in their offerings. Hence trust of purity of gold and diamond in their offerings was paramount and consistency in delivering the promise, sacrosanct. In manufacturing, Tanishq employed superior processes and offered machine made jewellery which had superior finish that would be appealing to the customer. Tanishq had a team of award winning jewellery designers housed in their design studio at Bangalore coming out with designs that were endearing to the customers.

[1] www.tanishq.com *accessed 5th January 2014.*

Table 1 Income Statement for Titan Jewellery Division

INR Million					
Description	Year ended 31-3-2011	Year ended 31-3-2010	Year ended 31-3-2009	Year ended 31-3-2008	Year ended 31-3-2007
Net sales/ income	50,270	35,040	27,630	20,270	12,920
PBT	4290	2540	Not available	Not available	Not available

(Source: www.titan.com) *accessed 5th January 2014*

The jewellery division of Titan had three brands, namely Tanishq, Zoya and Gold Plus. While Tanishq was focused on the mid and premium segments, Zoya was focused on the design discerning, high end customer and Gold Plus was focused on the mass market. Tanishq had been one of most inspirational brand in the jewellery category and was awarded "Brand Leadership Award" in durables category at World Brand Congress 2010. By March 2011, Tanishq had 120 retail stores in 76 Indian cities and also had plans to open about 10–15 stores every year focusing on tier II and III cities while strengthening the existing tier I spread. The Zoya brand had two stores, one in Delhi and the other in Mumbai. The third brand of Titan jewellery vertical, Gold Plus had 29 stores, located in Tamil Nadu. Tanishq believed in a differentiated shopping experience in their stores which offered the right ambience, privacy, the comfort and convenience of browsing the offerings at leisure. Tanishq brand was targeted for the progressive women and was relevant across segments.

The jewellery business of Titan had been recording robust growth YoY from FY 2007. While the revenue in March 2007 stood at INR 12,920 million, the revenue for the FY 2011 stood at INR 50,270 million. The PBT for the years 2009–2010 and 2010–2011 was INR 2590 million and INR 4290 million respectively[2] (See Tables 1 and 2). The jewellery business now contributed to almost 76% of the company's revenues and had a market share of 40% of the branded jewellery market.

The products offered by Titan would comprise of a variety of collections under the brands Tanishq, Zoya and Gold Plus, launched in the last 5 years. They were Aleya (Open Polki collection), Aria (South Indian), Celeste, Conversations (Dangling collection), Divine chants, Dyaita (Transformable jewellery), Diamond Weddings, One, Glam Gold collection and Zoya wedding collection. The everyday collection would be the next collection to be introduced targeted at the working women.

Daily wear jewellery offerings from Tanishq had its genesis in 2003 with their "Nine to Five" collection. This collection had products with trendy design and fashionable jewellery. Subsequently in 2007–2008 Tanishq came out with everyday collection which had products with smaller design and focused on the young

[2] *Source:* www.titan.com *accessed 5th January 2014.*

Table 2 Titan summarized results

2010–2011: Summarised results	Rs. Cr.				
(Rupees in Crores)	Watches	Jewellery	Others	Corporate	Total
Sales/Income from Operations	1308.87	5013.65	248.35	–	6570.87
Less: Excise Duty	43.71	1.63	4.63	–	49.97
Net Sales/Income from Operations	1265.16	5012.02	243.72	–	6520.90
Add: Other income	1.30	15.21	0.14	39.42	56.07
Net Sales/Income from Segments	1266.46	5027.23	243.36	39.42	6576.97
Profit before interest and taxes	186.23	429.10	−18.06	9.94	607.21
Less: Interest					8.21
Profit before taxes					599.00
Less: Taxes					168.53
Net profit after taxes					430.42
Capital Employed	280.34	−287.58	115.22	936.62	1094.60

(Source: www.titan.com) *accessed 5th January 2014*

consumers. However both these collections were not focused and promoted enough. These collections had moderate success and could be built on.

Indian Jewellery Market

The gems and jewellery market in India was the fastest growing and one of the most competitive in the world due to low cost of production and availability of skilled labour. The segment was expected to grow at CAGR of 13% during 2011–2013.[3] The Jewellery industry in India was working capital and raw material intensive, fragmented and dominated by unorganized players and was complex. The growth in the industry has witnessed the traditional jewellery shops now increasingly focusing on brand building and many of them were growing from one to two shop business to multi shop at different geographical locations. Over time, with the change in customer preferences, branded jewellery had been able to carve out just less than 10% market share in a growing jewellery market expected to touch INR 1,000,000 million. The semi urban and rural market was estimated to be 40% of the overall jewellery market. The branded jewellery segment which had been growing consistently was poised to grow at 40% this year.

The key components of the jewellery industry were Diamonds, other Gem stones, Gold and Pearl. While India was one of the major diamond processing hubs, it was also the third largest consumer of polished diamonds. India was the top gold consuming nation with almost 600 t used to make jewellery alone. Gold jewellery dominated the jewellery market although diamond and platinum products were gaining market share at the very top end of the market. The product categories

[3] http://www.ibef.org/industry/gemsjewellery.aspx *accessed 5th January 2014.*

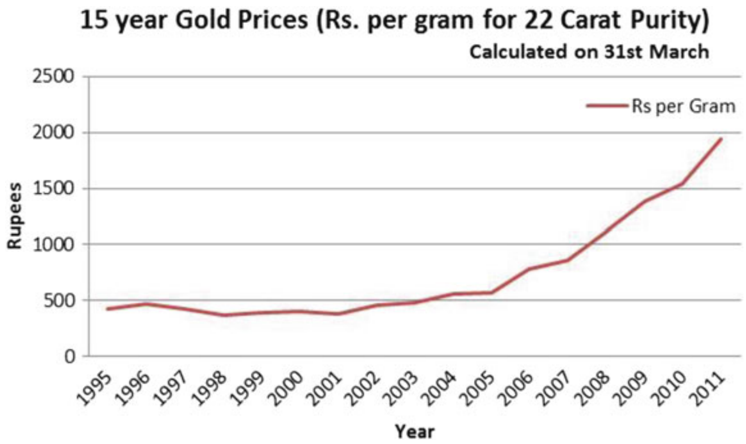

Fig. 1 Gold prices since 1995. Source: www.keralagold.com *accessed 5th January 2014*

for jewellery were primarily based on the commodity used. Hence they include Diamond jewellery, Pure Gold Jewellery, Silver jewellery, Platinum jewellery. Gold jewellery consists of the white gold and yellow gold jewellery.

The price of Gold was the most important factor for pricing of gold based jewellery. Gold price had increased over 68% in the last 2 years and was expected to increase further. This had increased the prices of jewellery. The gold price variation was as given in Fig. 1. This increase had impacted the demand for jewellery and there had been a dip in the growth of volumes to half of what had been the growth expected. However it was seen that the sales of jewellery items priced above INR 0.1 million had fallen by 15% the sales for items priced below INR 0.1 million had increased by 30–40%. Hence there would be a better demand for lower priced lightweight jewellery which now accounts for almost 20% of the domestic jewellery market at INR 500,000 million. Hence increasing gold prices and the changing consumer behaviour, mainly of younger customers were important factors to the growth in this segment. The focus would now be on lower priced lighter jewellery. Companies were now offering cheaper options with selections using diamond clusters for a richer look. This lightweight offerings form jewellers were suited for everyday use. Popley and Sons, a jeweler from Mumbai with presence in Middle East offers daily wear diamond jewellery (ear rings, pendants and rings) made of 18K gold in the range of INR 9000 to INR 50,000. Dhanalakshmi jewellers from Bangalore offered daily wear gold bangles. Kalyan jewellers from the south had started Heera, the everyday diamond collection. However it was seen that such collection had not been a focused offering from jewellers.

Segmentation

Traditionally segmentation of the jewellery market was based the commodity space. Hence it was segmented as gold, diamond, silver and platinum—i.e., segmentation by material. Other possible segmentation could be based on occasion of wear and style of jewellery. For occasion of wear the segments could be wedding, festivals, special occasions etc. and segments under style would be traditional, contemporary/fashion, fusion and trinket jewellery.

At Tanishq segmentation was based on occasions of wear and purchase. From the consumer-driven perspective it was based on why the consumer bought jewellery and where it was worn. This approach provided three clear segments viz., every day wear, special occasion wear and wedding jewellery. Everyday wear could be used at work or home, special occasion wear could either be for contemporary or traditional Indian styles and wedding jewellery was either for the bridal wear which was worn to the wedding hall, or mantap or it could be fashion jewellery. The other approach to segmentation taken by Tanishq and many others was the purchase occasions. The purchase occasions were mainly based on traditional festivities and included Diwali, Akshaya Tritiya, Karva Chauth, Varalakshmi Vrat, Dussehra, Onam and Pongal.

Based on the segmentation of everyday wear, Titan brought out the "Nine to Five" collection. This was the first step towards the prospect of everyday wear for working women.

Consumer Behaviour

In the recent past, India had seen a surge in consumption of branded products due to increasing consumer sophistication and change of lifestyle. This surge was accentuated with increase in disposable income in discretionary products and less investment specific purchase. The double income households were increasing and the annual income of households were also expected to rise substantially (see Fig. 2). The estimated five million working women was an important factor for products like jewellery, apparel and other personal product markets. The working women had both working maidens and working wives amongst the group. The working maiden lived relatively largely in metros, were highly educated and earn higher average monthly income. They were relatively seen, more in the corporate world and had high access to internet. They appear to be the most outward–directed in personality and own scooters, whereas working wives were more 'inner directed'.

Kulhalli also observed that the working maidens were more brand image and trend conscious and were expected to be frequent shoppers. The working wives without children tend to hang out more with friends. The working wives tend to be relatively less conscious of their looks and claim to use personal care/cosmetic products relatively lower than the working maidens and were price conscious.[4]

[4] *Indian Women 2010, Juxt report.*

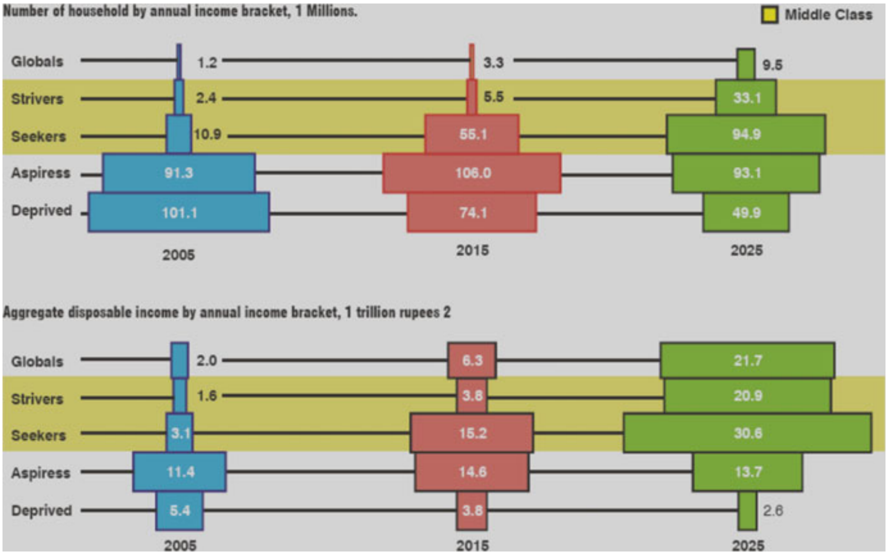

Fig. 2 Number of household by annual income bracket (Source: The McKinsey Quarterly, Indian Consumer Market, A Change From Pyramid to Sparkling Diamond, 2008, KS Oils Ltd.)

However he noticed that Indian women were reluctant to invest in branded jewellery for their use in daily life. For instance, working women, while spending significant money in apparel and other discretionary items in their daily life, usually manage with minimum ornaments, and if at all, produced by some local street side sellers.

Jewellery for Daily Use

Jewellery was considered important by all age groups of Indian woman. This was like dreams and earrings made part of their daily lives. Indian woman believed that jewellery would enhance and defy the personality of the individual. One consumer said that, ‘it highlights that transforms your personality’. Another woman said that, ‘meeting jewellery should be starts, elegant but cannot be gorgeous. You can’t outside people in meeting; but should still make a statement.’

On the basis of above understanding Tanishq profiled its target segment demographic between 25 and 35 years old, SEC A woman customers. These women were more open, modern and not covertly traditional. They were intelligent, smart and evolved and had aspiration at the core. They were multi dimensional and not defined only by the work. They were primarily two categories of prospective consumers: the first category of customers was younger, more influence, not married, less budget, variety seeker and continuously change in their taste and preference. On the other side, the second subcategory consumers were more match your, married, had higher disposable income, prefer classy designs and rarely change their taste. Both these target segments were in opinion that jewellery depends on the attire. However most of the consumers do not make distinction between what and nonwork jewellery. The distinction was made on the basis of everyday jewellery and occasional jewellery. Design plays a major role in selection of the jewellery. Simple but elegant design was most preferred by working woman in India. Out of 5.5 million of working woman in India, only 50,000 working woman were buying Tanishq jewelry. Out of this 50,000 working woman, 13,500 were in the age group between 25 and 35 years.

Though the trend of increase in consumption of branded products in India had not reflected in the same proportion for the branded jewellery segment, they were able to start making their presence felt. Traditionally gold jewellery in India had been an investment purchase from jewellery shops patronized by the family for generations which were mostly not branded. The challenges branded jewellery faces ranges from customer's perception that branded jewellery was costly to increasing the mind share and share of voice. However the increasing emphasis on the purity of gold used, the trust generated by the brand names, better and wide range of designs on offer etc. had contributed to the gaining acceptance of branded jewellery amongst the urban consumers. Retailers opined that there was a growing segment of consumers who now value utility besides aesthetics, although the housewives preference would be aesthetics.

Competition

The jewellery segment was highly fragmented with the organised players commanding up to only 10% of the market. The unorganized sector was characterized by the large number of one shop jewellery stores who had been patronized traditionally for generations by their customers. With the opportunities that lay for the future for the branded segment it was seen that the regional players like Malabar Gold, Josco Jewellers and Alukkas were increasingly focusing on branding and expanding their presence outside of their regions. However the competition in the branded jewellery market had seen considerable increase from 2004 and now there were almost 50 branded players. The prominent among them were Tanishq, Nakshatra, Gili, Cygnus, Sangini, Asmi, D'damas, Kiah and Agni. Most of the above players, except Tanishq were primarily focused on diamond jewellery.

The most prominent amongst the competition was the Gitanjali group which had multiple brands under the group. The group had seven modern manufacturing units with combined 3500 points of sales, 1040 retail points in India through own, franchise and shop in shop route. The group also had 111 retail points in USA and a retail store in Dubai. The prominent brands from Gitanjali groups were Gili (The first Indian branded jewellery offering with 150 outlets), Nakshatra (Diamond jewellery), Sangini (Diamond jewellery based on twists and turns), Rivaaz (18Kt gold jewellery), D'damas (JV between Gitanjali Gems and Dubai based D'damas), Asmi (Diamond jewellery) and Parineeta (Wedding and Bridal jewellery). The

Table 3 Major brands of Gitanjali group: Brands with distinct identity and design concepts

Brands	Brand Characteristics	Brand identity	Design concept
Gili	Stylish, Contemporary, Extrovert, Enthusiastic, Self-made	Embrace the Gili way of easy elegance "Beautifully you"	Easy to wear, highly contemporary and trendy designs
Nakshatra	Mesmerizing, Epitome of Beauty and Luck, Elegant and Timeless	Stunning, beautiful, sparkling diamond jewellery positioned as a woman's ultimate accessory "The enchanting enigma"	Design concept inspired by the popular Indian floral cluster
Asmi	Free, Spirited, Goal oriented, Successful, Independent	Diamond jewellery with a delicate and feminine look that is distinctly evocative of strength and grace "For the woman of spirit"	Design concept revolves around curvilinear forms that symbolize the inner fire of women
Maya	Classic, traditional, festive, occasional gift giving	Aimed at the wedding market and similar festivities and traditional occasions "Moments like these speak gold"	Traditional classic designs to cater to major gold jewellery buying occasions
D'damas	Celebration of every occasion, stylish, chic, aesthetic	Jewellery for every occasion, mood, need, user profile "Celebrate Always"	International quality combined with Indian aesthetics. For all occasions, moods, user profiles

Source: prepared by authors based on the information available on www.gitanjaligroup.com *accessed 5th January 2014*

groups also had foreign brands offered in India like Stefan Hafner (available in Delhi and Mumbai) and Rosato (Italian jewellery). Gitanjali group also offers Aakanksha, the easy deposit scheme for buying jewellery at the end of the deposit scheme with the company also contributing to the scheme. Gitanjali group achieved revenue of INR 94,564 million in FY 2011 with PBT of INR 3822.8 million. The group revenues had been recording a strong revenue growth of 36% CAGR from FY 2009 onwards. Gili had easy to wear contemporary and trendy designs which were targeted for everyday use. The brand building strategy of Gitanjali group had been to create strong aspiration value amongst purchasers through celebrity association and also to create a "top of mind" recall. The brand details under select brands of Gitanjali group were as given in Table 3.

The branded players with their wide variety of designs, aggressive marketing and promotional strategies, hallmarking, and innovative offers such as gold deposit and buy-back schemes were driving competition. All these players were focusing on developing strong brands and also large retail operations taking their operations to the remote tier2 and 3 towns of India. International players like Tiffany, Dolce Vita, Bvlgari, Chopard, Cartier and Harry had also been operating in India. The competition was also opening exclusive retail outlets in malls and other high footfall locations. The branded players focused on advertisements and promotions and were present in the TV and Print medium. The advertisements for jewellery was either celebrity driven or direct in approach by showing a model adorning jewellery or portraying something abstract and aesthetic. Promotional campaigns were also undertaken by participating in events, exhibitions, local activities like temporary stalls etc.

The offerings from the players included collections of varied jewellery with diamonds, colored stones, gold and silver jewellery and pearls. The diamond jewellery and platinum jewellery products had considerable opportunities for growth. However substitute products like imitation jewellery and other cheap metal jewellery were also available in the market. The imitation jewellery had small potential for daily wear use and also provided security in case of theft.

Advertising and Promotion of Tanishq

The jewellery business of Titan followed the current practice of advertising in TV commercials, Outdoor hoarding focused on high visibility like Malls, Railway stations, Airports and also print media advertising. The campaigns follow different themes for each of its brands. For Zoya the brand campaign theme had been "Decadence". For Tanishq the focus had been on creating relevance across the space for their different offerings. For the premium space it had been "High Value", for the Glam gold collection it had been "Fashion" and for the wedding space it had been "Weddings".[5] The advertising agency for jewellery vertical of Titan was Lowe Lintas. For TVC's the advertisements had attempted to go beyond the model decked with jewellery theme and were portrayed in the emotional space especially for the wedding collection. In print the advertisement showcases the width and range of the specific collection. Tanishq had done 16 page advertisements to cover page advertisements and focuses on the leading magazines.

For the wedding collection Tanishq had promoted BTL campaigns also in the Tier 2 and Tier 3 cities where winning brides were given specific gifts and styled by the brand on their wedding day. When the 9–5 jewellery and everyday collection was introduced Tanishq team organised presentations to working women at several corporate offices and during breaks at canteens also. There were cross promotional tie-ups with other working women spaces like music stores, beauty salons, lifestyle stores and bookstores. Tanishq also ran joint promotions with brands like L'Oreal and Wills Lifestyle. The Tanishq team also ran exclusive working women's meet where well known career women spoke about issues relevant to working women.

Customer Loyalty programs were also run by the companies. At Titan Jewellery division they had two programs Anuttara and Ananta. Based on the customer data

[5]Watch television commercials on https://www.youtube.com/watch?v=0UlGjPDo9iE, https://www.youtube.com/watch?v=BOQn7sWu0wg

base and purchase history many programs were conducted by Tanishq. Some of them include Birthday celebrations with cake cutting, grooming workshops, tickets to the films of the favorite actor's new release etc. In store PR was an important part of the promotion and they had conducted fashion shows in the store.

Distribution of Tanishq

In 1994, when Tanishq was launched the company sold its jewellery through multi brand stores. However this strategy did not help Tanishq as a brand. In 1998, Tanishq started to set up its own retail showroom chain and this had its positive impact almost immediately on sales. Currently the retail distribution was followed usually through three different formats. They were Company Owned and Company Operated (COCO) stores, Franchise Owned and Franchise Stocked stores and Franchise Owned and Company Stocked stores. For the second format the franchise had full responsibility of the stock and hence had the highest margin to the franchise. For the third format the company was responsible for the stock and hence the margins were accordingly less to the franchise. However Tanishq never offered its products through multi brand outlets. The focus now was to establish large format stores with almost 20,000 sq. ft. area compared to the normal store area of 2000–3000 sq. ft. The company had already established four such stores in Chennai, Mumbai, Delhi, Kolkata and Pune.

Production and Pricing of Tanishq Jewellery

Tanishq manufactures its jewellery products primarily at its modern large scale manufacturing units at Hosur and Dehra Dun[6] plants. The unit had advanced process of dust extraction system that reduced the gold wastage encountered during manufacturing to almost 2% which was considerably lower than what the local jeweller would be facing. It also sources jewellery from other productions units under contract. For the new everyday offering it was important to keep the cost low. Hence, it was important for Tanishq to consider whether the point of sales would had to be through the current available formats or a different one. He wondered whether he could go beyond the existing Tanishq formats. Since the working women for this offering would be mostly urbanised the targeting would had to be in cities.

Pricing of the gold jewellery was primarily based on the price of gold. The other cost components to be considered for pricing was the making and wastage charges, the weight of gold and other gems and diamonds and government levies. The making and wastage charges would also include the margins which would be based on the design, the caratage and also the intended wear occasion. This

[6]Hosur is a town in Southern India and Dehradun is a town in Northern India.

Table 4 Prices for some of the Tanishq jewellery products in 22 Karat Gold

22 Karat Gold				
Product category	Starting prices (Rs.)	Gold content (g)	Highest prices (Rs.)	Gold content (g)
Rings	7374	2.05	25,605	7.09
Chain	15,972	6.32	94,331	26.12
Earrings	3467	1.2	51,729	9.69
Pendants	2562	0.76	32,276	8.89
Neckwear	29,210	8.12	80,400	22.35

Source: prepared by authors based on the information available on www.tanishq.com.in *accessed 5th January 2014*

would be taken as a percentage of the price of gold used in the jewellery. This component can vary between 12 and 14% for normal jewellery and can go up to 35% for unique designs and antique jewellery. Hence a typical pricing formula that would be used would be as given.

Prevailing cost of gold per gram depending on purity (A) + % age of prevailing cost of gold per gram (B) towards making, wastage and margins) × total weight of gold in the product (C) + price of gems/diamond used (D) + govt. levies (E).

The percentages (B) would differ between branded companies and the non-branded players. The branded players would be charging higher margins whereas the unbranded players would charge 10–15% based on the design of jewellery.

The collections on offer from Tanishq were affordably priced at the entry level. However they were higher than the products on offer from the unbranded segment. Prices for some of the 22 Karat jewellery products without diamonds for online sales were as given in Table 4. However the branded players were now moving away from the pricing based on price of gold on that day and weight of gold used in the product to fixed prices. To achieve MRP based pricing the mark up was based on the gold price and the MRP was periodically revised depending upon gold and gem stone prices.

Marketing Mix for Mia

Product Development

Marketing Head discussed the opportunity to introduce Mia with his design and marketing team. He presented his rationale and said;

> The working women had few options when it came to daily wear branded jewellery. Further, of the estimated five million working women in India the number of them shopping at Tanishq was less than fifty thousand. This was a great opportunity for Tanishq. With the growing affluence of the urban working women who was brand image and trend conscious, we could present them branded jewellery for daily use. We could build on our experience of the earlier offerings of "Nine to Five" collection and "Every day "collection".

Looking at the long term prospect the team argued that for better focus this prospect should be more than just a collection which had its shelf life. To know more from the customer perspective and also get customer desired features for the new everyday collection, the team suggested having focus group discussions with members selected from the loyalty program database. He agreed and promised to attend the meeting. During the focus group discussion, the idea of Mia was presented and they were shown different designs. The group's opinion was encouraging. The younger, working women amongst the group were the most encouraging and agreed that they would be interested if there was jewellery available for daily wear. One of them opined that it was an excellent idea for creation of jewellery offering focussed to suit the formal wear. She commented

> We always had problem adjusting jewellery with formal wear. This is just superb!

The majority indicated that the collection should be high on design quotient, which was not chunky or flashy that it out beats me, should be more delicate and fine. Another member opined

> The collection should have something for everyone, whether you wear formals, casuals or traditional outfit to work.

Based on their feedback the designs to be chosen were inspired by geometrical shapes and floral designs. The price factor had to be based on offerings and location. For example, consumers from Pune preferred conservative designs and pricing. However consumers from Delhi favored more flashy designs and hence would be on the costlier side. Similar offerings from competing jewellers had prices ranging from Rs. 9000 to Rs. 50,000. To keep the price attractive, the collection will had to be based on 18 Karat gold. Then the collection could had diamond and other gems based products also. However, he wondered how much of cannibalisation of the products was to be expected. Some of the terms that came up in the discussion caught Tanishq's attention. Young, affordable, trendy, stylish, happy delicate, wearable, intimate, elegant, subtle, fresh, beautiful, unique, office, show others and motivation were the words describing Mia and he was enthused.

Positioning of Mia

The primary research findings showed that there was an opportunity for jewellery that was high on design quotient, which was more on the fine, delicate side that matched the personality and attire of the modern day working woman who was from SEC A, SEC B groups and in the 25–35 years age category. While the opportunity was the five million working women, company's internal information revealed that about 50,000 working women customers only shopped at Tanishq. One of the team members had argued that as a sub brand, Mia should not be targeted on a niche segment of only 25–35 years old women and it should be broader based on the young women right from the college going to the middle aged women. After all, he argued that the college going crowd was the most fashion conscious, wore trendy clothes and would prefer to change their jewellery wear every day. Focusing on the 25–35 years old working women would be limiting the opportunities for the offering. While the working women would be mostly confined to urbanised cities the college going young women would open up a larger market. However another team member countered that the college going and working mothers would be price sensitive and hence would require a different set of needs to be satisfied. Moreover the working mothers would be tougher to be drawn in to the offering. Tanishq wondered whether the new age women would still prefer the emotional connect to everyday jewellery offering rather than the rational thinking they were increasingly associated with. Was Mia to be positioned as an ornament that motivates you to go to work or accentuates your self-confidence?[7]

Branding of Mia

Tanishq was synonymous with trust, quality, authenticity and class. It was a Tata brand and perceived as mostly associated with expensive and high-end jewellery suitable for wedding and other big occasions.

Tanishq knew that if the positioning and targeting was successful, it could open up a new segment of customers for Tanishq. Considering the long term opportunity he proposed to his team that the new offering can be a sub brand to Tanishq and wanted to call it Mia. Mia, the Tanishq sub brand that presents "fine jewellery that will make you want to go to work, every day", a women team member quipped. Marketing Head opined that the philosophy of Mia would be the emotional connect of the jewellery offering a benefit in wearing Mia collection that you will be appreciated in the work place and will make you enjoy the work life in spite of the regular, daily irritants like mundane office issues, workshops, parking problems, bad pay hikes etc.[8] Mia will make the weekdays as interesting as the weekends. The offering would also have the rational approach for factors like affordability, wearability of designs etc. He felt that Mia would capture the essence of the urban, independent working women and project their power, confidence and taste.

Communication and Promotion of Mia

Marketing Head and his team agreed that the communication would need to focus on creating the need for the women to change their old junk jewellery for the fine jewellery that can use every day. He felt that the challenge would be to draw the attention of working women into the offering and the best way to start that would be

[7] Watch https://www.youtube.com/watch?v=k4Vgr8BRWw0

[8] Watch https://www.youtube.com/watch?v=kGm9qFrdUgI

teasers in TV to be followed by full advertisements in TV, print media and other options. His team suggested outdoor hoardings and Mia stalls at malls which can be followed by promotional activities as done earlier in the 9–5 campaign and the previous everyday collections. The TV commercial was to focus on creating the desire to wear.[9] For the initial advertising they opined that online teaser campaigns and TVC's with the theme that though women had their reason to love and hate their job, Mia would give them more reason to love to go to work. The team agreed that to start with the cities with best potential would be targeted for the outdoor campaigns. Accordingly Mumbai, Delhi, Pune, Hyderabad, and Bangalore[10] would be chosen. They decided that hoardings should be focused on locations where a cluster of hoardings with high visibility could be placed. This would ensure that maximum number of designs could be advertised.

The Next Step for Kulhalli

Kulhalli glanced through the compiled details of the focus group discussions and the meetings with his team. The possibility of cannibalisation of existing offerings was discussed by the group. It was generally felt that cannibalisation would be very less. In fact, the discussion veered to that the Mia sales would be incremental. He felt that to start with it was safer to launch the offering focused on the selected cities of Mumbai, Delhi, Kolkata, Pune, Hyderabad and Bangalore as these cities had the best potential for Mia. He then started arranging all the details as a report that would enable him to present to his vice president in charge of Retail Marketing and merchandise. After the report was ready he once again went through the details and wondered whether all the details of the offering were adequately addressed. He recalled his colleague's argument for targeting women from college going to the middle aged. Was his opinion correct? Was the offering differentiated enough to be accepted?

[9]Watch https://www.youtube.com/watch?v=sL45nvPE2zg

[10]These all are Tier I cities in India having a million plus population.

Case Study 3: ABC Limited

Anshuman Sinha, Smita Das, Sumanth Naidu, and Atanu Adhikari

Introduction

A car takes couple of hours to traverse the 50 km distance between the landing point at Ashuganj port in Bangladesh and the India-Bangladesh border check-post at Agartala in Tripura. Crossing this landlocked and hilly terrain—normally dotted with narrow roads and meandering Ghats—you suddenly pass through several newly built bypass and recently reconstructed wide roads ostensibly meant to facilitate the movement of huge cargos. On a sunny mid-April 2011day, this path was lined with thousands of wide-eyed bystanders watching a mammoth piece of equipment being hauled on modular, hydraulic-axle trailers with up to 144tyres and pulled by trucks with a combined capacity of 1040 HP. "It was the 280 t gas turbine meant for the 726 MW gas-based power project being built by ONGC at Palatana in Tripura," says Ashish Agarwal, managing director of Kolkata-headquartered ABC India Limited (ABCIL), handling this movement.

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_3

ABC India Limited was in the logistics industry since 1963 and had grown to strength over time. However, in the late 2000s and early 2010 it was getting spear competition from new, small and unorganised players. High fragmentation had led to unhealthy price war and discounts, resulting in depressed freight rate and as a result ABC margin started declining. In this period of time the major part of transportation business in India was dominated by unorganized players growing in every nook and corner and setting their own rules of the game.

The unorganised players had their own area of expertise, some were good at transportation some at warehousing and some had edge on the service quality. On the transportation part also there were differentiators, some had very cheap operations for small/medium weight goods and some had cutting edge in small distance movements. On the other hand ABC offered and integrated logistics solutions using multi-modal transportation including state of the art warehousing facilities, customized services and other value added services which has helped ABC in building its brand in the logistic industry. But this holistic solution with a brand name also was feeling the heat and it had to start thinking afresh how to beat the price war still remain resolute as a holistic solution provider. There was a spear rise in petrol price too and managing the price was becoming even more difficult.

The management wanted to take the company to the next level. Even though the revenue was good, the sales people were not generating enough new business and hence the business was platitude. The other challenge was in increasing revenue by hiring new productive employees and retaining them or enhancement of technology. There was a scope in upgrading its transportation technology and go to a new paradigm above competitors. There were other options too like improve the warehousing facility or maybe own more warehouses, improve the condition of warehouses and make it modern equipped with all the latest features and facilities. Company could also think to make more strategic tie ups with third parties and shred-off couple of logistics operations to these parties. There were clear indications of a phenomenal growth in the logistic industry in India and everyone wanted to capitalise on that but how was the bigger question. Which area to pick for improvement and which aspect should be chosen to focus more was a challenging task and the decision was to be taken quickly.

[Source: http://www.abcindia.com/Newsroom/Business%20India.pdf]

Company Overview

ABC India Ltd, started in 1963, and was a pioneer in the field of logistics since its inception. It was started by Mr. P.D Agarwal as a partnership firm with name Assam Bengal Carriers with branches at Kolkata, Guwahati and Siliguri. During the financial year 2014–2015, the company had achieved Total Revenue of Rs. 15,359.86 lacs with EBIDTA of Rs. 1,301.25 lacs. The Profit after Tax worked out Rs. 12.56 lacs.

In 1973 Assam Bengal Carriers Limited became the first Indian transport company to be listed on any Indian stock exchange by being listed on the Kolkata Stock Exchange. In 1980 Assam Bengal Carriers Limited was renamed ABC India Ltd to reflect its increased presence throughout India. Subsequently it obtained a fresh certificate of incorporation on 04/12/80 pursuant to the change of its name to ABC India limited—ABCIL.

In 1986 it launched a project division to handle odd dimension and odd weight cargo movement with the initial acquisition of 5 Goldhoffer Multi–Axle Trailers, 2 MAN Prime Movers and other special equipment's from West Germany. In 1987 ABC India Ltd. began handling turnkey projects, representing a comprehensive range of services including port handling, coordinating, customs clearing, transportation and site handling. In 1994 got registered as a multi-model transport operator and became IATA/FIATA affiliated.

It launched Nissin ABC Logistics limited (NALL), a joint venture with Nissin Corporation Limited of Japan in 1999.It started turnkey logistics services contract for Alstom Projects India for 2000 MW Subansiri Hydro Power in 2007 and started turnkey logistics services contract for ONGC Tripura power Corporation, Calcom Cement and Shandog Electric Power Construction Corporation-I in 2010.

The company was initially a part of the TCI-Bhoruka group, promoted by the late Mr. P. D. Agarwal, with the flagship company of the group being Transport Corporation of India Limited. After the family partition in 1996, ABC was allocated to Mr. Anand Kumar Agarwal, one of the sons of the late Mr. P. D. Agarwal and the current promoter of the company.

As of 2014 ABC India Ltd served India and the world through a network of more than 100 locations all over the country and associates across the world. All these locations were linked by ABC's own technologically advanced information system. ABC India Ltd had its own fleet of trucks, hydraulic trailers and prime movers that had a capacity to carry a single package of up to 800MT.

ABC India Limited had more than 500 skilled and experienced full time employees that are committed to make transportation simple. ABC India Ltd also owned more than 150,000 square meters of storage space in warehouses. It had advanced equipment to facilitate loading and unloading of cargo. It had its own Custom House Agent License to facilitate the customs clearance of imported or exported cargo. With this entire infrastructure ABC India Limited was perfectly poised to provide effective solutions to all transportation need, from essential multimodal, multi-location cargo handling to complicated turnkey projects.

[Source: http://abcindia.com/About_Us/About_us.html]

Operations

ABC was specialised in surface transportation, international freight forwarding and integrated logistics services. The company transported bulk finished goods and raw materials from manufacturing locations and godowns to ports and other storage locations. It dedicated a fixed number of trucks to its customers with whom it had a contract and in the event of shortfall it would hire from the market.

In addition, trucks were engaged daily on hire basis. The total carrying capacity of the company was over 2000 t of goods at a time. It provided logistic services to corporate and transportation services for two-wheelers. ABC had a large customer base and the top ten customers accounted for 35% of the total transportation revenue, indicating diversified customer profile of the company.

The major cost for ABC was the lorry hiring charge—accounting for about 65% of cost of sales in FY10, as well as in FY09 which includes the charges paid to outside vendors for hiring vehicles that are attached to a particular contract.

Services Offered by the Company

Complete Logistics Solution: ABC India Limited provided an end-to-end logistic solution to its clients. It started from manufacturing unit of the client, from helping it set up its unit to sourcing raw–materials and finally exporting its finished products.

Turnkey Projects: A comprehensive customised solution, taking care of everything from clearing customs and transporting its cargo to managing the site and erecting machinery, even registering its power project or refinery or any other type of manufacturing unit.

Domestic Cargo Handling: For packages of all sizes, bulk, smalls or odd–dimensional. In addition to transporting it, the company offered packing and warehousing, loading and unloading using manual labour, mechanised means or RO–RO operations and unpacking and stacking at the destination.

International Cargo Handling: ABC also helped in handling international cargo. It coordinated stuffing of cargo inside containers and loading on to vessels/aircraft/trailer/truck, arranging surveys through insurance companies and other inspection agencies at the arrival port or airport. Assistance in preparation of documents for import and export, arranging and liaison with shipping lines and airlines, arranging customs clearance and port or airport handling at the arrival and the country of origin, liaison with customs and other authorities on behalf of consignee/importer at arrival port/airport, arranging warehousing of cargo at arrival ports and airports, reconciliation of imports with customs authorities.

If needed, consultation relating to foreign trade in terms of Exim Policy, arranging all activities for re–export and re–import of cargo, following up cargo movement with airlines/shipping lines and other customers.

Documentation Support: Determining which formalities of the appropriate Indian authorities are to be completed for the project and arranging to complete them including handling paperwork at the en route sales tax and octroi check posts throughout India, Arranging filing of provisional claim for losses with appropriate authorities on behalf of owners, arranging and conducting route surveys and logistic feasibility studies and other such reports as per the requirements of the clients, assistance in preparation of documents for import and export.

[Source: http://profit.ndtv.com/stock/abc-india-ltd_abcind/reports]

Logistic Industry Outlook

Logistics are the backbone of any economy providing the efficient cost effective flow of goods on which other commercial sectors operate. The Global Logistics sector was expected to grow at around 10–15% in the period 2013–2014. With this forward looking attitude and a promise of growth and improvements, the service oriented logistics industry is all set to expand beyond the horizons in the latter half of this decade, utilising this fiscal year as its launch pad. All the equipment and critical parts required for the development has to be transported at the site which will need the service of project logistics for faster, safer and hassle free transportation. It also provides market size and growth of project logistics market in India. It further explains the different sectors where project logistics is required which includes overview of the sector and as well as the opportunity for project logistics in that industry. It also explains the different future projects being taken up by these industries. Indicated sectors are steel, oil and gas, hydro power, wind power and nuclear power.

Worldwide the efficiency and competence of logistic industry is measured by "Logistic Performance Index" or LPI. It provides scores to countries on the basis of below seven parameters.

1. Logistics Infrastructure
2. Customs Clearance
3. Ease of International Shipments
4. Logistics Competence/Internal Skills Sets and Service Providers
5. Tracking and Tracing Capabilities
6. Domestic Logistics Costs
7. Timeliness/Consistency

According to the World Bank' s Logistic Index Performance report—2014, Germany top the ranking with a score of 4.12 in the of 160 countries with Belgium and United Kingdom fared second and third respectively. In BRICS nations China top the list at overall 28th rank followed by South Africa—34 and India at overall 54th rank (See Table 1).

[Source: http://lpi.worldbank.org/international/global]

The BRICS countries have become vital players in the world economy and they very well understand that the backbone on which the nation marches ahead is infrastructure. With their high growth rates with the rapid enhancements in Logistics infrastructure covering the road, rail, water ways and air network it is highly likely that these countries will improve their worldwide rankings

Research indicates that as of 2015 the global logistics market has cross $4 trillion mark. The distribution of this amount on different mode of transportation is as below.

Table 1 Logistics performance index—global ranking

Country	Year	LPI Rank	LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking and tracing	Timeliness
Germany	2014	1	4.12	4.1	4.32	3.74	4.12	4.17	4.36
Netherlands	2014	2	4.05	3.96	4.23	3.64	4.13	4.07	4.34
Belgium	2014	3	4.04	3.8	4.1	3.8	4.11	4.11	4.39
China	2014	28	3.53	3.21	3.67	3.5	3.46	3.5	3.87
South Africa	2014	34	3.43	3.11	3.2	3.45	3.62	3.3	3.88
India	2014	54	3.08	2.72	2.88	3.2	3.03	3.11	3.51

Fig. 1 Global Road Freight Highlights 2015

Air Freight: It has a global value of $70 billion. It accounts for 1% of world trade in terms of volume but 35% in terms of value.

Sea Freight: It has a global value of $54 billion. Eighty per cent of world trade consists of raw materials and bulk items which are not time sensitive.

Surface Freight: It has a global value of $2 trillion. Eighty-five per cent of road freight tonnage is carried over distances of 150KM or less for which there is no economically viable alternative (See Fig. 1).

[Source: http://cerasis.com/2015/04/22/logistics-infographic/]

Logistic Industry in India

Logistics market in India was pegged at $82 billion in 2010 (it constitutes around 40% of the road transportation business) and was growing at a CAGR of 20%. Rapid core infrastructure development along with investment planned by the Government of India and private players was sure to drive the overall logistics market. Rapid infrastructure development was initiated by government of India and private players would create demand for project logistics.

The logistics industry in India is evolving rapidly and it is the interplay of infrastructure, technology and new types of service providers that will define whether the industry is able to help its customers reduce their logistics costs and provide effective services. The Indian logistics and transport industry has huge potential growth prospects for local and foreign operators alike. A liberalised market massive investment in infrastructure increasing levels of disposable income and dynamic manufacturing and retail sectors are combining to produce a great market environment.

However as with the market there are many challenges for the industry. Congestion, fragmentation, over regulation and a weak transport network are holding back the industry. There are many risks for western companies attempting to enter the market, although this hasn't prevented the major global logistics operators from establishing a presence.

The Indian logistics industry was likely to continue its growth momentum from 2011 as in the previous years and the sector was forecast to witness a consolidation wave in the coming months in view of the reviving fortunes of the sector with booming end-user industries. The Indian logistics sector in 2010 reported a growth of about 9.2% over the previous year, driven by strong growth of key manufacturing industry sectors. Strong economic growth and liberalization have led to considerable increase in domestic and international trade volumes over the past 5 years. For the era 2010–2020, the Indian logistics market is likely to witness consistent annual growth of around 8–9% and reach to the revenue level of about $190–200 billion by 2020. This target will be achieved with the help of steady growth of the economy and major industries like engineering, pharmaceuticals, automotive, food processing and others.

India had hardly been able to position itself on the economic market despite its favorable location between Asia and Europe and a populace of 1.21 billion. India needs an integrated infrastructure and logistics policy to keep up the growth of its gross domestic product. The major export countries for Indian products are the United States, the United Arab Emirates, China, Singapore and Great Britain. The major import trading partners are China, the United States, Switzerland, the United Arab Emirates and Belgium.

India's logistics infrastructure was developed in the colonial era to transport troops and agricultural products. Since then, India has become one of the fastest growing economies in the world, but its logistics infrastructure remains woefully inadequate to meet the demands bestowed on it by the country's newfound status.

The detailed score of India on different parameters as provided by the World Bank Report on Logistics Performance Index 2014 reflects the areas India need to improve more. Refer Table 1

Surface Transportation in India

As of 2011, India had the second largest road network of 4.69 million km, out of which National Highways consist of 70,934 km and State Highways 1, 63,898 km.

Out of the entire market size of over INR 500,000 million, the organised sector has only 14% share. Industry experts are of the opinion that if India has to emerge as a strong and deep-rooted manufacturing hub, the development of its roads is of utmost importance. They are expecting the inconsistent tax system to be abolished soon. Road transportation is the only segment where most experts are of the opinion that development must take place rather swiftly. Though the National Highway Authority of India has been awarding projects consistently, the present state of roads is quite dismal. Hence basic improvement of roads is the key for the future growth of the industry. Of the seven categories of the industry, experts feel that Multi-nodal Transport Operators will do well in the coming years, considering the inherent better returns due to the light asset model of the business. These operators derive returns on equity in the range of 15–20%.Estimated Road Growth Map (See Fig. 2).

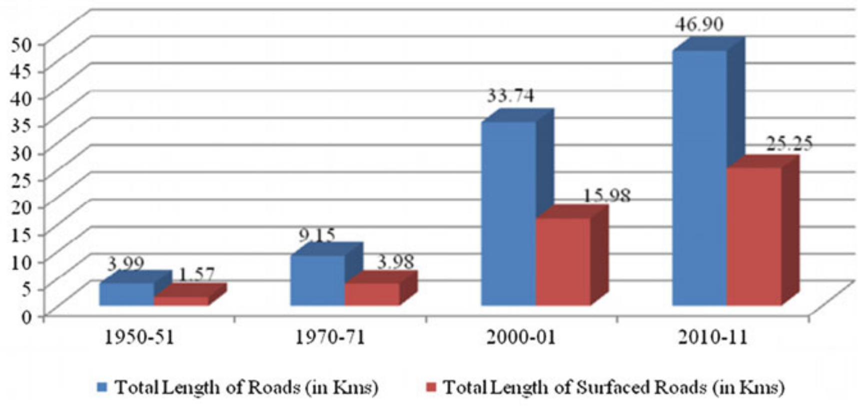

Fig. 2 Surface Transport growth in India. *Source*: http://www.indiaenvironmentportal.org.in/files/file/basic%20road%20statistics%20of%20india.pdf

[Source: CRISIL and http://www.indiaenvironmentportal.org.in/files/file/basic%20road%20statistics%20of%20india.pdf]

About 80% of the roads in India were village roads. The road sector is significant to India's Transportation Segment as it accounts for nearly 65% of the freight and 85% of the passenger traffic in the country. This sub-segment is highly fragmented, with the truck operators owning less than five trucks estimated to account for over 75% of the truck fleet. It is estimated that 10% of the market belongs to those with 6–10 trucks; 4% to those with 11–15 trucks; 3% belongs to those with 16–20 trucks; and only 4% of fleet belongs to those with more than 20 trucks.

Type of fleet used for road transportation

- 6 Wheeler
- 10 Wheeler
- 12 Wheeler
- Normal Trailer
- Double Axle Trailer
- Triple Axel Trailer
- Low bed Trailer

This industry is also characterised by intense competition which is the result of relatively lower capital requirement, ease of obtaining driving licenses and permits. There is competition in the road transportation segment of the industry, where small players have mushroomed. According to certain estimates, the overall costs of the logistics industry is estimated to be 14% of India's gross domestic product (GDP), which is translated as US$141 billion if one considers India's GDP to be $1 trillion.

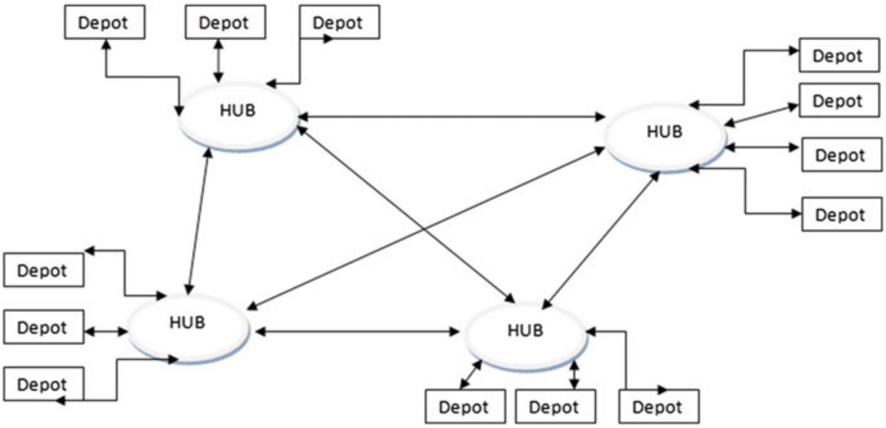

Fig. 3 The Spoke and Hub Model

Spoke and Hub Model

The spoke-hub model is a widely used concept in the Logistic Industry where connections are arranged like a wire wheel, in which all traffic moves along spokes connected to the hub at the center.

The spoke-hub model is applicable to different forms of transportation:

Sea transport—Here feeder ships transport shipping containers from different ports to a central container terminal to be loaded onto larger vessels (See Fig. 3).

Cargo airlines—Here the parcels are processed at HUB from where it is distributed to its destinations.

Freight rail transport—Here cargo is hauled to a central exchange terminal. At the terminal, shipping containers are loaded from one freight car to another, and classification yards (marshalling yards) are used to sort freight cars into trains and divide them according to varying destinations.

Public transit utilizes various transport hubs to allow passengers to transfer between different lines or transportation modes. For passenger road transport, the spoke-hub model does not apply because drivers generally take the shortest or fastest route between two points.

The small operators are involved mainly in the physical movement of goods and depend on brokers and other fleet operators who in turn depend on the booking agents for obtaining business. The small operators are not in a position to perform functions of aggregating, handling, delivering of cargo and marketing. Besides, they do not have the geographical reach and necessary infrastructure to tap business on a continuous basis, and thus rely on brokers. The large fleet operators are small in number, and generally operate throughout the country. These fleet operators primarily work on a hub and spoke model. The hub and spoke distribution system enables optimisation of costs and higher revenues for the transport companies and fleet operators. These transport companies generally have formal contracts with the users, which is very rare in the case of small operators. Large operators can also bid for the contracts with customers. They utilise the services of the smaller operators when additional vehicles are required.

Challenges and ABCIL's Dilemma

The logistics industry in India was quite unorganized. Broadly the industry was classified into seven categories: Rail Freight, Container Freight, Inland Container Depot, Multi-modal Transport Operator, Coastal shipping, Trucking, Warehousing and Express logistics. These categories include services such as plain vanilla transportation of goods by roadways, transportation by air, outsourcing of goods, and stations for unloading and packaging of goods.

ABC India Limited had got their business plunged off as they were not able to generate new business and was even facing challenges in maintaining its market share. This was happening in a time when everyone was projecting a boom in the logistic industry worldwide and it was a time to press the paddle harder.

The company was faced with declining margins in its traditional FTL business and despite its scale and customer relationships, it was unable to resolve this problem.

It was feeling the heat of intense competition from both large Full Truckload FTL competitors who constantly negotiated bargains with their larger customers to wean away those accounts, and from smaller fleet owners whose lower-cost structures and scant regard for regulations allowed them to undercut prices to smaller and mid-tier customers. The market was divided into three segments—Large, Medium and Small fleet operators—where a common Truck ownership includes (See Fig. 4).

There was another challenge of unstable crude price which was a straight threat to the profitability of the company and in the unhealthy price war where a small margin could result in make or break this challenge was making the situation further grim.

Logistic industry was highly working capital intensive in nature. ABC's current ratio deteriorated as on March 31, 2011 vis-a-vis those as on March 31, 2010, due to financing major portion of incremental current assets out of working capital borrowings and large current portion of debt repayment obligations.

The higher management wanted to quickly get out of this situation and place the company at the comfortable high place as it had been so far. It had various choices in front of it which were required to analyse deeply and take a concrete visionary and balanced step.

Warehouse Improvisation

The large interconnected Indian market offered a range of warehousing solutions. The concept had been prevalent since a long time though evolving into an organized

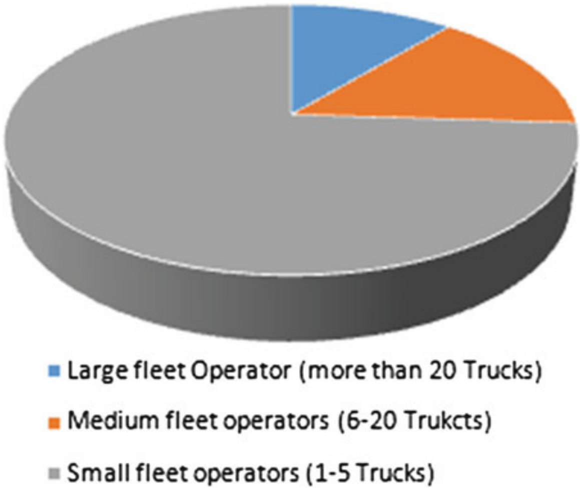

Fig. 4 Truck ownership distribution. Source: Created by the authors

one very recently. Lacunae include trained manpower handling, mechanized covered storage facilities and technological knowhow. Most warehouses were leased by transport companies which rely primarily on the warehouse owners for technology improvement. The basic structure of the warehousing industry in India can be summarized in Fig. 5.

There was huge scope of improvement in the way warehouses were placed and maintained. There were also suggestions to separate the warehouse business from the service business. It could think to set up its own warehouses at key strategic locations from where the distribution could be channelised and monitored. But to operationalise this efficiently there was a need to carry heavy load to these warehouses.

There was also a pressing need to improvise the quality of warehouses. A state of art modern warehouse is not a closed place surrounded by four walls below a roof. It needs to have features, such as racking systems, temperature control, fire and seismic resistance, leak proof structures, water harvesting, round-the-clock security, adequate office space and integrated retail operations. It is essential to have such facility to serve large clients especially in area of retail, consumer products, chemicals and pharmaceuticals.

To have these facilities the company needed funds and it had to choose between outsourcing this vital business component to a third party or create to its own. There was also a link and dependency of warehouse improvisation on areas like technology improvements, investments on fleet category the load carrying capacity was to be improvised as well (See Table 2).

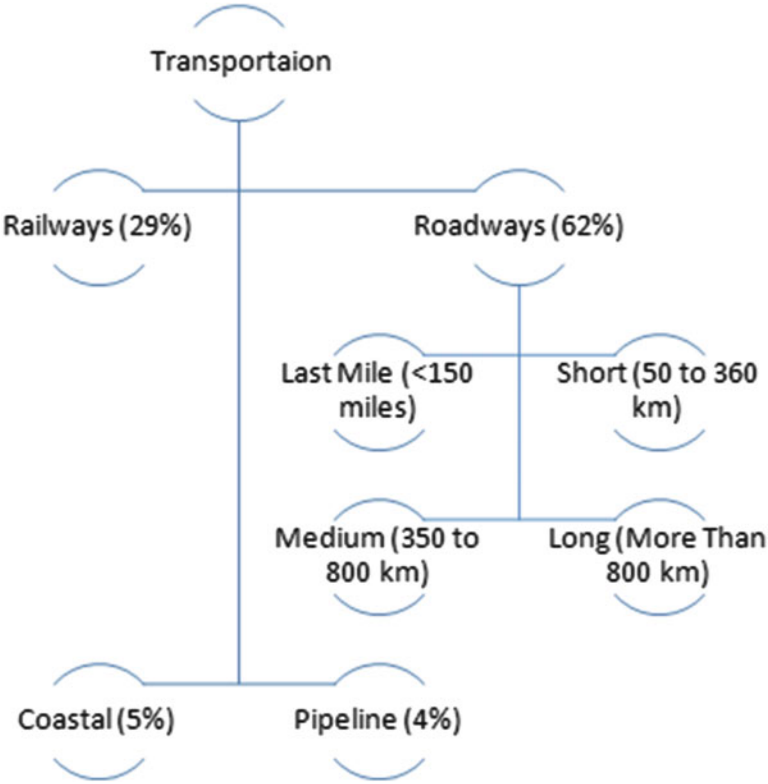

Fig. 5 The basic structure of warehouse industry in India. Source: Created by the authors

Technology Improvisation

The other option to beat the heat was new cutting edge technology addition beyond the scope of other competitors in the segment. There were plenty of scopes for technology improvisation. Technology used in warehouses could be improved, the automated system had a scope but probably the biggest of all these was is there a way to revolutionise the whole transportation fleet.

A step which could be difficult for small and medium competitors to adopt due to high cost. The leading logistics countries were already using hydraulic axle operated trailers and trucks and there was a suggestion in ABC too to go for these heavy vehicles. With the increase in demand for infrastructural growth, Hydro, Nuclear and Thermal power plants in particular were planned in a big way in different parts of the country. This had led to transportation of Over Weight Consignments (OWC) from factory/port to project sites. These OWCs were to be transported through existing roads and bridges which are originally designed for standard IRC Roads. Hydraulic axle operated vehicles could come handy in this situation.

Table 2 List of warehouses of ABCIL

Location	Area covered sq. ft	Own/ rented	Type
Behind Check Gate Banderdewa Dist. Papumpare	5500	Own	Open
ABC Compound, Beharhari, NH-37, Beltola, Guwahati	35,000	Own	Open
ABC Compound, Beharhari, NH-37, Beltola, Guwahati	7000	Own	Covered
ABC Compound, Beharhari, NH-37, Beltola, Guwahati	7000	Own	Covered
Srinivasan Center, Khoya Thang Road, Imphal	10,000	Own	Covered
Baridua, Khanapara, Disti- R-Bhoi, Meghalaya	10,000	Rented	Open
Mantripukhuri, Imphal Manipur	6500	Rented	Open
Saukutchi Lokhara Road, Guwahati	4500	Rented	Covered
Baridua, Khanapara, Disti- R-Bhoi, Meghalaya	21,600	Rented	Covered
Behind Check Gate Banderdewa Dist. Papumpare	3500	Rented	Covered
Mantripukhuri, Imphal Manipur	2000	Rented	Covered
Vill Brasajai, Maouza, Nalapara, Beltala, Guwahati	26,456	Rented	Covered

Source: http://www.abcindia.com/Logistics_Warehousing/Warehouse.html

Hydraulic Axle: Hydraulic Axle Trailer was a loading platform available in different modules or configuration, having multi Axle unit connected by a hydraulic suspension. Hydraulic/Pneumatic hoses were fitted throughout the trailer to facilitate the hydraulic function from the respective tank by adjusting the different control valves (See Fig. 6).

The heavy duty hydraulic axle trailers had the following features:

- Designed carrying capacity was more. It could be used to carry any type of load as long as the roads and bridges can bear such weight.
- Equally, distributes the load on each axle. Thus increasing the safety to cross the Bridge.
- Could be increased by lengthwise as well as widthwise to load the consignment based upon its size and weight.
- It maintained the stability of loaded consignment even on gradient, sharp curves, up and down, hump dip etc. because of hydraulic compensation.
- Could be raised or lowered ± 300 mm from the normal driving height of 1175 mm, which also facilitates loading and unloading of consignment without using crane and to pass through overhead structures.
- Axles could be steered independently. Thus giving better turning radius.
- Tyre pressure could be increased/decreased to maintain required contact area.
- It could be moved in both directions. Thus facilitated to negotiate very sharp turn particularly at Y—junction and unloading sites.

Fig. 6 Hydraulic Axle Fleets. Source: http://www.abcindia.com/About_Us/services.html

- Possibility of utilization by means of additional attachments with respect to load and size of consignment viz. Girder Bridge, low deck carrier and bolster for long loads.
- Ensured stability of cargo at the time of loading.

Packages weighing from 35 MT to 800t could be moved on hydraulic trailers on Indian Roads safely and on time. Even higher weights up to 5000 MT could be moved on self propelled modular hydraulic trailers for short distances in the country and with grown expertise and technical knowhow it could achieve a position to move packages of any size, weight and any destination. Hydraulic axle fleets when carry heavy loads have edge on the other trucks.

One of the most striking features of Hydraulic Axle is its ability to distribute the load equally on every axle-Uniform Distribution of Load (UDL). A general truck distributes the load roughly in a ratio of 30:70 on the front and rare axles. Hence the load per centimeter for rare tyre of normal truck eventually becomes much higher than the hydraulic axle tyre. This is an important aspect as there are strict guidelines from regulators on the load per centimeter as if it is higher that the norm, it could damage the road. So, using hydraulic axle fleets we can carry much higher load but still the stress load on the road is much lower (See Fig. 7).

The drivers of cost for using hydraulic axle vehicles are as below:

1. Distance: The higher the distance obviously will incur more fuel hence the cost
2. Size: Size is an important aspect in determining the cost. We can improvise the length and width of hydraulic axle fleets but the adjustments require recalculating and/or adjusting the number of platforms used. The length and breadth of consignment has to be accommodated in order to fit it on the tracker bed.
3. Weight: As a general guideline, the maximum load on a tracker should not exceed 18MT, including the approx 4MT vehicle weight. Hence, the number of platforms required for a particular carry has to stake this aspect into consideration as well.

6.3. Maximum Permissible Gross Weight

The maximum permissible gross weight for a given vehicle or vehicle combination would be equal to the sum of the individual single axle and tandem axle weights indicated above. For typical vehicles, maximum permissible gross weights are given in the Table.

TABLE : MAXIMUM PERMISSIBLE GROSS WEIGHTS AND MAXIMUM AXLE WEIGHTS OF TRANSPORT VEHICLES

Vehicle type	Maximum gross weight (tonnes)	Maximum axle weight (tonnes)			
		Truck/Tractor		Trailer	
		FAW	RAW	FAW	RAW
Type 2 (Both axles single tyre)	12	6	6		
Type 2 (FA-Single tyre RA-Dual tyre)	16.2	6	10.2		
Type 3	24	6	18 (TA)		
Type 2-S1	26.4	6	10.2		10.2
Type 2-S2	34.2	6	10.2		18 (TA)
Type 3-S1	34.2	6	18 (TA)		10.2
Type 3-S2	42	6	18 (TA)		18 (TA)
Type 2-2	36.6	6	10.2	10.2	10.2
Type 3-2	44.4	6	18 (TA)	10.2	10.2
Type 2-3	44.4	6	10.2	10.2	18 (TA)
Type 3-3	52.2	6	18 (TA)	10.2	18 (TA)

FA — Front Axle
RA — Rear Axle
FAW — Weight on Front Axle
RAW — Weight on Rear Axle
TA — Tandem axle fitted with 8 tyres.

Fig. 7 The Indian Road Congress Standards for Surface Transportation. Source: http://www.manuneethi.in/FILES/IRC%20CODES%20&%20MORTH%20SPECIFICATIONS/IRC-3-(Road%20design%20vehicles%20Dimensions%20and%20weights).pdf

4. Location: A smooth clean area would be easier to navigate. There happen some cases where the logistic company creates their own temporary by-passes on bridges etc. to carry a load form that route. This increases the overall cost.

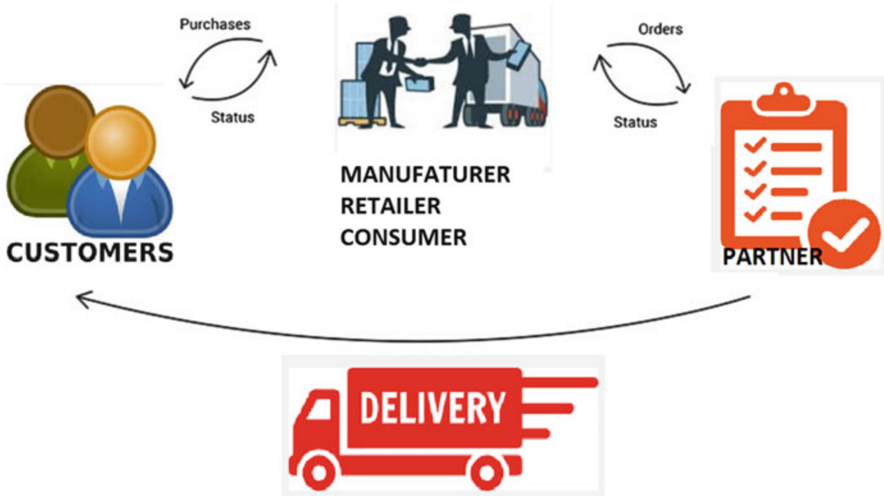

Fig. 8 Third party overview. Source: Created by the authors

Third Party Logistics Improvisation

Another option was to diversify into other segments of logistics which offered higher margins as well as better control over cargo, leading to better customer stickiness. It could venture more into 3PL supply chain solutions, with a focus on key industries, such as automotive, retail, telecom and pharmaceuticals. This could allow it to offer solutions to customers rather than just services (See Fig. 8).

Further the company could improve its global presence at key international locations. 3PL was one of the core business areas for ABC; this was a tested ground and investing more on this to reap better fruits was not a bad option at all. The penetration of 3PL and the propensity of customers to outsource have been most pronounced in transportation followed by warehousing. As both of them have been historically easy-to-implement point solution that most service providers can readily offer to customers (Table 3).

The Indian 3PL market is estimated to grow rapidly, as customers increase the level of outsourcing, encouraged by the ability of 3PL companies to provide quality services. This growth is expected to be further augmented by the penetration of 3PL services in India, which still lags many countries of the world.

Benefits of 3PL

- Lower Overall Costs: It is well documented that collaborative planning between the key stakeholders in the supply chain will lower the cost.
- Optimise Management Resources: It will allow the company to concentrate on your ‘core competencies’ and let Powerhouse take care of the rest.

Table 3 The balance sheet of ABC

Balance Sheet—ABC India Ltd.					
Rs. (In Crores)					
Particulars	March 2015	March 2014	March 2013	March 2012	March 2011
Liabilities	**12 Months**	**12 Months**	**12 Months**	**12 Months**	**12 Months**
Share Capital	5.41	5.41	541	5.41	5.41
Reserves and Surplus	43.93	44.14	44.47	39.18	35.27
Net Worth	**49.34**	**49.55**	**49.88**	**44.59**	**40.69**
Secured Loan	32.10	35.98	44.25	65.79	75.33
Unsecured Loan	4.73	16.97	20.26	17.24	5.60
Total Liabilities	**86.18**	**102.51**	**114.40**	**127.62**	**121.61**
Assets					
Gross Block	75.76	95.48	102.38	103.62	73.59
(-) Acc. Depreciation	40.09	42.83	36.70	29.13	22.16
Net Block	**35.67**	**52.65**	**65.68**	**74.49**	**51.43**
Capital Work in Progress	.00	.00	.00	.00	.00
Investments	1.04	-2.67	1.32	7.23	9.33
Inventories	.61	46	.47	73	.35
Sundry Debtors	49.65	58.65	65.33	63.38	67.53
Cash and Bank	3.97	4.12	4.74	7.86	8.12
Loans and Advances	17.29	18.67	15.51	20.70	25.32
Total Current Asset's	**71.51**	**81.91**	**86.06**	**92.66**	**101.32**
Current Liabilities	20.75	28.04	31.64	41.93	36.35
Provisions	1.29	1 .34	4.38	4.84	4.12
Total Current Liabilities	**22.04**	**29.38**	**36.02**	**46.77**	**40.47**
Net Current Assets	**49.47**	**52.53**	**50.04**	**45.90**	**60.66**
Misc. Expenses	.00	.00	.00	.00	.00
Total Assets (A+B+C+D+E) Rs. (in Crores)	**86.18**	**102.51**	**114.40**	**127.62**	**121.61**

Source: http://economictimes.indiatimes.com/abc-india-ltd/balancesheet/companyid-12054.cms

- Improve Working Capital: It will reduce the costs associated with carrying to much inventory and re-invest your spare cash into capital growth projects.

Financial Performance

Income from operations increased by 46% in FY11 over FY10, mainly due to higher revenue from project division which doubled on account of higher execution of orders (including bulk order received from BHEL).

In H2FY11, ABC bagged an order worth INR 970 million for movement of over dimensional consignments from various BHEL units to Tripura, to be executed in 22 months.

PBILDT level and margin also witnessed significant improvement due to execution of high margin project division orders and better operational efficiency with closure of loss making branches. PAT margin increased in line with PBILDT margin despite significant increase in capital charge.

During the half year ended September 30, 2011, ABC earned a PBILDT of INR 98 Million and a PAT (after deferred tax) of INR 20 Million on total operating income of INR 1032 million.

Case Study 4: Diageo in Turkey: The Lion's Milk Versus Global Spirits

Deniz Tuncalp and Selcen Ozturkcan

Introduction

Diageo, one of the world's spirits giants, acquired a leading Turkish spirits company, Mey Icki Sanayi ve Ticaret A.S. (Mey Icki) for $2.11 billion from TPG Capital, a U.S. private-equity firm in 2011 (Jones 2011). The acquisition gave Diageo a large market share (72%), in addition to means of access to a comprehensive distribution network in Turkey for its world-known brands, such as Johnnie Walker whisky, Smirnoff vodka and Captain Morgan's rum in one of the largest and fastest growing nations of Europe. After the completion of the acquisition on 24 August 2011, Andrew Morgan, the president of Diageo Europe (Table 1) and Galip Yorgancioglu, CEO of Mey Icki, got together in a meeting to decide on the post-merger marketing strategy, both in Turkey and abroad.

The overall strategy had to consider, both the healthy *rakı* market, and the potentially huge Scotch market in Turkey, together with growing speciality/ethnic spirits market worldwide. While beer was the largest alcohol category in Turkish market, the aniseed-flavoured *rakı*—also known as 'the lion's milk' (Cheung 2011)—stood as the main national spirit of Turkey and the leading category in the spirits market. It was produced from the second distillation of "*suma*" with anise seed in traditional copper stills. From a 70cl "big" rakı bottle, 16 single servings or 8 double servings could be made. Unlike similar drinks, it was not drank as "shots",

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_4

Table 1 Interview with Andrew Morgan European President of Diageo Plc

Morgan Says Mey Icki Gives Diageo a Platform in Turkey
https://www.youtube.com/watch?v=obAAV5NrPbk (Morgan 2012)

Morgan, A. (2012). Morgan Says Mey Icki Gives Diageo a Platform in Turkey: BloombergBusiness

but it had to be consumed over a period of time with stops, preferably with matching small "*meze*" dishes.

Diageo

Diageo Plc produced and distributed beverage alcohol with spirits, beer and wine brands. The company owned manufacturing production facilities across the globe, including malt houses, distilleries, breweries, packaging plants, maturation warehouses, cooperages, vineyards, wineries and distribution warehouses. It was founded in December 1997 with the merger of Guinness and Grand Metropolitan, and was headquartered in London, the United Kingdom. The company was organized under seven groups: North America, Europe, Africa, Latin America and Caribbean, Asia Pacific and Global Supply. It had a strong presence, not only in developed markets, but also in emerging markets with a long history of acquisitions, reaching a high level of geographic spread.

Diageo had 25,698 employees in offices across 80 countries and its products have been traded in approximately 180 countries, with $16.9 billion sales revenue, according to its financial year ending 30 June 2013. From this net sales figure, North America generated around 33%, Western Europe 19%, Africa, Eastern Europe and Turkey 20%, Latin America and Caribbean 13% and Asia Pacific 15%. In Forbes global rankings, it was 86th in asset value, 33th in innovation and 242th in overall ranking with $76.4 billion market cap. Its financials also looked promising with $1.69 billion cash on hand, $13.53 billion debt and $16.9 billion revenue from $34.54 billion asset base, generating $3.05 billion profits worldwide.

Brand Portfolio

Diageo's products could be divided into three distinct categories: Spirits, Beers, and Wines. It had more than 50 spirit products, 12 beer brands, and 9 wine brands. Some of these brands are regularly cited among the World's 100 Most Powerful Spirits and Wine Brands list (Table 2). Diageo's brands covered all major categories. It owned seven of the world's top 20 brands, including Smirnoff, the number one brand by volume and Johnnie Walker, the number one brand by value, making Diageo the leading premium spirits business in the world by volume, net sales and operating profit. Its spirits, wine and beer brands also included Crown Royal, JeB, Buchanan's, Windsor and Bushmills whiskies, Ciroc and Ketel One vodkas,

Table 2 Diageo brands in the world's 100 most powerful spirits and wine brands, 2011 (IntangibleBusiness 2012)

Rank	Brand	Sub category	Country	Share of market
1	Smirnoff	Vodka	Russia	9.5
3	Johnnie Walker	Blended Scotch	Scotland	9.4
9	Captain Morgan	Rum/Cane	Puerto Rico	7.6
12	José Cuervo	Tequila	Mexico	8.1
13	Baileys	Liqueurs	Ireland	8.3
21	Crown Royal	Whisky	Canada	6.8
25	Gordon's Gin	Gin/Genever	England	7.5
27	J&B	Blended Scotch	Scotland	6.0
45	Tanqueray	Gin/Genever	England	4.3
50	Ketel One	Vodka	Holland	4.0
55	Bell's	Blended Scotch	Scotland	4.3
60	Blossom Hill	Still Light Wine	USA	6.3
76	Cacique	Rum/Cane	Venezuela	3.3

Intangible Business. (2012). The Power 100: The World's Most Powerful Spirits & Wine Brands, 2011. Retrieved from http://www.drinkspowerbrands.com/sites/default/files/downloads/ThePower1002011.pdf

Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness. Diageo had a general strategy to complement its global brands with strong local brands to create category breadth in its markets.

Company Values

Diageo portfolio involved both traditional spirits with long history, as well as recent innovations (like flavour extensions, new packaging and drink formats) to meet new consumer tastes. It has a large portfolio of brands with leading positions in their markets with heritage and innovation.

Diageo was also at the forefront of industry efforts to promote responsible drinking. It emphasized a moderate consumption of its brands for a balanced lifestyle and supported relevant stakeholders combating alcohol misuse. It aimed to provide brands and means that people can celebrate with, at every occasion wherever in the world, making 'celebrating life every day, everywhere' as the main proposition.

Company Strategy

Diageo's strategy had been to drive top-level growth and improve its margin in a sustainable manner. It aimed to balance the value creation for its shareholders over the short and the long term with its geographic breadth, its brands and its people. The company had been planning to gain advantage in the market by scaling to higher volumes, balancing its footprint in developed and emerging markets and investing in its people to be more agile to changes in the market. Its business model had been based on driving sustainable and responsible performance with a flexible operating model and financial discipline across different functions of the company. The company had been aiming to achieve faster organic net sales growth with 6% CAGR in the medium term, with a higher operating margin and double-digit growth in the core operations.

In order to do that, Diageo had been focused on emerging markets, believing they will grow the company in the long term in a sustainable way. Emerging markets contributed nearly 40% of Diageo's net sales, up from a fifth in 2005. It expected emerging markets to contribute 50% of the net sales by 2015. It aimed to achieve this with high-growth in emerging markets and having targeted acquisitions. It primarily targeted high-growth local companies with both strong local distribution capabilities and brands that appeal to the middle class consumers. The acquisitions of Mey Içki in Turkey, Ypióca in Brazil, the Serengeti and Meta breweries in Africa and the investments in Sichuan Chengdu and Halico in Asia demonstrated this strategy in action (Table 4).

Global Alcohol Market

Consumption of alcohol varies between countries and different consumer groups. Globally, women consumed less than men, youth consumed less then elderly, and high-income resulted in higher consumption (WHO 2014). Europe and US markets were considered to be the largest, however consumption per capita in Eastern Europe was higher than the rest of the world (Hess et al. 2014). Most European countries managed to establish successful regulation to prevent abuse. This in turn changed consumer mentalities almost impossible to reverse, and confronted Diageo with a decline in consumption. In addition, cultural factors played a crucial role, too. Religion based limitations represented a major obstacle. Most Muslim countries had a particularly low consumption, alcohol being banned in Islam. Efforts to increase alcohol consumption in Muslim countries were challenged with high taxes and regulations (WHO 2014); Turkey, for example, took steps in reducing alcoholic beverage consumption.

Turkish Market

With its large population (~70 mio.), high urbanization and growing economy, Turkey had been an appealing market for investors for many years. It had also been in the radar of Diageo for a number of years, as the disposable income levels increased, middle-class rapidly grew and approximately 1 million people reached the legal drinking age each year. As of year 2010, the average annual disposable income of Turkish households was 22,063 TL, and the Gini coefficient, which was referred as a key income inequality criteria, was estimated as 0.402 with a decrease

0.013 point from year 2009 (Turkstat 2011). Turkish spirits market had grown at an average rate of 4% from 2006 to 2010. In 2006, the overall market had a size of 942 million litres. In 2010, it had just grown to 1058 l. However, at the same period the market value had jumped from 5513 million TL to 8679 million TL with an increase in the share of premium drinks. As of the acquisition year, 57% of the market had been made up of beer consumption. Whereas, rakı made up of %25 of the market, clearly over-performing wine and vodka, with 5% market value share each. Compound annual growth rate (CAGR) of rakı market had increased from 1.1% in year 2005 to 7.8% in year 2010. From 46.5 million litres in 2005, the rakı market have moved to just 49 million litres. However, at the same period, the value of the rakı market has expanded from 1,481 TL million to 2,151 TL million.

Similarly, CAGR of vodka market had enjoyed even a higher growth from 7.5% in year 2005 to 15.1% in year 2010, with a significant increase in both volume and value. The vodka market had risen to 10.7 million litres from 7.6 million litres at that period. However, the value had double from 229 million TL to 462 million TL.

Before the Mey Icki acquisition, Diageo had a healthy share of the whisky category, which had a compound annual growth rate (CAGR) of 5.4% between 2006 and 2010. Scotch whisky was the first foreign product to be registered and protected as a 'geographical indication of origin' in Turkey in 2011, and Diageo's J&B and Johnnie Walker brands accounted for over 60% of the category. However, whisky accounted for only the 5.9% of the overall market in Turkey (Table 3).

As a downside of the market conditions, some counterfeit alcohol products sometimes appeared in Turkey. The counterfeit batches, in some instances had even reported to contain up to 200 times the permitted amount of methyl alcohol, leading to deaths (Cihan 2015; Harvey 2011; O'Toole 2005; Taylor 2015).

Rakı was the flagship product category in Turkey. Approximately 10 million of the 16 million spirits drinkers in Turkey only drank rakı, accounting for the 77% revenue share in rakı market, making "Yeni Rakı" as one of the largest global spirit brands. On the other hand, vodka category had the second place with 11% and the wine category with 4%. Mey Icki had very strong positions in Rakı, Vodka and Wine categories of the market, as well as presence in gin, liqueur and some other spirits.

Mey Içki

Mey Icki's main brand '*Yeni Rakı*' had the lion's share of the market, at 74.2% as of 2010. Its grape-based suma had been made from 20 different grape types processed in five different distilleries in Turkey to give Yeni Rakı a unique taste. Yeni Rakı is often referred as "the rakı" and considered as the main brand of the market with a 37 TL price per bottle.

Mey also had two other rakı brands, namely '*Burgaz*' and '*Tekirdağ*', which collectively accounted for 90% of all the *rakı* consumption of Turkey. Burgaz came from acquisition of a previous competitor. Whereas, Tekirdağ had been known for its "legendary smooth taste", primarily targeting women, at the retail price point

Table 3 Turkish alcohol market exports and imports (Ministry of Economics 2013)

	2010		2011		2012	
	Volume	Value	Volume	Value	Volume	Value
Exports						
Beer	112.762	68.364	102.030	64.240	110.387	71.522
Wine	2.708	7.362	2.695	8.757	2.702	9.271
Vodka	42	114	50	264	13	76
Rakı	4.893	22.942	5.489	25.561	5.527	28.291
Imports						
Beer	1.293	1.352	5.196	5.032	3.688	3.651
Wine	1.693	5.610	1.792	7.079	2.176	9.280
Cognac	25	515	57	1.206	61	1.749
Whisky	1.572	21.441	3.289	55.119	2.812	51.662
Gin	427	848	552	1.970	377	1.615
Vodka	3.010	8.215	4.346	13.218	3.543	16.929
Liquor	835	2.90	1.527	6.715	1.219	6.809

(Volume × 1000 l – Value × 1000 USD)
Ministry_of_Economics. (2013). Alkollü ve Alkolsüz İçecekler. Retrieved from http://destektakip.ekonomi.gov.tr/pg/sektorpdf/tarim/alkollu_alkolsuz_icecekler.pdf

around 39.5–42.5 TL, making it a premium brand. There was also super premium rakı brands of Mey, namely Kulüp and Altınbaş. These brands had a long heritage offering "the best rakı drinking pleasure" with retail price between 44 and 53 TL, targeting affluent and wealthy consumers. On the other end of the market, Yekta and Izmir rakı brands were positioned more towards value for money with pricing of 27.5–30.5 TL for rather price sensitive and/or frequent customers. With this brand portfolio, Mey Icki had a leadership position in the Turkish *rakı* market, with around 60% market share, that any spirits company would want to enjoy.

Together with its *rakı* business, Mey Icki also had local vodka and gin brands. Vodka represented 11% of Mey Icki's total sales with brands like Istanblue, Binboa and Bazooka. For example, Binboa Vodka had six flavour variants and its brand came from the former Binboğa, a brand launched in 1960s. It was macerated in special ingredients for more than a month and distilled three times, softened and filtered to give its final taste.

Mey Icki also had a comprehensive nation-wide distribution network. It had more than 650 sales people on the road, covered more than 2000 retail outlets and more than 50,000 independent trade outlets (kiosks) around Turkey.

Other Players in the Market

Turkish Rakı market leader was Yeni Rakı with 64% market share, however there were other players including Efe (12%), Tekirdag (9%), Izmir (6%), and some other small brands (3%) (Table 5). One of the challengers of the market had been Antalya Spirits Company. It was established in Antalya, the capital of tourism in Turkey,

Table 4 M&A History of Diageo

Year	Action	Company name	Country
1997	Merger	Guinness and Grand Metropolitan to form Diageo	UK
1998	Sell	Dewar's and Bombay to Bacardi for compliance	UK
1999	Sell	Metaxa and Asbach to Bols Royal Distilleries	UK
1999	Sell	Cinzano to Campari International	IT
1999	Sell	Vecchia Romagna to Montenegro	IT
1999	Sell	Château Loudenne Winery to Moutai	China
1999	Sell	Cruzcampo in Spain to Heineken	Holland
2000	Sell	Pillsbury baking company to General Mills	UK
2001	Buy	Seagram spirits and wines with Pernod Ricard in France	UK
2002	Sell	Burger King fast food chain to Texas Pacific	USA
2006	JV	With Alfa Group for expansion	Russia
2006	JV	With Radico Khaitan Ltd for expansion	India
2007	Buy	Minority in Sichuan Chengdu for expansion	China
2007	Buy	Minority in NUVO, an Ultra-Premium Sparkling Spirit	France
2007	Buy	Minority in Stirrings, a premium cocktail mixer company	USA
2008	Buy	Rosenblum Cellars	USA
2008	JV	With Heineken and Namibia Breweries	South Africa
2008	JV	Nolet Group, the Dutch maker of Ketel One vodka	Holland
2008	Buy	More minority in Sichuan Chengdu Quanxing Group	China
2009	Buy	Windhoek beer from Namibia Breweries Limited	South Africa, Namibia
2009	JV	With Kirin Brewery	Japan
2009	Licence	Exclusive distribution agreement for Grand Marnier	Europe and CIS
2009	Buy	The remaining %80 in Stirrings, LLC	USA
2010	Buy	Controlling share in Sichuan Chengdu	China
2010	Buy	Serengeti Breweries	Tanzania
2011	Buy	20% in Hanoi Liquor (Halico)	Vietnam
2011	Buy	Mey Icki	Turkey
2011	Buy	Minority share in Kenya Breweries Ltd.	Kenya
2911	Buy	%5 in Halico	Vietnam
2011	Buy	Controlling stake in Rum Creations Products	Guatemala
2011	JV	With Carlos Palanca Group	Philippines
2012	Buy	Meta Abo Brewery	Ethiopia
2012	Buy	Ypioca	Brazil
2012	Buy	%10,6 in Halico	Vietnam
2012	Buy	Cabin Fever Maple Flavored Whisky	USA
2013	JV	With United National Breweries (UNB)	South Africa

(continued)

Table 4 (continued)

Year	Action	Company name	Country
2013	Buy	The remaining 47% in Sichuan Chengdu	China
2014	Buy	Majority share in United Spirits	India
2014	JV	With Sean Combs	USA
2014	Buy	De León	USA
2014	Buy	Peligroso	USA
2014	Sell	Bushmills Irish whiskey	USA
2014	Buy	Don Julio and Tres Magueyes	Mexico
2014	Buy	La Primavera	Mexico
2015	Buy	Remaining shares in the JV with the UNB	South Africa
2015	Sell	Gleneagles Hotel	UK
2015	Sell	Desnoes and Geddes and Anchor Berhad to Heineken	Jamaica, Malaysia, Singapore
2015	Buy	Ghana Breweries	Ghana
2015	Sell	Wine business to Treasury Wine Estates	USA and UK
2015	Sell	Wine business to Grupo Peñaflor	Argentina

where touristic consumption of alcohol was relatively high, and expected to increase with the growth in the tourism industry. It made a strong entry into market and reached 5% share after its first 8 months in the marke, with its Topkapı Rakı, Abbas Rakı and "7" brands.

- "Topkapi" brand anchored with the main saray of the Ottoman sultans, sounded royal, traditional and special, and positioned for the high-end segment of the rakı market.
- "Abbas" brand, which is an old Turkish masculine name, found macho, relatively cheap and old school in a series of focus groups, and therefore, targeted a low-cost, aggressive position in the rakı market.
- "7" brand, as an innovative common brand (for rakı, vodka and gin) that differentiates itself from others in the market with targeting only "HoReCa" channels with its large sized 100 cl packaging and suitable pricing.

The final positioning placed Topkapi as a direct competitor to "Yeni Rakı", the flagship of the market with almost a monopolistic position. Antalya was hoping for direct comparison with Yeni Rakı, but somewhat superior consideration by the consumer.

Acquisition of Mey Icki

Diageo had decided to acquire Mey Icki, because it had been growing faster than the Diageo's profitably and it gave the market access potential to Diageo's international brands (Cimilluca and Sonne 2010; Reuters 2010). Moreover, it is reported

Table 5 Turkish Rakı brands and descriptions (Akgün 2011)

Brand	Description
Kulüp	The oldest rakı brand alive, which have started in 1930s by TEKEL, the ancestor of Mey Icki. It has 50% alcohol and made of dry and fresh grapes, fresh aniseed and water. The aniseed level is less than Altinbas and more than Yeni
Yeni	Yeni means "new", as it is the second rakı brand by TEKEL, which started in 1944, when the state monopolized the rakı production. It has 45% alcohol and made of dry and fresh grapes, fresh aniseed and water. It has historical and popular value and it is also the rakı brand with highest levels of export
Altinbas	Launched by TEKEL in 1967 as the premium brand of rakı market. It has 50% alcohol and made of dry grapes and fresh aniseed. Mey Icki still uses its original label designed in 1967 and target premium segment
Efe	Launched by the main competitor of Mey Icki, named Elda Icecek in 2005 and it is also the first rakı in the market that has an option only using fresh grapes (Yesil Efe)
Beylerbeyi	First produced in 2007 by Sarper family of Izmir, in their Akhisar facilities. It is the first rakı in the market that is made of fresh grapes and distilled three times. It has a strong and balanced taste
Mest	Mey Icki launched Mest in 2008 targeting women consumers with a softer taste. It is the first rakı in the market that is produced from a single named grape variety. It has three variations based on the grape type: Misket, Bogazkere and Sultaniye
Tekirdag Altin Seri	Mey Icki launched third golden series brand extension in 2005. It is made of only fresh grapes and aged in oak barrels. It is the first rakı in the market that has golden colour. It has a balanced taste and a dense multi-layered taste
Topkapi	Produced in Antalya and made of green and dry grapes. It has a strong taste and less aniseed flavour
Anadolu	Produced by Anadolu Icecek in Manisa and have types that are produced by fresh or dry grapes
Yeni Ala	Recently launched by Mey Icki and made of handpicked, sun-dried grapes and aged in oak barrels, giving a strong flavoured golden colour

Akgün, M. (2011). Bize bir büyük. Hangisini istersiniz? Retrieved from http://www.radikal.com.tr/yemek/bize-bir-buyuk-hangisini-istersiniz-1071362/

that "*The key motivation for this acquisition was not the attractiveness of the business and brands itself but Mey Icki's distribution network through which Diageo can push its existing portfolio of international leading brands*" (IntangibleBusiness 2012).

Furthermore, existing business of Diageo in Turkey and Mey Icki complemented each other: Rakı had been consumed by general public in traditional bars called "*meyhane*", restaurants and homes mainly with fish and "*meze*" foods. On the other hand, Diageo brands consumed at non-food bars and nightclubs by younger population, in many different occasions and with western style patterns.

The acquisition of Mey Icki was a wise move also at the corporate level strategy for Diageo. With a net cash flow of more than US$4.5 billion a year, it had room for collecting opportunities from the developing markets of the world. Prior to series of acquisitions including Mey Icki, approximately two-thirds of its sales were coming from the relatively stagnant developed counties and the company had the strategy of changing that to ensure a longer-term growth. With acquiring strong positions in emerging economies, Diageo was hoping to offset declining sales in developed markets like economic downturn in Europe—notably Spain, Greece and Ireland.

"Yeni Rakı" for the World

With 220-million litre market worldwide, Yeni Rakı, as the world leading aniseed spirit, also had the potential to be expanded as an authentic drink for global consumption with Diageo's international capabilities. Shortly after the acquisition, Diageo Germany started distributing Yeni Rakı. Germany represented the largest rakı market outside Turkey, due to large Turkish immigrant population. Many Germans were also familiar with rakı, as Turkey was among the top holiday destinations for Germans for many years. Diageo Germany designed and aired the "Spirit of Istanbul" ad on all German TV channels, and trained waiters in hundreds of restaurants on rakı culture. At the same time, Mey Icki was exporting rakı mainly to Germany, North Cyprus, Iraq, Syria, the United States, France, Austria, the Benelux, Eastern Europe and England.

Future Outlook

Distribution network of Mey Icki, its strong domestic brands and the demographic pattern and socioeconomic statistics of Turkey all indicated a positive future outlook for the Turkish alcohol market (Figs. 1, 2, 3 and Table 6). However,

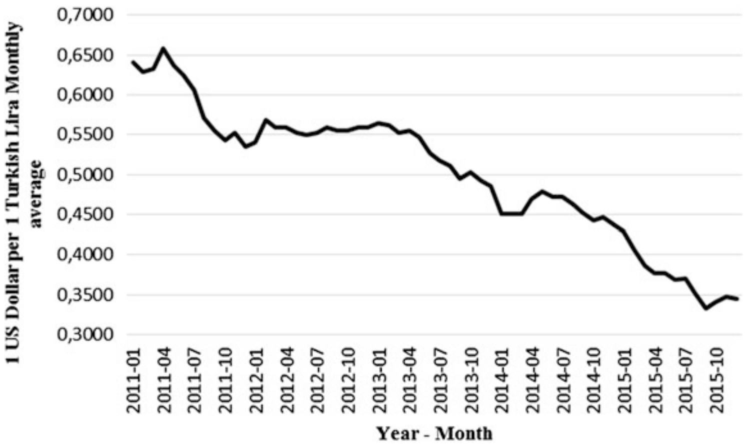

Fig. 1 US Dollar Per Turkish Lira Monthly Average (2011–2015) (CBRT 2015). CBRT. (2015). Exchange Rate (1USD). Retrieved from http://www.tcmb.gov.tr/wps/wcm/connect/tcmb+en/tcmb+en

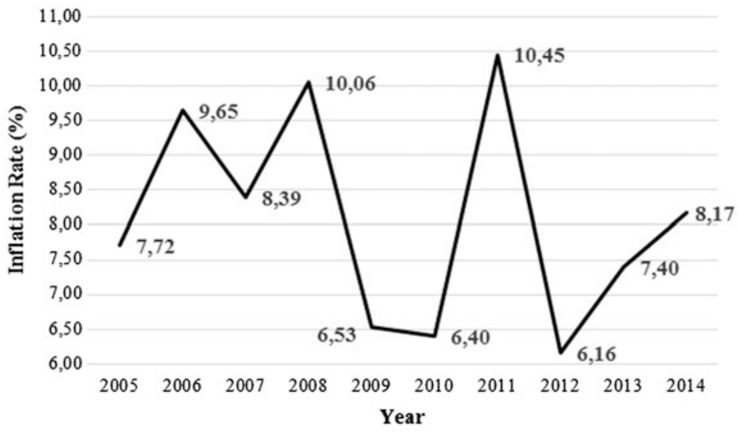

Fig. 2 Annual Inflation Rate (2005–2014) (CBRT 2015). CBRT (2015). Exchange Rate (1 USD). Retrieved from http://www.tcmb.gov.tr/wps/wcm/connect/tcmb+en/tcmb+en

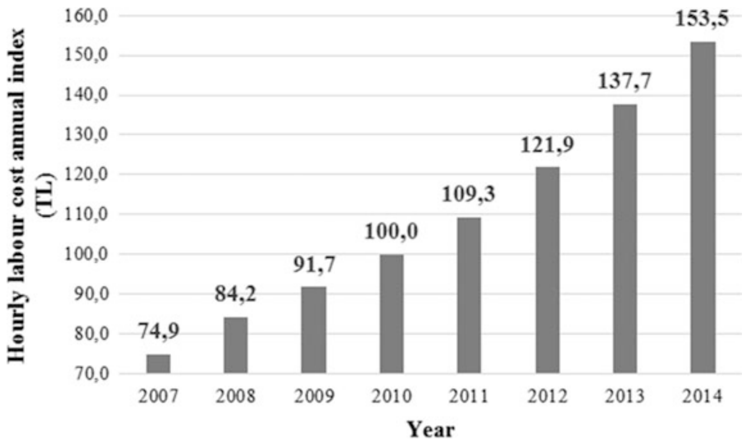

Fig. 3 Hourly Labour Cost Indices (2007–2015) (CBRT 2015). CBRT (2015). Exchange Rate (1 USD). Retrieved from http://www.tcmb.gov.tr/wps/wcm/connect/tcmb+en/tcmb+en

there was also an uncertain political and popular attitude towards alcohol in the country.

Turkey, as a secular democracy and a predominantly Muslim country, alcohol consumption, which was forbidden under Islam, had become a point of political contestation in recent years. The conservative-leaning ruling party, namely AKP, had religious sensitivities on alcohol, which were further fuelled with health related arguments. Thus the government tightened regulations on alcohol marketing and consumption (Sonne and Cimilluca 2011). For example, the government banned the use of drink names in sports clubs as sponsors, restricted alcohol advertising, confined alcohol sales in stores to specific areas, and raised the special tax on

Table 6 Level of education in Turkey (2010)

Level of education	No. of individuals	Per cent
Illiterate	3,825,644	5.78
Literate unschooled	13,448,484	20.34
Primary school graduate	15,709,975	23.75
Primary education graduate	10,820,045	16.36
Secondary education graduate	3,127,204	4.73
High school graduate	11,374,336	17.20
University degree	4,566,049	6.90
Masters degree	365,791	0.55
PhD degree	113,862	0.17
Unknown	2,782,071	4.21
Total	66,133,461	

Turkstat. (2011). Income and Living Conditions Survey, 2010. Retrieved from http://www.turkstat.gov.tr/PreHaberBultenleri.do?id=8661

alcohol by 30% in October 2011. Andrew Morgan stated that, "*Diageo's sales fell after government increased taxes on alcohol to meet budget targets and introduced restrictions this year on its sale*" (Ersoy 2011). The decrease on sales due to changes in taxation policy was also mentioned by Galip Yorgancioglu in an interview, "*Tax increase caused an increase in prices, which in turn decreased rakı and wine consumption by 10 and 15 per cent, respectively*" (Munyar 2013). However, Diageo didn't expect "extreme treatment' of alcoholic drinks by the Islamist-leaning government in the long-run, As Andrew Morgan stated, "*We always lobby hard on tax and will do that here [. . .] You have had price appreciation in this category for many years, but this company has still seen growth. They have gained market share and premiumised*" (Serjeantson 2012, p. 14).

Having a dominant position in the local spirits market, the growth potential for Mey Icki was naturally limited. However, there was also a clear potential for growth in premium brands. For example, while the growth in Yeni Rakı was negligible, Tekirdag Rakı had grown from 25,000 nine-litre cases in 2006 to 350,000 in 2010, a CAGR of 87.8%. "*There is no sign of the premium end slowing down*," told Andrew Morgan. "*Right across Europe, we are finding that the premium and super-premium sectors are still growing fastest. People are disposed to treating themselves*" (Serjeantson 2012, p. 14).

Ivan Menezes, the Chief Executive of Diageo Plc said:

> Mey Içki is our biggest acquisition to date. It transformed our position in an attractive, growing market, it gave us leading brands in the major local spirits categories, and it gave us a superior distribution network from which to accelerate the long-term growth of our premium and international spirits brands to the emerging middle class in Turkey. We also acquired a terrific, proven management team who have delivered on this potential.
>
> While there have been some challenges in the market, which have led to a decline in the rakı category by volume of about 10%, Mey Içki has delivered over 10% net sales growth in its Rakı brands. This demonstrates the strength of the business we acquired. It has very strong marketing and sales capabilities, and the brand has unique equity and heritage.

> In the first year, we achieved a smooth integration of Diageo's brands into the local distribution network, with significant share gains and double-digit growth. As I said, this is a significant acquisition, performing in line with our expectations. And we will build on this. We believe there's an opportunity to trade beer consumers in Turkey up to spirits, and we can do that through innovation, especially premium line extensions.
>
> We will continue to premiumise the category, improving the Rakı experience for consumers with great on-trade experiences. With our reserve and on-trade teams, we can capture share by channel and by region, as in some regions in Turkey we do not have the same level of impact as we do nationally. Mey Içki is well-positioned with brands with real heritage and a strong route to consumer, assets that are even more valuable in a dark market (Menezes 2013)

Right after this public statement was made by the Executive Chief Ivan Menezes, Morgan and Yorgancioglu were called for an executive meeting with the following agenda:

Should Yeni Rakı continue to receive the rock-star of the marketing's attention? What about the global rock stars, Johnnie Walker, Smirnoff and Captain Morgan's? In which brand(s) should the marketing team prioritize their efforts for?

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Case Study 5: To Switch or Not to Switch—Madhu's Dilemma

Shashi Shekhar Mishra and Arijit Pathak

On 2 September 2012, Madhu has once again received a SMS, on her registered mobile number from the local cable operator, reminding her to install Set Top Box, in order to continue hassle free viewing of her favourite television programs. Installing Set Top Box would improve the quality of picture, but Madhu's monthly budget would also increase—as, now, she will have to pay based on the number of channels or bouquet of channels subscribed.

Lately, she has also been receiving promotional offers from major Direct-To-Home (DTH) players in India, who are eyeing to attract new consumers, especially given the new law being enacted by the Government of India, which makes switching to digital mode of transmission system mandatory latest by October 31, 2012. On the other hand, local cable operators are also trying their best to protect their existing customer base by promising best TV viewing experience, through digital mode of transmission, prompt services and their easy accessibility. Madhu is focused upon making a choice between local cable operators vs. DTH players and the suitable channel package considering the family needs. Madhu's dilemma is to contain the monthly subscription bill without compromising on the quality of her family's TV viewing experience. She is wondering whether her decision can be solely based upon economic value of the offerings and all other benefits such as quality, brand image can be ignored.

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_5

Emergence of Television in India

Prior to 1991, in India, the word television was synonymous to Doordarshan, the public service broadcaster—now a division of Prasar Bharati. Experimental telecast of Doordarshan started in 1959, but it was only after the advent of colour television, in the late 1970s and early 1980s, that television really caught the imagination of the Indian masses. Initially transmission was restricted only during certain selected hours of the day, but the viewership it generated at that point of time, is enviable even when compared to current standards. The only investment you needed, to watch your favourite programs was a television set, an antennae to catch the transmission, and of course a bit of luck.

Antennae sprouting above the roof-tops of houses, in a way became a status symbol of the Indian middle class. Television also penetrated in the rural areas, but it was mostly restricted to community viewing with very few rural houses actually owning a television set. Television actors, news anchors and show hosts were hailed as demigods and demigoddesses—even commercials between the programs generated so much interest that, it can make today's ad-film makers question their ability. The array of programs mainly consisted of News, Weekly/Bi-Weekly Soaps, Mythological and Educational programs, and special programs on weekends including screening of old Hindi movies and playing of new and old Hindi movie songs.

The live telecast of India's victory over West Indies in the 1983 edition of ICC Cricket World Cup was a watershed event in the history of Indian television. The event not only popularized cricket as a game in India, but also helped penetration of TV among the masses of the country. Though transmission was frequently interrupted because of technical glitches, still Doordarshan managed to keep its viewers glued to their television sets in the absence of any other options. However things began to take a turn by 1991, with India opening its door to globalization and the advent of round the clock availability of privately operated television channels. Perhaps this marked the beginning of the end of Doordarshan's monopoly.

Emergence of Cable and Satellite Television in India

1991 marked a new dawn in Indian television history, with the advent of 24×7 h satellite television channels. For the first time, Indian viewers had the luxury to choose between different channels and switch between programs. The era was dominated by satellite television channels such as ZEE TV, which mainly concentrated on family soaps and life-style related contents, and STAR Sports which in a way brought the sporting world confined to Indian remotes.

It was also the first time that Indians were introduced to the concept of paying a monthly subscription fee for watching their favourite programs, unlike watching Doordarshan that only required an installation of overhead antennae—for catching the transmission feed, with no other costs involved. Initially the consumers were required to pay a monthly subscription fee, generally ranging around Rs. 50/- (1992 figures) that appreciated to around Rs. 200–300 in 2012 (before mandatory digitization—Rs. 275/month in Delhi), depending on the area of residence. This monthly subscription fee was required to be paid to the local cable operators, who after keeping a portion of their share passed on the rest to the Multi Service Operators (MSO). The MSO acted as a conduit between the channels and the cable operators. In addition to the monthly subscription fee, consumers were also required to pay a one-time installation charge which in 2012 ranged anywhere around Rs. 600–800.

Before digitization only analog signals were used for transmission, which resulted in poor picture and sound quality. In addition channels were taken off the air without prior notice, because of non-payment on part of the cable operators. Thus, even if a consumer duly paid his/her monthly subscription fee, there was no guarantee that he/she would be able to view his/her favourite programs. This was particularly true for sports channels and consumers often missed their favourite sport events. At this point of time, consumers had very little choice but to depend on their local cable operators, who had converted the cable business into a monopoly—with a single player operating in a demarcated area. Consumers also had to do away with only those channels that their cable operators provided, even though other channels being available, and had to pay even for those channels, which they hardly watched. Mandatory digitization is being promoted as a means of transferring greater decisive power in the hands of the consumers, who now can choose the channels that they wish to watch and pay only for the subscribed channels. Digitization is also a mean to curb the cable operators who regularly understate their total consumer base figures, to retain higher share of collected revenues with themselves.

As a part of digitization, an existing consumer is required to install a Set Top Box, without which no transmission would be possible. The Set Top Box is initially priced anywhere between Rs. 800 and 1000 (depending upon the MSO) and is supplied by the respective MSO through the local operators. The local cable operator usually does the connection at the consumer end without charging anything extra. The Government has decided to phase out analog transmission across the country in a phased manner. In the first phase, Government has set the target of mandatory digitization in metro cities including New Delhi by September 30, 2012.[1] A large fraction of subscribers in these cities have already replaced their connections with set top boxes, and of the remaining, many more have already placed their orders to prevent a complete blackout. The recent spur in the demand for set-top boxes have put the MSOs in a precarious situation, as they are not able to meet the huge demand for set-top boxes.

Essel group's SITI CABLE has emerged among the top three MSOs in India controlling around 11% of the market share across the digital cable subscriber base. To empower the customers, SITI CABLE has come up with various channel packages based on the monthly subscription amount, where the consumers need to pay only for the channels they subscribe. SITI CABLE's various channel packages offering has been provided in Table 1.

[1]Note previous deadlines for mandatory digitization have been altered more than once.

Table 1 Major channels available under various channel packages offered by SITI CABLE in Delhi

Channels	Janata (Rs. 100/month)	Popular (Rs. 170/month)	Grand (Rs. 222/month)	Premium (Rs. 267/month)
Hindi entertainment				
9X			o	o
Colors		O	o	o
Life OK		O	o	o
SAB TV		O	o	o
Sony		O	o	o
Star Plus		O	o	o
Zee Smile	o	O	o	o
Zee TV		O	o	o
English entertainment				
AXN			o	o
CBS Love				
CBS Prime				
Comedy Central			o	o
Fox Crime			o	o
FX			o	o
Star World			o	o
Zee Café			o	o
Hindi news				
Aaj Tak				
IBN7		O	o	o
NDTV India		o	o	o
Sahara Samay				
Zee News	o	o	o	o
English news				
Aljazeera				o
BBC World				o
CNN		o	o	o
CNN IBN		o	o	o
Headlines Today				
NDTV 24×7		o	o	o
News X				
Times Now			o	o
Business news				
CNBC TV18			o	o
Bloomberg				
ET Now			o	o
NDTV Profit				
Zee Business		o	o	o

(continued)

Table 1 (continued)

Channels	Janata (Rs. 100/month)	Popular (Rs. 170/month)	Grand (Rs. 222/month)	Premium (Rs. 267/month)
Sports				
ESPN				o
Neo Prime				o
Neo Sports				o
Sony Six			o	o
Star Cricket			o	o
Star Sports				o
Ten Cricket		o	o	o
Ten Golf				
Ten Sports		o	o	o
Hindi movies				
Movies OK		o	o	o
SET Max		o	o	o
Star Gold		o	o	o
UTV Action		o	o	o
UTV Movies		o	o	o
Zee Cinema		o	o	o
English movies				
HBO			o	o
MGM				o
Movies Now				
Star Movies			o	o
WB			o	o
Zee Studio			o	o
Lifestyle and music channels				
MTV		o	o	o
Bindass		o	o	o
Channel V		o	o	o
Fox Traveller		o	o	o
Sony Mix		o	o	o
TLC			o	o
UTV Stars		o	o	o
VH1			o	o
Zoom			o	o
9XM		o	o	o
Infotainment				
Animal Planet			o	o
Discovery		o	o	o
Discovery Science		o	o	o
History TV18		o	o	o

(continued)

Table 1 (continued)

Channels	Janata (Rs. 100/month)	Popular (Rs. 170/month)	Grand (Rs. 222/month)	Premium (Rs. 267/month)
Nat Geo Adventure			o	o
Nat Geo Wild			o	o
National Geographic		o	o	o
Kids channels				
Cartoon Network		o	o	O
Discovery Kids		o	o	O
Disney		o	o	O
Hungama TV		o	o	O
Nickelodeon		o	o	O
Pogo		o	o	O
Sonic				
Devotional				
Aastha		o	o	O
Disha		o	o	O
Jagran				
Sadhna		o	o	O
Sanskar		o	o	O

Source: www.siticable.com

In addition to the base packages consumers also have the choice to subscribe to other channels, which are not included in their base pack by paying extra, under 'A-La-Carte' Pack. Under 'A-La-Carte' Pack consumers have the option of subscribing only to particular channels of their choice without being part of any base package. Details of A-La-Carte Pack for major channels for SITI CABLE available in Delhi are provided in Table 2.[2]

The Indian middle class forms the main consumer base for this type of connections. With growing financial power, it's not very unusual for individual families to own more than one television set. This is also the segment of customers who would not mind shifting their allegiance to other forms of subscription in case their viewership experience is compromised, given the availability of choices in the current market. To target this segment, nearly all the MSOs have come up with attractive schemes for availing more than one connection. Details of additional offer pack from SITI CABLE are provided in Table 3.

Digitization was supposed to improve the picture and sound quality of broadcast, but initial consumer response suggests, that it did not lived up to its expectation in totality; because the entire connection is still transmitted through cables into the Set

[2]The charges and the bouquet of packages offered by other MSO are almost similar.

Table 2 Price of major channels covered under A-La-Carte pack available in Delhi for SITI CABLE (Rs/month)

Hindi entertainment		*Sports*		*Kids channels*	
9X	9	ESPN	24	Cartoon Network	12
Colors	13	Neo Prime	18	Discovery Kids	11
Life OK	12	Neo Sports	13	Disney	9
SAB TV	9	Sony Six	27	Hungama TV	8
Sony	12	Star Cricket	25	Nickelodeon	7
Star Plus	12	Star Sports	22	Pogo	12
Zee Smile	4	Ten Cricket	20	Sonic	NA
Zee TV	8	Ten Golf	NA	*Devotional*	
English entertainment		Ten Sports	15	Aastha	3
AXN	12	*Hindi movies*		Disha	3
CBS Love	13	Movies OK	11	Jagran	3
CBS Prime	13	SET Max	11	Sadhna	3
Comedy Central	15	Star Gold	11	Sanskar	3
Fox Crime	12	UTV Action	9	*Lifestyle and music channels*	
FX	12	UTV Movies	10	MTV	7
Star World	12	Zee Cinema	8	Bindass	11
Zee Café	9	*English movies*		Channel V	5
Hindi news		HBO	17	Fox Traveller	7
Aaj Tak	8	MGM	8	Sony Mix	6
IBN7	6	Movies Now	35	TLC	11
NDTV India	6	Star Movies	16	UTV Stars	9
Sahara Samay	3	WB	10	VH1	5
Zee News	5	Zee Studio	7	Zoom	6
English news		*Infotainment*		9XM	5
Aljazeera	3	Animal Planet	5	*Business news*	
BBC World	8	Discovery	12	CNBC TV18	7
CNN	7	Discovery Science	12	Bloomberg	7
CNN IBN	8	History TV18	16	ET Now	7
Headlines Today	8	Nat Geo Adventure	15	NDTV Profit	7
NDTV 24×7	8	Nat Geo Wild	19	Zee Business	4
News X	3	National Geographic	8		
Times Now	8				

NA Not Available
Source: www.siticable.com (accessed September 2012)

Top Box. The monopoly of the local cable operators is still quite prevalent; as per Federation of Indian Chambers of Commerce and Industry (FICCI) and KPMG Indian Media Entertainment Industry Report, Cable TV network covers 74 million households compared to private DTH players that cover 37 million Indian

Table 3 Additional offer pack from SITI CABLE

Base pack	Parent connection (Rs/month)	First child TV (Rs/month)	Second child TV (Rs/month)
Grand	222	150	150
Premium	267	150	150

• Parent—Child discount is applicable only on the Child connection
• Child connection discounts can be availed if base pack is either Grand or Premium
• For every child connection, the package should be same as that of the parent connection
• Prices mentioned are exclusive of Taxes
Source: www.siticable.com (accessed September 2012)

households (FICCI-KPMG Indian Media and Entertainment Industry Report 2012). Though consumers have the choice of subscribing to any particular 'pack' of channels, but many a time the local cable operators support only a particular 'pack'. However, off late the local cable operators have started feeling the heat, with a large chunk of their subscriber base shifting away to various DTH platforms. Various DTH companies have seized this opportunity and have launched vigorous campaigns to promote their products that have forced the cable operators to provide better and quick service to remain in the race.

Emergence of Direct-to-Home Services in India

Various Direct-to-Home (DTH) service providers made their initial foray into the Indian market in 2000—after laws were implemented by the Government. But it's only in the last 2 years that this form of broadcasting has really caught the imagination of the Indian masses, in a big way. The recent developments concerning mandatory digitization of existing cable services can be attributed as one of the major reasons for sudden spur in popularity of various DTH platforms. Generally each DTH platform offers better picture and sound quality than the cable mode of transmission, and the consumers are also free from the hassles of cables running into their drawing rooms.

The consumers of Direct-to-Home platforms also have the freedom to choose individual favourite channels and pay only for those channels that he/she subscribes. Various DTH service providers also allow the consumers to choose a particular channel only for a certain period of time and thus pay accordingly. This option is particularly very popular among sports enthusiasts, which give them the freedom to choose a particular sports channel for a limited period, when a major sporting event is covered by that specific channel. Also, consumers have the liberty to switch to a rival service provider offering better package at comparable or lower price without much problem. However a consumer opting to switch to a rival platform has to bear the cost of re-installation, as every DTH platform has their separate set-top-box setting, which could not be used in any other platform.

The major area of differentiation among the various DTH players mainly rests on the value added services, offers and schemes, channels coverage under a particular bouquet and price. One major problem with all the DTH platforms is their susceptibility to inclement weather that leads to interruption of services. It's one of the major drawbacks of DTH services that often dent their attractiveness as an option. Resolution time for customer complaints is another area of differentiation among the big players, with almost all the major players having a turnaround time of less than 24 h. All the major DTH players have invested heavily, by appointing trained technical team to address any customer complaints at the earliest. Unlike the DTH players, the local Cable operators generally employs youths from the neighbourhood who mostly get trained on the job rather than having any previous technical expertise. However the cable operators have much less turnaround time because of their proximity to the customers but resolution time may vary depending on the nature of complaint.

In spite of many challenges, various reports published in recent time depict a very bright future for DTH services in India. According to Media Partners Asia (MPA), the DTH subscriber base in India would grow to 63.8 million by 2017 and 76.6 million by 2020. The major players in the Indian DTH market are Dish TV, Tata Sky, Airtel Digital TV and Sun Direct with around 77% of the total DTH market share (Media Partners Asia 2012). Other major DTH service providers are Big TV and Videocon d2h.

Airtel Digital TV

Airtel Digital TV, a major DTH player in the Indian market, is owned by the Bharti Airtel group, the largest mobile service provider in India. Airtel Digital TV was launched in 2008. Unlike other DTH players it does not promotes extensively on various media, but Bharti Airtel as a group do spend heavily on promotion. Airtel focuses on seamless integration of various services provided to a single customer. For example a customer subscribing to Airtel Mobile and Airtel Digital TV would pay a single bill for availing both the services. It offers online payment option, and also provides 24 $\times$ 7 customer support facility. Airtel Digital TV has invested heavily in acquiring new technologies for providing the best picture and sound quality. It also offers various interactive services related to sports, astrology and instant news update.

Like other DTH players it provides its subscribers the option of ordering English, Hindi and regional movies 'on demand'. Airtel Digital TV set-top-boxes of 'Standard' type are priced at Rs. 2000 and 2250 (Airtel Digital TV, http://www.airtel.in/digital-tv), in addition to installation charges that can be around Rs. 200. However with every new set-top-box Airtel offers either 1 or 2 month free subscription of channels. (For Rs. 2000 set-top-box: 1 month free subscription of 150 channels worth Rs. 300 and for Rs. 2250 set-top-box connection: 2 months free subscription of 183 channels worth Rs. 430). Airtel provides its customers the option of selecting their own channel packages having a monthly subscription fee ranging from Rs. 220 for 155 channels to Rs. 430 for 220 channels (Airtel offers more pay channels compared to free to air channels in each of their packages than any other DTH player). Airtel also provides the option of subscribing to a small bouquet of channels (for example: a bouquet of major sports channels) under 'Chota Pack'. A subscriber is also free to choose any additional channel, which is not included in a particular pack, and pay only for that channel. Under the same option a subscriber can select standalone channels without subscribing to any specific packages. To specially meet the requirement of viewers from South India, Airtel also offers special packs loaded heavily with regional channels under 'South India Pack'. Details about major channels covered under various packages, price of subscribing to standalone channels, and add-on packs—'Chota Pack' as offered by Airtel Digital TV is provided in Tables 4, 5 and 6 respectively. Details about Multi TV subscription offered by Airtel Digital TV are provided in Table 7.

Major Television Channels in India

Indian television channels can be categorized broadly into Hindi Entertainment Channels, English Entertainment Channels, Hindi News Channels, English News Channels, Business News Channels, Sports Channels, Hindi Movies Channels, English Movies Channels, Lifestyle and Music Channels, Kids Channels, Devotional Channels, Infotainment Channels and Regional Channels. A list of all major channels in each of national level segment of Indian Television has been given in Table 8. Regional Channels: Includes channels broadcasting their programs in various regional languages, targeting a particular segment of the population.

The Viewing Habits of the Family

Madhu, after doing her majors in Economics, from Delhi School of Economics, is currently settled in Delhi with her family for the past 5 years. She remains quite busy while managing both her home and office, and often working late at home on her laptop. Still, she manages to balance her life to catch her favourite popular daily serials, viz., Madhubala and Balika Vadhu appearing on Colours, Mahadev appearing on Life OK and Jodha Akbar appearing on Zee TV. Also, like all other members of her family, she possesses a keen interest in various reality shows, viz., Kaun Banega Crorepati (Indian adaptation of Who Wants to be a Millionaire) on Sony, Bigg Boss (Indian adaptation of Big Brother) and Jhalak Dikhla Jaa (a celebrity dance reality show) on Colors, and Master Chef (Indian adaptation of a program under the same name) on Star Plus. If she misses any of the programs on their usual time, she makes it a point to watch the repeat telecast of the programs—even at odd hours.

Interestingly, from 4:00 to 5:30 p.m., it's her 8 year old kid, Krish, who is in charge of the remote. Krish likes to surf between channels such as Cartoon

Table 4 Major channels covered under various standard packs for Airtel Digital TV (Rs/month)

Channels	Value sports (Rs. 220/month)	Economy sports (Rs. 300/month)	Mega (Rs. 350/month)	Ultra (Rs. 430/month)
Hindi entertainment				
9X				
Colors	o	o	o	O
Life OK	o	o	o	O
SAB TV	o	o	o	O
Sony	o	o	o	O
Star Plus	o	o	o	O
Zee Smile				
Zee TV	o	o	o	o
English entertainment				
AXN			o	o
CBS Love				o
CBS Prime				o
Comedy Central			o	o
Fox Crime			o	o
FX				o
Star World			o	o
Zee Café			o	o
Hindi news				
Aaj Tak	o	o	o	o
IBN7	o	o	o	o
NDTV India	o	o	o	o
Sahara Samay				
Zee News	o	o	o	o
English news				
Aljazeera				
BBC World			o	o
CNN				o
CNN IBN		o	o	o
Headlines Today		o	o	o
NDTV 24×7		o	o	o
News X				
Times Now		o	o	o
Business news				
CNBC TV18			o	o
Bloomberg			o	o
ET Now			o	o

(continued)

Table 4 (continued)

Channels	Value sports (Rs. 220/month)	Economy sports (Rs. 300/month)	Mega (Rs. 350/month)	Ultra (Rs. 430/month)
NDTV Profit			o	o
Zee Business	o	o	o	o
Sports				
ESPN		o	o	o
Neo Prime				
Neo Sports				
Sony Six		o	o	o
Star Cricket		o	o	o
Star Sports		o	o	o
Ten Cricket		o	o	o
Ten Golf				
Ten Sports		o	o	o
Hindi movies				
Movies OK		o	o	o
SET Max	o	o	o	o
Star Gold	o	o	o	o
UTV Action	o	o	o	o
UTV Movies	o	o	o	o
Zee Cinema	o	o	o	o
English movies				
HBO			o	o
MGM				o
Movies Now			o	o
Star Movies		o	o	o
WB			o	o
Zee Studio		o	o	o
Lifestyle and music channels				
MTV		o	o	o
Bindass	o	o	o	o
Channel V	o	o	o	o
Fox Traveller	o	o	o	o
Sony Mix		o	o	o
TLC			o	o
UTV Stars				
VH1			o	o
Zoom	o	o	o	o
9XM	o	o	o	o

(continued)

Table 4 (continued)

Channels	Value sports (Rs. 220/month)	Economy sports (Rs. 300/month)	Mega (Rs. 350/month)	Ultra (Rs. 430/month)
Infotainment				
Animal Planet	o	o	o	o
Discovery	o	o	o	o
Discovery Science				o
History TV18	o	o	o	o
Nat Geo Adventure		o	o	o
Nat Geo Wild	o	o	o	o
National Geographic	o	o	o	o
Kids channels				
Cartoon Network	o	o	o	o
Discovery Kids		o	o	o
Disney		o	o	o
Hungama TV		o	o	o
Nickelodeon	o	o	o	o
Pogo		o	o	o
Sonic				
Devotional				
Aastha	O	o	o	o
Disha	O	o	o	o
Jagran				
Sadhna				
Sanskar	O	o	O	o

Source: http://www.airtel.in/personal/digital-tv (accessed September 2012)

Network, Pogo, Discovery Kid, Disney Channel and Nickelodeon. However, Krish has no special preference and watches various shows broadcasted across different channels—his latest craze being the Angry Birds appearing in Pogo.

Madhu's husband Shikhar, who is currently working as a scientist in a government agency, does not like his son spending too much time watching cartoons; rather he encourages his son to watch informative channels such as Discovery, Animal Planet, National Geographic Channel or History TV 18. Shikhar, though not a very big follower of daily soaps, but reluctantly watches them along with his family in the evening. Once Shikhar has control over the remote, he switches to and

Table 5 Standalone prices of major channels offered by Airtel Digital TV (Rs/month)

Hindi entertainment		*Sports*		*Kids channels*	
9X	NA	ESPN	45	Cartoon Network	25
Colors	25	Neo Prime	45	Discovery Kids	20
Life OK	20	Neo Sports	45	Disney	25
SAB TV	20	Sony Six	45	Hungama TV	25
Sony	20	Star Cricket	45	Nickelodeon	25
Star Plus	20	Star Sports	45	Pogo	25
Zee Smile	NA	Ten Cricket	40	Sonic	20
Zee TV	25	Ten Golf	NA	*Devotional*	
English entertainment		Ten Sports	40	Aastha	10
AXN	25	*Hindi movies*		Disha	5
CBS Love	20	Movies OK	25	Jagran	NA
CBS Prime	20	SET Max	35	Sadhna	15
Comedy Central	20	Star Gold	25	Sanskar	5
Fox Crime	20	UTV Action	20	*Infotainment*	
FX	20	UTV Movies	20	Animal Planet	25
Star World	25	Zee Cinema	25	Discovery	25
Zee Café	20	*English movies*		Discovery Science	20
Hindi news		HBO	30	History TV18	25
Aaj Tak	10	MGM	20	Nat Geo Adventure	20
IBN7	10	Movies Now	25	Nat Geo Wild	25
NDTV India	10	Star Movies	25	National Geographic	20
Sahara Samay	NA	WB	30	*Business news*	
Zee News	10	Zee Studio	30	CNBC TV18	15
English news		*Lifestyle and music channels*		Bloomberg	10
Aljazeera	NA	MTV	15	ET Now	15
BBC World	15	Bindass	10	NDTV Profit	15
CNN	15	Channel V	15	Zee Business	15
CNN IBN	15	Fox Traveller	5		
Headlines Today	15	Sony Mix	15		
NDTV 24×7	10	TLC	25		
News X	NA	UTV Stars	NA		
Times Now	15	VH1	15		
		Zoom	15		
		9XM	15		

NA Not Available
Source: http://www.airtel.in/personal/digital-tv (accessed September 2012)

fro between news channels, to catch the latest headlines. He never misses 'The Newshour'—a daily news show appearing in Times Now. Madhu's retired father-in-law has a keen interest in Indian stock market and minutely follows every other development in the Indian as well as international markets. Between 9:30 and

Table 6 Add-on packs offered by Airtel Digital TV (Chota Pack) (Rs/month)

Name of Bouquet Pack	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
HD Plus Top-up (Rs. 175/month)	Star Plus	Star Gold	Zee Cinema	National Geographic	Discovery	Movies Now	Sony Six	Zee TV	Sony	Colors	Star World	Star Movies	ESPN	Ten Sports	Star Cricket	Zee Studio
Sports HD Top-up (Rs. 99/month)	ESPN	Star Cricket	Ten Sports	Sony Six												
Infotainment HD Top-up (Rs. 51/month)	Discovery	National Geographic	History TV18													
English Plus HD Top-up (Rs. 62/month)	Star World	Star Movies	Movies Now	Zee Studio												
New Bada Kids Top-up (Rs. 55/month)	Nickelodeon	Disney	Hungama TV	Nick Junior	Cartoon Network	Discovery Kids	Pogo	Sonic	Nick Junior							
HBO Hits and Defined Top-up (Rs. 49/month)	HBO Defined	HBO Hits														
English Plus Top-up (Rs. 75/month)	AXN	Comedy Central	Star Movies	Sony Pix	WB	Star World	Movies Now	FX	HBO	Zee Café	MGM	TLC	Fox Crime	Zee Studio		
Mega Sports Top-up (Rs. 110/month)	ESPN	Star Sports	Star Cricket	Star Sports 2	Ten Sports	Ten Cricket	Ten Action	Neo Sports	Neo Prime							
Neo Plus Top-up (Rs. 50/month)	Neo Sports	Neo Prime														
Ten Plus Top-up (Rs. 50/month)	Ten Sports	Ten Cricket														

Source: http://www.airtel.in/personal/digital-tv (accessed September 2012)

Table 7 Multi TV subscription offered by Airtel Digital TV

Advertisement
Multi-connection at JUST Rs. 1770
Now get Airtel digital TV for your multiple TVs at home starting Rs. 1770. Also get attractive discount on monthly rent of multi room connections
• One Set-Top-Box per television
• One common dish for multiple TV connections
• Different programmes on different televisions at any given time
• Free installation for all connections
• Attractive Monthly rental—SD @ Rs. 180/month, HD @ Rs. 200/month

Source: http://www.airtel.in/personal/digital-tv (accessed September 2012)
Note: This discount is applicable only on base package and not on add-on channels
1. All prices mentioned against SITI CABLE are exclusive of taxes @ 12.36%. Prices mentioned against Airtel Digital TV is inclusive of all taxes.
2. In some cases small bouquet of channels, if subscribed, has to be subscribed for more than 1 month; unlike individual channels that can be subscribed for 1 month.
3. SITI CABLE does not offer smaller bouquet of channels.
4. For additional connection (if required), only base package would be subscribed.
5. All prices mentioned are in Indian Rupees.
6. If nothing is mentioned the prices indicates prices payable on a monthly basis

3:00 p.m. he literally remains glued to the TV, switching between channels such as CNBC TV18, Bloomberg and ET Now.

Madhu's mother-in-law is a pious Indian house-maker. She never misses the morning shows in various devotional channels such as Aastha and Sanskar. She is a huge follower of Baba Ramdev, a spiritual guru, and keenly follows his preaching. Madhu's sister-in-law is a complete music and movie buff, having all the latest information about Hollywood and Bollywood film releases. She never misses any of the reality shows such as Roadies, Emotional Atyachar broadcasted in various lifestyle channels, viz., MTV, Bindass and Zoom. She also likes to catch up with various Hollywood movies on Star Movies, HBO and WB.

Though the family likes to enjoy the evening together, but altercations between Krish and rest of the family members over the control the remote is not very uncommon. To avoid such altercations, Madhu and Shikhar are also contemplating on the idea of an additional television set. Interestingly, when it comes to sports and especially cricket, everything takes a back seat and the whole family gets glued to the television set. It's quite usual for Shikhar and his father, spending their nights just watching all the live cricketing actions featuring India. The father and son duo are also gearing up to catch all the live football World Cup actions in 2014, to be broadcasted in ESPN and Star Sports. Though, sports are followed very keenly by male family members, but they hardly watch Neo Sports, Neo Prime, Ten Action and Ten Golf.

Table 8 Major TV channels across various segment of Indian Television Industry

Hindi entertainment	*English news*	*Sports*	*Lifestyle and music channels*	*English movies*
Colors	Aljazeera	ESPN	MTV	HBO
Life OK	BBC World	Neo Prime	Bindass	MGM
SAB TV	CNN	Neo Sports	Channel V	Movies Now
Sony	CNN IBN	Sony Six	Fox Traveller	Star Movies
Star Plus	Headlines Today	Star Cricket	Sony Mix	WB
Zee TV	NDTV 24×7	Star Sports	TLC	Zee Studio
	News X	Ten Cricket	UTV Stars	
English entertainment	Times Now	Ten Golf	VH1	*Kids channels*
AXN		Ten Sports	Zoom	Cartoon Network
Comedy Central	*Business news*		9XM	Discovery Kids
Fox Crime	CNBC TV18			Disney
FX	Bloomberg	*Hindi movies*	*Infotainment*	Hungama TV
Star World	ET Now	Movies OK	Animal Planet	Nickelodeon
Zee Café	NDTV Profit	SET Max	Discovery	Pogo
	Zee Business	Star Gold	Discovery Science	Sonic
Hindi news		UTV Action	History TV18	
Aaj Tak	*Devotional*	UTV Movies	Nat Geo Adventure	
IBN7	Aastha	Zee Cinema	Nat Geo Wild	
NDTV India	Disha		National Geographic	
Sahara Samay	Jagran			
Zee News	Sadhna			
	Sanskar			

The Dilemma

Shikhar and Madhu, though belonging to the upper middle class of the society, having a monthly family income of around Rs. 90,000, have started feeling the pinch in their pockets, given the consistent high inflation over last couple of years. Madhu is quite confused whether to continue with her local cable operator and adopt a Set Top Box. She is also weighing her options of shifting to similar bouquet of channels or any other pack under a different DTH service provider. She also wants to give a thought to 'Customized Packs' kind of options under various platforms, without having to compromise on the choice of her family's favourite channels. She is not very sure whether Shikhar and other family members will support the idea of tailor-made 'Customized Packs' with far lesser number of channels, even though all their favourite channels being part of the subscription.

It was a Friday evening; Madhu was contemplating hard—whether she should really think of alternatives—given the fact that she knows the local cable operator for last 5 years, when suddenly their door-bell rang. Madhu opened the door. It was Gauri—one of Krish's very good friends—who lives two blocks away:

Gauri: Hello Aunty.
Madhu: Hello Gauri.
Gauri: Aunty, can I watch Angry Birds with Krish.
Madhu: What happened to your TV—has it broken down?
Gauri: No Aunty, our TV is working fine, but our local cable operator has taken off Pogo since today morning.
Madhu: But you have already taken Set-Top-Box from the cable operator—then why?
Gauri: I do not know.
Madhu: Sure, come in. Krish would be very happy to see you.

Madhu's is in dilemma and does not know what she should do. She is just wondering how much she has to deliberate on such pity issues for her family—and yet she finds it so hard to converge on any particular solution.

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Case Study 6: Funmax 4D Animation Theatre

Rashmi Malik, Kalpit Shah, Brahmeswarar Yerrabolu, Harikumar B. Varrier, Sumit Bhat, and Atanu Adhikari

It was just another evening of December 2011, when Mr. Murthy Dasaka stood in his office cubicle looking outside the window thinking what to do next to bring on track the entrepreneurial venture that he had ventured into along with his friends as business partners with a desire to take the entrepreneurial plunge, make some profit and provide employment. The business Mr. Murthy ventured into was 4D Animation Theatre which he and his partners named as FunMax4D.

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DOI 10.1007/978-3-319-51545-8_6

Basic Information and Company Background

Funmax4D, a 30 seater gaming and 4D Video Ride Theatre, was started by Mr. Anand Prakash, Mr. Murthy D. and Mr. Mohan Rao as main partners with an initial investment of INR 18 million from their personal funds and with a few other partners with smaller contribution. The main partners are highly successful and skilful in their own careers and well settled in life. Their intention of this venture was to provide employment and also to make profits and foray into other business areas once they succeed. Mr. Rao is a retired IAS officer. Mr. Murthy and Mr. Anand are born in India, educated in US and had spent 15+ years in US before returning to India. Mr. Murthy and Mr. Anand were classmates while pursuing their MS in the United States.

Mr. Rao once happened to meet with Abraham (a mechanical engineer at Hyderabad) who was the owner of *Incredible Systems* which specialized in pneumatic control systems for 4D theatres. Abraham mainly worked in Jordan/Saudi Arabia specializing in pneumatic control of 4D chairs. He has teamed up with N-Wave (www.nwave.com), a Belgian firm, which develops 3D films and converts them into 4D. N-Wave and Abraham teamed up to combine 3D game development with pneumatic control resulting in 4D effects.

Mr. Rao started the 4D theatre in Vizag, Andhra Pradesh with 5000 sq. ft. area in a mall.Vizag venture consisted of game zone, mirror maze and horror-house in addition to 4D theatre. In the first six months of operations Mr. Rao could generate INR 3 million revenue per month and subsequently INR 1.5 million per month which is still about 40% profits. He could observe great potential of this venture, through good market response and excellent revenue stream. Given the success he achieved in Vizag Mr. Rao wanted to venture into Bangalore. Through his son-in-law, Mr. Rao contacted Mr. Murthy who resides in Bangalore, Karnataka and presented the details of the venture and its subsequent success history. Mr. Murthy looped in Anand along with him Mr. Anand also lives in Bengaluru.

Eventually, at Bangalore FunMax4D theatre started with INR 18 million as the initial investment and the stake was controlled between Mr. Rao's group and Mr. Murthy/Anand's group.

The owners and the stakeholders also decided to setup a Gaming zone along with 4D theatre to be able to cover up for profits and expenditures and keep the business going in case the sales for a particular month are low.

Ownership and Organization Structure

Ownership details of the venture in Bangalore are as mentioned in the below table:

Name	Percentage	Remarks
Anand Prakash	20.9	
Aruna Dasaka	12.75	Murthy's spouse

(continued)

Mohan Rao	29	
Rekha Priya	12.75	Daughter of Mohan Rao
Rekha Sudhakar	12.75	
Others	Remaining	Total of eight partners with smaller equity ownership

The organization structure is as below:

Chairman of the company is Mr. Mohan Rao with board of directors as Mr. Anand Prakash, Mrs. Aruna Dasaka, Mr. Mohan Rao, Mrs. Rekha Priya, Mrs. Rekha.

Mr. Dasaka Murthy's wife is the official owner of the business.

Operation is managed by Mrs. Rekha Priya with staff of 6 people. One manager, four operators, one accountant and one cashier.

Animation Industry in India

The Indian animation industry encompasses both 2D traditional, and 3D animation, as well as visual effects for feature films. Although India's film industry has a long history, it is a relative newcomer to the world of animation. 4D is a new concept in India.

The Indian animation industry was estimated at $354 million in 2006 and was forecast to reach $869 million by 2010.Animation in India is currently riding on two key factors—a large base of highly skilled labour, and low cost of production. While the industry is gaining prominence steadily, several important factors such as the government's role in supporting the animation industry, and producing original content locally.

Some of the other estimates of the NASSCOM report on animation indicate the following:

In the non-entertainment segment the demand for animation production services will touch US$14.7 billion by 2015.

The global film/TV program production market will create a US$17.5 billion revenue opportunity for animation production houses.

The Indian gaming industry was estimated at nearly $48 million in 2006 and is expected to cross $424 million by 2010.

(Source http://en.wikipedia.org/wiki/Indian_animation_industry)

Content, 4D Technology and the Suppliers at Funmax4D

Due to the fast growth of movies, video, and the entertainment industry, 3-D Theatres have been enhanced by the addition of special simulations. The combination of 3-D movies with chair movement (vibration, sway, tilt, drop, wave motion, or movement in any direction) and other chair effects, such as wind blowing, water spraying, leg and back ticklers, is considered a 4-D experience.

Every game purchased from the 4D game vendor needs to be programmed for good effects and 4D experience. Incredible systems are the video content vendor for Funmax4D. Due to high cost of the content, it is licensed as three games/movie per package. Incredible systems charged about INR 0.5 million for content package.

Projector maintenance is required to have it set right for hosting the movies every day. In-house expertise needs to be developed in hardware/software programming for every movie being run. This programming involves synchronizing the various components like chair, perfume sprays etc. in accordance with movie effects.

Changing the movie quite often is a challenge due to high price of the content and the configuration and programming needed to set the theatre up for the particular movie.

Brief Description of Brand, Product Category and Company

FunMax4D as a Company

FunMax4D Family Entertainment (FunMax4D) is an entertainment company driven by young professionals. It presents the first 4D animation theatre setup in Bangalore with state of art technology that allures various age groups. FunMax4D already has two 4D SFX theatres in Hyderabad and one each in New Delhi and Visakhapatnam, besides which it has set up two theatres in Saudi Arabia and one in Jordan. There are around 100 4D animation theatres around the world from different entertainment firms, and now FunMax4D has come up with this concept and in India.

FunMax4D as a Brand

FunMax4D is on the way to be established as a successful brand as a pioneer in themed environment in India. Since this is a new concept in India, it is still catching up to be distinguished as unique from others. Funmax4D is the first 4D animation theatre in Bangalore, similar to establishment in Vizag, which was the first operation. There are new entrants coming in this business but since the concept is new, there aren't any well-established brands yet in this industry in India. In other cities around the world, where FunMax4D was initially established it is a pioneer in themed environment at malls and amusement parks with a variety family entertainment options such as mirror maze, spintrix, horror house, 4D Theatre, Playpen, Food court, Amazing Children play area, etc.

FunMax4D as a Product Category

4D falls under the Entertainment category. Funmax4D delivers 4D content to the viewers. To cover up and handle operating expenditure during reduced sale during certain months, it also has a game zone in the same arena.

As a product, 4D adds one more dimension to the currently present 3D animation by addition of fourth dimension in the form of sensory experiences. Viewer is splashed by water, feels the wind pass over him, smell the flowers and now, be showered with snowfall. Each film is of just 7–20 min duration. And by the end of this cinematic experience, one comes out with the film seeping through his bone. The theatre layout includes specially designed walls to give a 3-dimensional look to it.

FunMax4D Customers

The customers that FunMax4D targets is mainly children between 10 and 20 years of age, who can relate with the content and at the same time not have issues like nausea, etc. due to multiple movements happening while the 4D movie is playing. The customers exclude pregnant females and people with blood pressure issues.

Currently focus is on Tier 1 cities (like Bangalore Hyderabad) where there is higher income group concentration and people are enthusiastic about trying out new means of entertainment.

Competition for FunMax4D

Several new 4D theatres are emerging throughout India in major cities like Delhi, Mumbai, Bangalore and Hyderabad. The only 4D theatre in or around Bangalore till the year 2011 was at Innovative Film City, Bidadi. It is 35 km from the city of Bangalore. It is a part of a 55 acre entertainment development. Another 4D Theatre has recently coming up in Bengaluru with the assistance of Mr. Abraham (owner of *Incredible Systems*) in a mall in Jayanagar, Bangalore. This is still under development. Analysis of Funmax4D with 4D Theatre in Innovative Film city is provided in Table 1 and Fig. 1.

Situation Analysis

The situation analysis attempts to address the question “Where is the organization now?”

Table 1 Comparison with innovative film city (another 4D animation theatre around Bangalore)

The only 4D is at Innovative Film City, Bidadi. It is 35 km from the city. It is a part of a 55 acre entertainment development				
Footfalls (Film City)				
During season				
Weekdays		1000–1500		
Weekends		3000–5000		
During Off-season				
Weekdays		500–1000		
Weekends		1000–2000		
Average sales of 4D tickets (Only weekends as they do not run it during weekdays)				
Rate				100/- for 20 min
Seats			50	
No. of shows in a day	15			
Occupancy			95%	

Source: FunMax4D

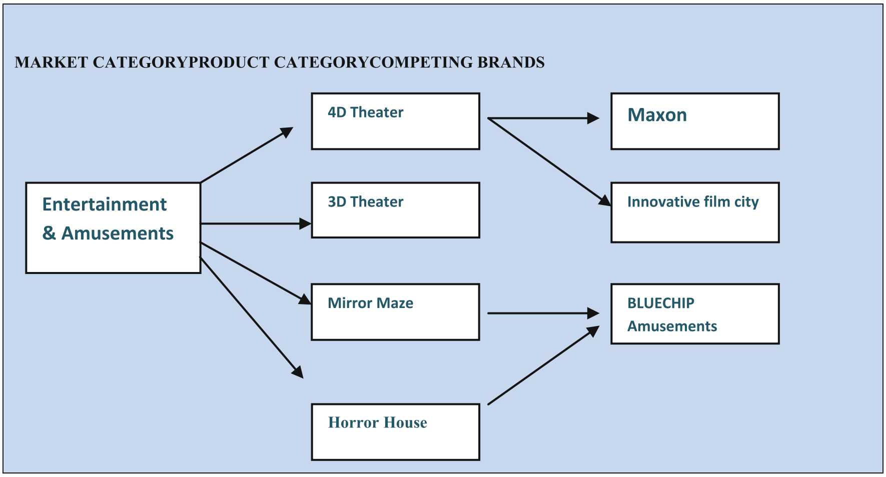


Fig. 1 Market category, product category and competing brands for FunMax4D (Source: FunMax4D)

Overview of the Issues Seen at FunMax4D

Initial setup of the FunMax4D along with the opening was completed by Mr. Anand. Within few months into the operations, unfortunately, differences crept amongst major partners. Mr. Murthy was working as the mediator between major partners. Operations have now been handed over to Ms. Rekha Priya (another director and board member).

During the first six months, FunMax4D ran into several operational issues and needed control over its suppliers. Mr. Abraham (the supplier) was supposed to provide all the service and maintenance of the chairs, projectors, setup and pneumatic control hardware/software. Abraham's service but the support he provided was very dismal. It had to be replaced piece by piece. Abraham's as supplier was completely eliminated.

Projector maintenance is now been given to local Hitachi dealer. In-house expertise is developed in hardware/software and in-house programming. Other areas have been given to local vendors who can support/service the needs immediately.

Incredible Systems was a tightly coupled for video purchase to FunMax4D. Incredible Systems had restrictions in terms of sharing the video games with other 4D Theatre in the country. Had this option been there it would have reduced cost for FunMax4D. FunMax4D started to tie with other 4D movies vendors where such restrictions don't exists. FunMax4D has partnered with Vizag 4D theatres to share the 4D movies. This helped to reduce the movie costs. Funmax4D ideally would like to play five different movies in a year. The increase in the number of movies per year is a challenge because each movie needs customized programming of fourth dimension (seat movements, synchronization, sprinkling, smells, etc.)

Marketing Objectives

Based on the information available about the past and current situation of FunMax4D, the marketing objectives for FunMax4D are identified as below:

External Objectives

- Enhance FunMax4D brand image as pioneer of entertainment
- To effectively communicate to target audience that FunMax4D experience is dynamic and fulfilling Entertainment choice
- To deliver best-in class entertainment to the audience and add exceptional value to their experience
- To create the desire to visit and re-visit the theatre and increate footprints

Internal Objectives

- To establish entrepreneurship inside the company.
- To improve the delivery of 4D movies the service efficiently without much dependency on the vendors.
- Effective coordination and harmony amongst various stakeholders.

Marketing Strategies

Segmentation Scheme, Segmentation profiles

4D film industry satisfies specific needs of a customer group. The customers in this segment look for movies which have superior graphics; breathtaking animation and quality visual effects. Customers in this segment are technology savvy.

Target Segment and Rationale

Bases of Segmentation are Geographic, Demographic, Psychographic and Behavioral. A more elaborate view is as depicted below

I. Geographic:

1. **Cities: Tier-1, Tier 2**: This is because the people in these cities have the spending power to afford the 4D animation. Due to cost of the setup of 4D Animation Theatre and high operation Cost it has to be located in cities which have high concentration of people who can afford the Ticket.
2. **Place**: The 4D animation theatre needs a decent amount of space to be set up. Also it needs to have gone through all the required regulations and guidelines of fire safety, etc. It should also be located in an environment where people can do more than one activity like shopping, eating, etc. Considering these factors, the suitable places to have such animation setups are Malls, Theme parks, Museums, education centers, entertainment fairs.

II. Demographic:

1. **Age**: 5–9 years and 18–35 years. This age group finds interest in animation and theatre.
2. **Income**: Upper middle class, Upper class, to be able to afford the tickets.
3. **Education**: School children, Literate crowd. This segment can understand the content of 4D.
4. **Family size**: Young, Young married, Young married with child under 10. This age group has time and looks for opportunities to spend time in various entertaining activities.

III. Psychographic:

- Customers who watch 4D movies are young, enthusiastic people.
- Impulsive people who seek variety.
- Spend high proportion of income on entertainment.

VALS (Value and Lifestyles) Segmentation:

Consumer Motivation: Self Expression, **Consumer Resources**: High

IV. Behavioral:

Based on knowledge of, attitude toward, use of, and response to product the various Decision roles possible are:

Initiators: Children between the age of 5 and 9.

Decider: Children between the age of 5 and 9 and young people between age group of 18 and 35.

Positioning and Rationale

FunMax4D is still undergoing the process of carving out a unique position in the marketplace in Bangalore city. With ongoing changes in economic conditions, competition, and various stages of Buyer interest, it needs to reevaluate its positioning strategy.

Competitive frame of reference for FunMax4D

Products and set of products the FunMax4D which act as close substitutes in the entertainment arena are as mentioned as below

- Bowling alleys
- Commercial movies
- 3D movies
- Video gaming zones
- Other 4D competitors in the market

Points of difference

- 4D animation
- Best in class experience
- State of the art infrastructure

Points of parity

- Entertainment
- Value for money

Category Membership

The product or set of products FunMax4D competes with

- 3D and 2D animation theatres
- Entertainment mediums like Innovative Film city in Bangalore
- Entertainment mediums in the malls where FunMax4D is currently operation. These mediums include other sources of entertainment like fun zones.

Value proposition

- Best in class 4D animation experience at affordable price

Marketing Action Program

In the last financial year Funmax4D's profit after tax has declined by large percentage. The profits for the last year are not what as expected. Towards achieving a better growth rate, Funmax4D has estimated the cost of the marketing activities in the marketing plan that will have a budget to keep everything on track over the course of the year. Typical marketing expense categories are marketing communications, market research, promotions, advertising, events and public relations. Here we quantitatively access the results of implementing this marketing plan by setting numerical targets and time limits and regularly assess the progress during the year and thus constantly adjust goals to reflect changes in market conditions.

Product

FunMax4D is true expert in the introduction of new 4D movie mix in Bangalore. It is believed that the quality of the content is critical to success. Funmax4D believes that there are many factors contributing to how successful an attraction from the customer can be for the 4D industry. The 4D theatres are a "black box" that can be filled with any type of experience. Having a piece that emotionally connects with the Customer and having the emotion weave into the rest of the experience would be the primary focus. Funmax4D will continue its commitment to provide the best 4D experience possible with equipment upgrades and new programming of 4D films across the India. FunMax4D currently is only into only animation and entertainment movies and no educational or similar content. All user groups may not have similar inclination for the kind of content being run in the theatre.

Price

FunMax4D currently charges a price of 150–200 Rs. per ticket per movie. There are no bulk discount options available for corporates or educational institutions. This is due to the high operational cost of maintaining the 4D Theatre. With the analysis of consumer category that visits the mall and hence the theatre, this price falls in the affordable range.

Place

Funmax4D is currently located in one of the most famous malls in Bangalore city, the Garuda Mall located at MG road area. The place is one of the oldest and most famous shopping destinations in Bangalore. FunMax4D wants to work in a forward course to continue to invest and implement several growth initiatives and expand its operations across the Bangalore city. More information about Garuda mall can be found at its Website: http://www.garudamall.net/. Footfalls (# of people visiting the mall) for Garuda Mall are as depicted in Table 2.

Total space rented at Garuda Mall is 2000 sq. ft. out which some portion is not used. FunMax4D tried to use this for video games or other entertainment but did not succeed. It would really help if the total area is 4000 sq. ft. or so to venture into related entertainment services provider for fun zone activities like mirror maze, scary house (these are other activities that FunMax4D is capable of providing as in their other operations, these are provided).

FunMax4D tried to establish additional unit in Bengaluru at Soul Space mall (new one opened on Marthahalli, Outer Ring Road, Bangalore in 2011) but due to difference of opinion amongst the partners the expansion idea was dropped. This would have given FunMax4D some flexibility to bargain with Garuda Mall owners or close the Garuda Theatre and move to Soul Space.

Table 2 Foot falls in Garuda Mall

AMJ(April/May/June)Qtr	
Weekday	20–25K
Weekend	60K+
Holiday	60K+
JAS(July, August, September)Qtr	
Weekday	20–25K
Weekend	60K+
Holiday	60K+
OND(October/November/December)Qtr	
Weekday	25–30K
Weekend	75K+
Holiday	75K+
JFM(January/February/March)Qtr	
Weekday	20–25K
Weekend	60K+
Holiday	60K+

Source: FunMax4D

Press Clipping

Publication : The Times of India
Date : Saturday, April 24, 2010
Edition : Bangalore
Page : 4(Bangalore Times)

Fun in 4D

***DTP* checks out the 4D movie experience**

ANJALI MUTHANNA, Magrath Road

It's been less than six months since the 3D film phenomenon hit Bangalore in the form of James Cameron's *Avatar*. Since then, several other films in the format have hit screens across the city, most notably *Clash of the Titans* and *How To Train Your Dragon*. However, now film buffs can get set to experience movies in four dimensions, courtesy a theatre in a mall on Magrath Road.

"In commercial terms, 4D films are 3D films plus movement from and around the chair that the viewer is seated in. There are leg ticklers, seat vibrators, smoke, mist and bubbles," explains Anand Patti, the managing director of the theatre chain. The theatre, which opened last week, is currently screening two films: *Haunted House* and *SOS Planet*. "The films that we screen will be 20-minutes-long, and we will change the films every four weeks. Our next change is *Fly Me To The Moon*," adds Anand, who explains that 4D movies are special cuts of their 3D counterparts.

In addition to getting 3D glasses, audiences will also get treated to other effects that will be coordinated with the action they see on-screen. "For instance, if you see someone going down a hill on-screen, your seat will move forward; we also have other effects, like lightning," explains Anand. The theatre currently seats 32. "We need enough place around the seats for the effects, and in a mall, space is a very precious commodity," says Anand.

A family watching a 4D film

Fig. 2 Press advertisement (Source: FunMax4D)

Promotion

Funmax4D wanted to stimulate Customers to take action towards visiting the theatre regularly. But FunMax4D doesn't have a website yet and too much tie ups with online retail stores. It has a mention on the website of Garuda Mall at the web address http://www.garudamall.net/entertainment/index.html.

In its earlier days, it did advertise on radio and through print media (clipping shown in Fig. 2). This did attract customers, but only for short duration of time. Funmax4D was also promoted in its earlier establishment days with online deals stores like dealsforyou.com.

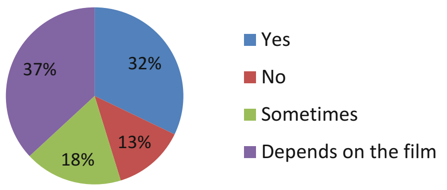
FunMax4D much more dependent on direct selling, word of mouth, etc. At some point in time, to attract customers, FunMax4D started on giving complimentary food coupons for eating outlets in the same mall. This did attract a few college going crowd, who like to eat out but wasn't successful in attracting too much adult crowd since adult crowd is relatively less accustomed to eating out in the snack bars like the ones in malls. The adult crowd preferred fine dining.

Market Research

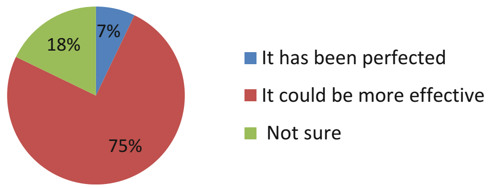
We conducted a Market research for a sample of 150 consumers both in urban and rural geographies was conducted to know the trends in the 3D/4D cinema industry and the preferences they have towards going for cinema. Most of the customers are not aware of what 4D experience is like and hence we included few questions related to 3D so that they can relate to the 4D concept.

A set of questionnaires were used to understand more about the aesthetics of the consumers. The following are some responses.

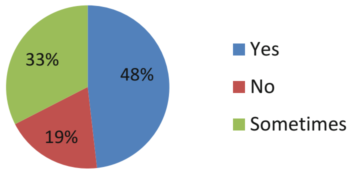
Are 3D Films worth the extra ticket price?



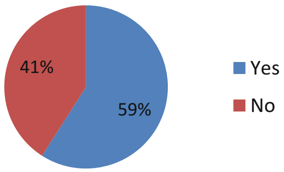
Is the technology for 3D and 4D is perfect and effective?

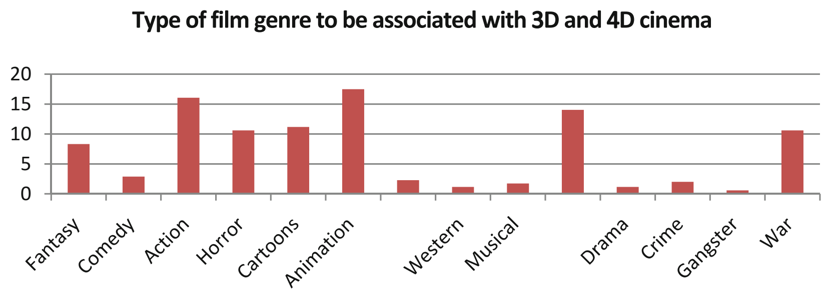


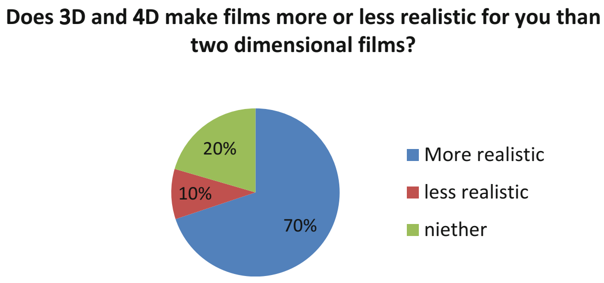
Does 3D tire or hurt your eyes?

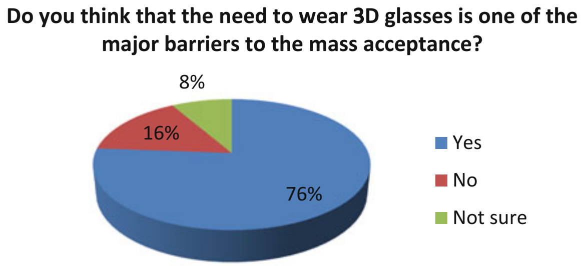


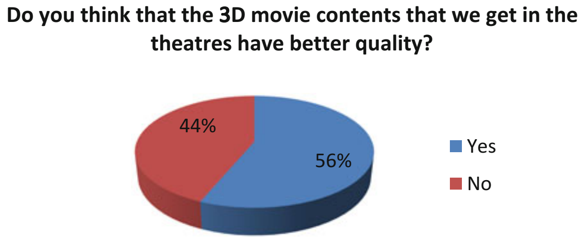
Have you heard about 4D films?

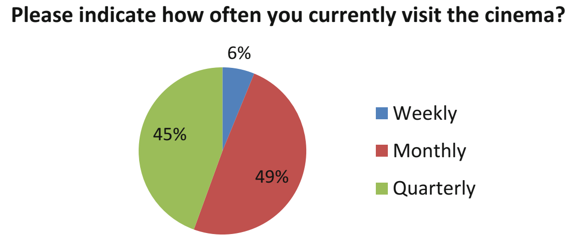


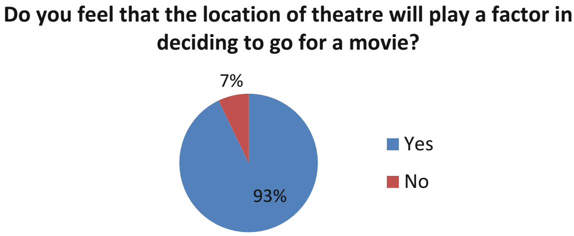

Type of film genre to be associated with 3D and 4D cinema
20
15
10
5
0
Fantasy
Comedy
Action
Horror
Cartoons
Animation
Western
Musical
Drama
Crime
Gangster
War

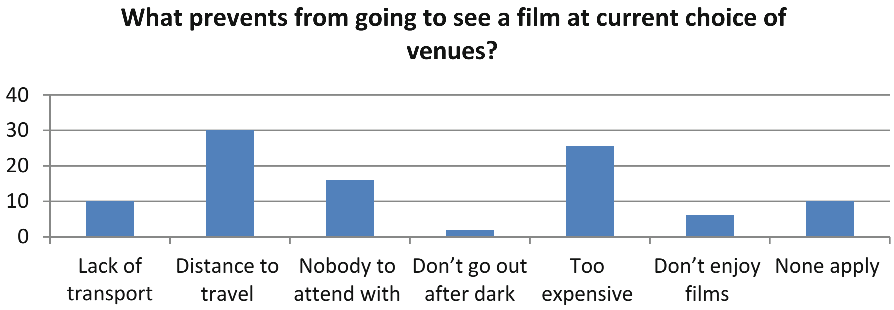

Does 3D and 4D make films more or less realistic for you than two dimensional films?
20%
10%
70%
More realistic
less realistic
niether

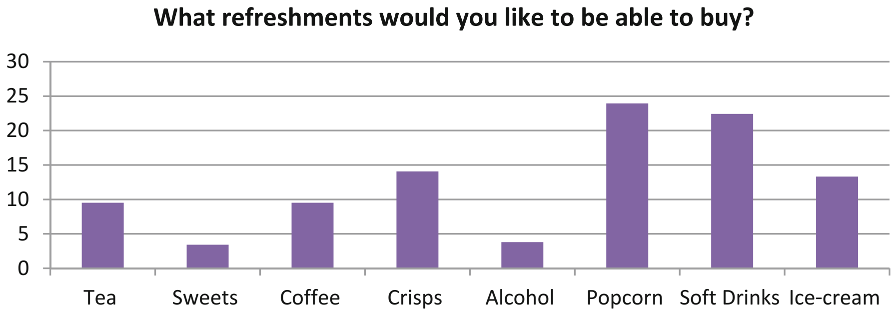

Do you think that the need to wear 3D glasses is one of the major barriers to the mass acceptance?
8%
16%
76%
Yes
No
Not sure

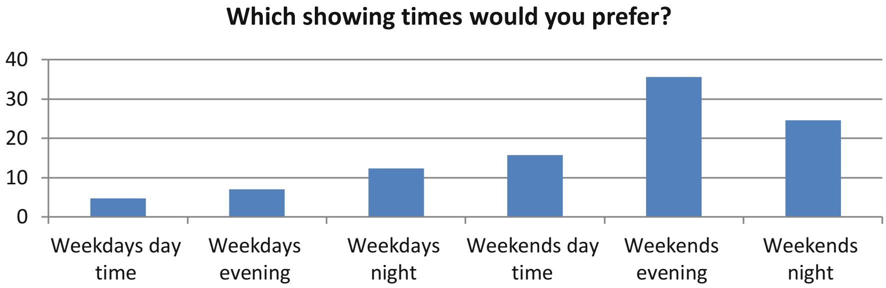

Do you think that the 3D movie contents that we get in the theatres have better quality?
44%
56%
Yes
No


Please indicate how often you currently visit the cinema?
6%
45%
49%
Weekly
Monthly
Quarterly


Do you feel that the location of theatre will play a factor in deciding to go for a movie?
7%
93%
Yes
No


What prevents from going to see a film at current choice of venues?
40
30
20
10
0
Lack of transport
Distance to travel
Nobody to attend with
Don't go out after dark
Too expensive
Don't enjoy films
None apply


What refreshments would you like to be able to buy?
30
25
20
15
10
5
0
Tea
Sweets
Coffee
Crisps
Alcohol
Popcorn
Soft Drinks
Ice-cream



Net Conclusion from the Survey

From the survey, **we can see that there is a great demand for movies especially in the weekends**. The Indian cinema industry with 3D and 4D cinemas is in the growing phase as we can see the recent growth from the opening of multiplexes. Personal income and leisure time of the people are the major driving forces for movie theatres. The profitability of individual companies depends on securing access to popular movies, other entrainment sources and sales of high-margin food and beverages in the premises. **Large companies have advantages in negotiating with movie distributors; marketing; and economies of scale in purchasing**. Small companies can compete effectively by specializing in movie type or audience, or providing better service and amenities.

The Dilemma

Profits at FunMax4D are falling (Current Financial state depicted in Figs. 3, 4 and Table 3) and hence Mr. Murthy is in dilemma as what to do next.

Misled by auditors and due to lack of experience of the owners (in Bangalore) during the time of establishment, FunMax4D got categorized under cinematography instead of amusement category. Entertainment tax under cinematography is 30% on revenue compared to amusement category which is around 17%. This is one of the major issues impacting the overall profitability of FunMax4D

Mr. Murthy urgently needs to address the below issues and based on the analysis decide whether to sell, stop or continue the business operation. The challenges;

- Improve Profits
- Entertainment tax
- Lack of larger area to expand additional revenue generating activities like game zone, mirror maze etc.
- High Rental Cost as the place where FunMax4D is located is at the heart of Bangalore city.

FunMax Family Entertainment Private Limited
Bangalore
Balance Sheet as at 31st March, 2011

(Amount in Rs.)

Particulars	Schedule	As at 31.03.2011
SOURCE OF FUNDS		
1. Shareholders' Funds		
Share Capital	A	900,000
Reserves and Surplus	B	-
2. Loan Funds		
Secured Loans		-
Unsecured Loans	C	18,754,519
TOTAL		19,654,520
APPLICATION OF FUNDS		
1. Fixed Assets	E	
a) Gross Block		16,175,647
b) Less: Depreciation		2,719,287
c) Net Block		13,456,360
2. Investments		-
3.Current Assets, Loans and Advances	F	
a) Inventories		-
b) Sundry Debtors		-
c) Cash and Bank Balances		3,489,465
d) Loans and Advances		3,662,685
e) Other Current Assets		11,473
		7,163,623
4. Less: Current Liabilities and Provisions	G	
a) Current Liabilities		702,000
b) Provisions		1,596,519
		2,298,519
Net Current Assets		4,865,104
5. Deferred Tax Assets (Net)	D	98,532
6. Miscellaneous Expenditure	H	
(To The Extent Not Written off)		
Preliminary and Preoperative Expenses		-
Profit and Loss Account		1,234,524
TOTAL		19,654,520
Significant Accounting Policies and Notes on Accounts	O	

The Schedules referred to above and the notes on accounts form an integral part of the Balance Sheet

Vide our report of even date attached

For akasam and associates
Chartered accountants

Pavan Kumar P V
Partner
M.No. 218888
Firm Reg. No : 005832S.

Place: Bangalore.
Date : 28.09.2011.

For and on behalf of the Board
FunMax Family Entertainment Private Limited

Rekha Priya Sanakkayala
Director

Place : Bangalore.
Date : 28.09.2011.

Aruna Akella Dasaka
Director

Place: Bangalore.
Date : 28.09.2011.

Fig. 3 Balance sheet of FunMax4D (Source: FunMax4D)

FunMax Family Entertainment Private Limited
Bangalore
Profit & Loss Account for the Year ended 31st March, 2011

Particulars	Schedule	Year ended 31.03.2011
INCOME		
1) Movie, Games & Rides Sales	I	14,319,174
2) Other Income	J	61,999
TOTAL		14,381,173
EXPENDITURE		
1) Direct Expenses	K	6,214,002
2) Payments and Benefits to Employees	L	1,236,454
3) Administrative and Selling Expenses	M	3,893,880
4) Financial Charges	N	1,591,275
5)Depreciation	E	2,719,287
6) Miscellaneous Expenses Written-off	H	59,330
TOTAL		15,714,229
Profit Before Tax		(1,333,056)
Less: Provision for Taxation		
a) Current Tax		-
b) Deferred Tax (Asset)/Liability		(98,532)
Profit After Tax for the year		(1,234,524)
Balance Available for Appropriation		(1,234,524)
Less: Prior Period Adjustments		-
Less: Dividend		-
Less: Transfer to General Reserve		-
Balance Carried to Balance Sheet		(1,234,524)
Brought forward Loss		
Weighted average number of equity shares		90,000
Basic & Diluted Earning Per Share		-
Significant Accounting Policies and Notes on Accounts	O	

The Schedules referred to above and the notes on accounts form an integral part of the Profit & Loss Account

Vide our report of even date attached

For akasam and associates
Chartered accountants
Firm Reg. No : 005832S

Pavan Kumar P V
Partner
M.No. 218888

Place: Bangalore.
Date : 28.09.2011.

For and on behalf of the Board
FunMax Family Entertainment Private Limited

Rekha Priya Sanakkayala
Director

Place : Bangalore.
Date : 28.09.2011.

Aruna Akella Dasaka
Director

Place: Bangalore.
Date : 28.09.2011.

Fig. 4 Income statement of FunMax4D (Source: FunMax4D)

Table 3 Monthly income and expense consolidated statement for the year 2011–2012 for both 4D and Gamezone

Income				
Month—2011–12	4D	Gamezone	4D E Tax	Gamezone E Tax
11-Apr	1,349,504.00	131,280.00	389,351.00	2,848.00
11-May	1,845,770.00	153,660.00	496,878.00	6,572.00
11-Jun	1,306,160.00	99,520.00	375,893.00	7,683.00
11-Jul	1,385,294.00	99,560.00	384,972.00	5,081.00
11-Aug	1,106,410.00	85,110.00	273,349.00	4,978.00
11-Sep	1,072,690.00	80,370.00	338,075.00	4,256.00
11-Oct	1,381,470.00	109,890.00	355,435.00	3,887.00
11-Nov	966,160.00	82,180.00	248,938.00	5,495.00
11-Dec	1,433,670.00	146,920.00	410,571.00	4,119.00
12-Jan	1,172,660.00	94,290.00	301,766.00	7,171.00
12-Feb	850,950.00	57,470.00	221,069.00	4,715.00
Total	13,870,738.00	1,140,250.00	3,796,297.00	56,805.00

Expense			
Month	Checks #	Cash #	
Apr-11	1,498,460	196,921	
May-11	965,304	202,011	*** 4D ET is the Key Issue, taking 1/3 of the revenue
Jun-11	1,337,379	157,356	
Jul-11	1,072,509	184,367	
Aug-11	1,035,184	164,460	
Sep-11	1,203,428	145,314	
Oct-11	1,054,972	202,602	
Nov-11	876,818	191,877	
Dec-11	812,189	155,129	
Jan-12	961,216	126,000	
Feb-12	934,149	94,785	
	11,751,608.00	1,820,822.00	13,572,430.00

ET Entertainment Tax
Source: FunMax4D

Sources of Information

1. Financial statement repository from the company
2. Multiple Discussions and site visits
3. FunMax4D
4. http://en.wikipedia.org/wiki/Indian_animation_industry
5. http://www.garudamall.net/entertainment/index.html
6. http://www.indiantelevision.com/aac/y2k10/aac202.php

Case Study 7: Managing Social Media Communications at Garanti Bank

Kaan Varnali, Evrim Ersoy, Sezin Gul Tanriverdi, and Elif Terzi

Introduction

Garanti Bank is named as "Turkey's Most Digital Company" by a study carried out by one of the world's leading management consultancy companies, Accenture, in collaboration with Boğaziçi University, Middle East Technical University, the Turkish Informatics Foundation (TBV) and Vodafone. The bank was also awarded the title of Industry Leader and Digitalization Pioneer by the study, which identifies companies with the highest digitalization scores from across various industries. The Digitalization Index is scaled based on three main criteria for success, namely digital strategy, digital services, and digital operational capabilities. Companies that score over 80% in terms of meeting index requirements and reside among Turkey's largest companies in terms of revenues and assets are designated as "Digitalization Pioneers." The President of Garanti Bank Fuat Erbil proudly commented on the award "As Garanti Bank, we take great pride in being awarded the top spot in Accenture's Digitalization Index of Turkey and in being selected as the company providing the highest customer satisfaction with its digital products and services. We will continue, with an increasing momentum, to put technology in the heart of all our processes with the goal of contributing to the happiness of all our customers and employees". Aiming to sustain this ambitious goal, in a management meeting at the end of the third quarter, Didem Dincer Baser, the Executive Vice President and Chief Digital Officer of Garanti Bank, was steering the course of the

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Social Platforms Management, Garanti Bank, Istanbul, Turkey

A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_7

discussion toward the imminent challenge at hand: "Yes, we take the lead in digital arena almost in all competitive aspects, yet I believe we still can do better in terms of harnessing the true potential of social media, especially in generating leads."

Evrim Ersoy, the head of Social Platforms Management Unit, had just spent five hours before this meeting, going over the details of the social media dash board reports and brainstorming a plan with his ranking officers. He replied to Mrs. Baser confidently: "Fostering leads and increasing the conversion rates have long been our first priority, and the route to achieve it is paved on a deep understanding of the digital customer experience. We not only have to provide satisfactory service episodes in social media, we also have to emotionally engage with our customers with a strong content strategy, while at the same time effectively embed product leads to convert traffic into business. There is a pitfall here. While interaction rate is a strong indicator of success in content strategy, it does not automatically increase leads. On the contrary, due to the fact that bank customers are eager to react to content posted by banks in social media with complaints about costs and fees associated with banking products, it is difficult to come up with an engaging content strategy achieving an overall positive tone of voice, especially when branded content also includes actionable links leading to sales. So let us go over our short term action plan to sustain our goal of converting social media into an active channel to connect with our customers with two potentially conflicting objectives: customer satisfaction and sales".

What does it take to bring all these into being? The challenge is to increase business leads along with the interaction rate. Students are expected to analyse and evaluate the effectiveness of Garanti Bank's approach in social media management in conveying brands' core values and generating leads on social media, ultimately to develop suggestions on how the bank may increase its interaction rate in line with its strategic targets. Further, they are also expected decide on the optimum portfolio of banking products that is most suitable for lead generation on social media.

Background

Garanti Bank Overview

Founded in Ankara in 1946, Garanti Bank is currently the second largest private bank of Turkey with its consolidated assets amounting to around 107.0 billion USD as of 30 September 2014. Operating in all branches of banking sector including corporate, commercial, SMEs, payment systems, private, individual and investment banking, and together with its international subsidiaries in the Netherlands, Russia and Romania, Garanti Bank is an integrated financial services group with its leading financial subsidiaries and affiliates in life insurance and individual pension, financial leasing, factoring, investment and portfolio investment fields.

Current Perception of the Brand

As for brand awareness, Garanti Bank has at all times been one of the pioneers of banking industry. In the banking industry, where harsh competition reigns, customers expect superior service quality. Research regarding Turkish banking industry reveals that high service quality and ease in accessibility are the key factors favouring Garanti Bank in customers' preference.

Garanti Bank distinguishes itself from its competitors in the market competition through its competencies in offering fast and top quality banking services, and on account of being innovative and pioneer in the use of technology, and providing resourceful credit cards. Likewise, extensive branch and ATM network also appears to be the other factors that contribute to the positive brand image of Garanti Bank.

On the other hand, prices, costs, and deductions are among the factors that exert a negative influence on customer perceptions. In general, in the banking industry, customers mostly become a customer to a bank for a variety of reasons such as deposit of their wages in a particular bank or use of credit cards through that bank, many of which are not directly related with the banks' overall brand image. This general characteristic of the banking industry manifests itself in the relationships all banks, particularly Garanti Bank, are trying to establish with their customers on social media. As a result, bank customers do complain a lot in social media.

Garanti Bank in Social Media

In line with the vision of being a pioneer in use of technology, Garanti Bank is very active in social media mainly to increase its brand visibility and awareness, maintain proximity to customers in all channels, and generate business leads for its products.

Through social media, under the leadership of its Social Platforms Management unit established in June 2012, Garanti Bank is not only enabling its customers and followers to make product applications in a wide range from credit to insurance, but also offers 7/24 customer services. At the same time, social media is also used to communicate the bank's organizational culture, arts and sports sponsorships and news regarding its subsidiaries and affiliates. In a wide variety of social media platforms including Facebook, Foursquare, Snapchat, Instagram etc., Garanti Bank keeps the public up-to-date about the innovations in finance world, and offers to its followers special campaigns and contests.

"Ask to Garanti" team (@GarantiyeSor), being a part of the Social Platforms Management Unit, responds to customer problems communicated through all platforms on 7 days 24 h basis, and is offering solutions to problems via Garanti Bank Facebook and Twitter accounts.

Among the brands in financial sector, Garanti Bank is the leader in terms of the number of followers in all social media platforms. The bank aims to sustain its leading position in the industry.

A closer look at the whole sector reveals that banking and financial sector features a negative perception in social media channels. Such cost items as transaction commissions and card and account management fees charged by all banks constitute the main reasons of negative customer perception in the banking industry, which directly reflects on the sentiment of customer dialogues occurring around all bank brands. Hence engaging with customers in a positive communication in social media presents a huge challenge for bank brands; such that all branded content receive replies including angry complaints regarding fees and commissions. A review of 2014 trends reveals that social media user comments are mostly negative in banking industry, together with telecommunication industry.

Interaction Rates

Number of followers is only a remote proxy for success in social media. The interaction rate per each content shared is a used as a stronger indicator of success in content strategy. Increase in interaction rates together with the increase in the total volume of positive chatter and sincerity perception are monitored as real success criteria.

For any particular content, Garanti Bank calculates interaction rate as follows:

$$\text{Interaction rate} = \frac{(\text{Total like} + \text{Total comment} + \text{Total sharing})}{\text{Total number of followers}} \times 100$$

For example, interaction rate of the content shown in Fig. 1 has been calculated as 0.0376%.

Interaction rate is seen as an important indicator of the extent to which the brand can reach and touch its followers.

As Garanti Bank is the most followed brand in the Turkish banking industry, increasing the interaction rates poses a bigger challenge when compared to local competitors. Given that the number of followers is the denominator in metric calculation, attaining the highest number of followers may become a barrier in producing a high interaction rate. Organic access of contents, which are at the same time shared in Facebook channel, has almost come to a stopping point with the new advertisement strategy of Facebook. With this new strategy, placing ads has become inevitable in order to attain considerable access figures through the channel. With advertisement-promoted communications, access rates are increasing, and organic access figures are falling. Table 1 shows a comparison of Garanti Bank with other banks for the period from 30 June to 6 July 2015.

Two basic factors stand out in differentiation of interaction rates in banking sector:

1. While competitor banks focus on directing the brand perception in their contents, Garanti Bank has focused its strategy on generating leads to its product (i.e., product applications). Therefore, other brands basically aim to increase

Fig. 1 Content shared on social media. Start a great weekend with a delicious breakfast coffee. Source: facebook.com

Table 1 Comparison of Garanti bank with competition in terms of social media activity

Account name	Number of fans	Interaction rates			Weekly number of posts
		June interaction rates (%)	30 June–6 July interaction rates (%)	7–13 July interaction rates (%)	
Vakıfbank	243,438	0.0582	0.0443	0.6978	4
ING Bank	249,250	0.1362	0.1239	0.0603	5
Bonus	1,309,442	0.0409	0.0422	0.0496	10
Finansbank	271,505	0.0555	1.0353	0.0365	5
Türkiye İş Bank	396,856	0.1434	0.1115	0.0352	3
Garanti Bank	**1,548,204**	**0.0972**	**0.0213**	**0.0335**	**7**
Yapı Kredi Bank	1,328,757	0.2239	0.0355	0.0298	3
Akbank	1,394,361	0.3342	0.00384	0.0193	7
Denizbank	1,045,017	0.0211	0.0174	0.0164	6
TEB	956,099	0.0134	0.0105	0.0085	7

their interaction rates through their advertisement expenditures, while Garanti Bank concentrates on dark post advertisements which are prepared with the focus of driving product applications and which do not affect page interaction rates (A dark post is a status update, link share, video or photo that was never meant to be shared as an organic post. Staying true to its name, it's never published but is only surfaced as an ad).

2. The number of followers of the other banks being comparatively less automatically increases their interaction rates.

In order to increase its interaction rates and to promote the positive brand perception, Garanti Bank embarked on publishing enjoyable life-style contents, and sought a more cordial interaction with its followers. Examples of such posts are shown in Figs. 2 and 3. Engagement metrics of these posts shown in figures are reported in Table 2.

Fig. 2 Enjoyable life-style content shared on social media. Pals from Garanti are enjoying the hammock during a vacation away from all the stress. Source: facebook.com

Fig. 3 Enjoyable life-style content shared on social media. First time looking to Pluton, the farthest planet of the solar system. Source: facebook.com

Table 2 Engagement metrics for the posts shown in figures

Figures	Reach	Likes	Comments	Shares
Figure 1	32,016	591	32	32
Figure 2	37,044	284	46	9
Figure 3	31,491	136	39	5

Source: socialbakers.com

Product Leads

Garanti Bank further uses social media platforms as a channel through which it can receive applications (leads) for its products. Included among these products are credit loans, mobile banking application, and iGaranti are the most prominent ones in terms of performance in social media. Due to applicable regulations in Turkey, banking services can not be directly provided from social media platforms, but these platforms serve as a means to generate leads for products.

Table 3 provides the key performance indicators of three banking products used in social platforms to generate business leads. Impressions correspond to the number of unique users who have seen the advertised content, clicks refer to the

Table 3 Key performance indicators for three banking products in 2014–2015

Product	Impressions	Clicks	CTR (%)	Leads/Clicks (%)	Social/Digital (%)
Credit application	27,925,429	119,492	0.43	19.99	24.83
Mobile banking app	18,323,079	68,833	0.38	60.82	19.60
iGaranti	18,502,125	102,926	0.56	12.07	50.61

number of users who have clicked on the advertised content and has been successfully directed to the landing page of the product, CTR is the ratio of clicks to impressions. Leads/Clicks is the performance indicator for the conversion of users who have clicked on an advertised content and completed a lead on the corresponding landing page. Finally, social/digital ratio reports the percentage of leads generated on social media in all of the leads generated in digital channels.

The challenge is to emotionally engage customers online with a strong content strategy, while at the same time effectively converting traffic into business through generating sales leads originated from social media. The negative tendency in social media chatter among bank customers in social media makes it difficult to come up with an engaging content strategy achieving an overall positive tone of voice, especially when branded content also includes actionable links leading to sales. Solving this puzzle evidently requires a deep understanding of customer experience in social media, and how it relates with marketing activities of brands.

Case Study 8: Revolution Ventures—Introduction to the Service Organization and Situation Description

Gautam Roy and Atanu Adhikari

The company Revolution Ventures was founded in September 2009 with an initial capital of Rs. 10,000. It is a proprietary firm registered in Ahmedabad. The proprietor—Krishna Rungta has completed his B.Tech. from Mumbai University and has had rich exposure in the field of IT having worked with organizations like Infosys and ADP. It was his desire to contribute to the education sector given the lack of quality and affordable technical education available to the masses in the back office of this world. The trigger for Krishna was his struggle in finding easy and free source of educational material when he wanted to take up GRE or when he wanted to have an in-depth understanding of languages like SAP or Java during his professional career. Krishna launched his first website Guru99.com which provided an excellent stepping stone for people in Quality Assurance. On the success of this, he created two off-shoots of the site dedicated for JAVA and SAP. His recent venture is the MegaVocab site which is providing a path breaking way for students to learn English.

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DOI 10.1007/978-3-319-51545-8_8

About the Product

There are three different products that Revolution Ventures has to offer. These are:

1. Open Source Education—http://www.guru99.com/, http://www.javatutorialhub.com/

   The websites present learning materials for various open source software like Java, LoadRunner, QualityCenter and QTP. It covers practical aspects of the usage which is very useful for professionals who have just started in this field or professionals who have considerable experience but are stuck in a situation and need quick resolution leveraging knowledge of other professionals in the forum. There are various interview questions and tests to challenge the technical skills.
2. Unique vocabulary learning technique—http://www.MegaVocab.com/

   The website presents a revolutionary vocabulary learning technique which uses the strengths of different learning strategies to ease vocabulary learning. It contains videos that explain the words in a thematic format and the person after going through the conversation identifies the meaning of the word.
3. SAP Training—http://www.saptraininghub.com/

   SAP is one of the products which command a very high premium in the market. There are very few experts in SAP and it is very difficult to find good quality training material and references. A practice version of the software will be available for interested candidates to try their hands on the product. It is a very unique concept as the product license is very expensive and it is not possible for everyone to purchase the product.

About the Industry

The industry for education is booming—however, today's genre of entrepreneurs have lacked innovativeness given the gap in demand and supply. Also, there is no specialized and customized content available which is inexpensive and readily available. The offerings today included certifications from Leading companies of proprietary technologies—SAP, Oracle, IBM to name a few. They are supplemented by their channel partners who along with logistical support, help conduct trainings, collate questions banks and boast of their success rates of their students getting certified in the first attempt. Majority of their students are sponsored by parent organizations.

It may also be noted that there are very few options available for students who wish to learn the technology themselves and become skilled in the domains of their interest.

Strategic Management Issues with Reference to Revolution Ventures

Currently marketing activities are ad hoc and primarily by "word of mouth" and support from friends and family. Krishna aspires to evolve Revolution Ventures into a global company and looks to focus on the following areas:

- Evolve a marketing Strategy for Revolution Ventures for the short and medium term
- Consumer connect initiatives
- Revenue Generation mechanisms including customer charging models

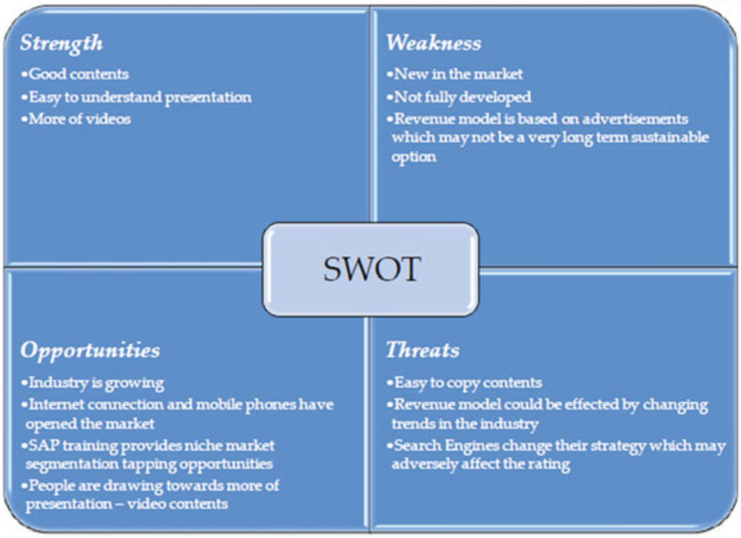
He is in discussion with various partners in US to setup a base there. He has sought help from this core team of consultants to develop a marketing strategy that will help him sustain and grow Revolution Ventures.

Problem Statement

Revolution Ventures intends to grow into a global company and is therefore looking to create a marketing strategy that would enable to increase the eyeballs to the Website as well as engage the visitor who has visited the site thereby increasing the number of loyal customers.

We are required to develop an effective marketing strategy for Revolution Ventures for short term, medium term, and long term.

SWOT of Revolution Ventures



Market Segmentation and Service Offerings of Revolution Ventures

The market segmentation for the type of Products and Services offered by Revolution Ventures comprises of the following:

- Students who have acquired their basic educational qualifications and are looking for certifications in the areas of applied areas to enable them to build their career.
- Students of vernacular medium who need to learn English to enable them to enhance their career path.
- Teachers of schools and colleges who could use the Website as supplementary site to enable them as well as their students to gain mastery on the subject.
- Professionals looking to make a shift in their domains due to attractiveness and demand of the new domain.
- Practitioners of the domain looking for supportive site to seek guidance and knowledge to enable them to solve the issues encountered in the profession.

The services offered by Revolution Ventures are categorized for two types of audiences:

1. The users of the Website for its rich and serious contents to support their career objectives further referred in this paper as Category 1 audience.
2. The supplementary businesses and services who would like to advertise their Products and Services on Revolution Ventures Website for the users to buy, further referred in this paper as Category 2 audience.

While the services to Category 1 audience is being offered free of charge, it forms the basis of success of Revolution Ventures because based on the number of subscribers, engaged users, and popularity of the Website.

The Category 2 audience would make their business decision whether to advertise their Products and Services on the Revolution Ventures Website, thereby resulting in the requisite revenues for Revolution Ventures to sustain and grow the business.

Competition

MegaVocab

The target audience for MegaVocab as depicted earlier are students aspiring to appear for GMAT/GRE, students with vernacular background who want to learn the language to grow in their career, Practitioners in the Industry who would like to expand their vocabulary, teachers of schools and colleges who need to use this site as a support to their lectures

Direct competition to MegaVocab includes the following which are few among a list, with a description of each against them.

1. http://dictionary.reference.com

   This is an excellent website for one who wishes to know the meaning of a particular word; it also throws as a search result the suggested pronunciation of the word along with its meaning, which is a very useful feature for the people who are in search of the word meaning.

   USP—Crisp interface, with relevant link to http://thesaurus.com right from the homepage, unique feature such as one which delivers a new word to learn every day.
2. http://www.mnemonicdictionary.com/wordlist.html

   This is a Hyderabad based e-leading provider for vocabulary development, especially catering to people who are aspiring for their GRE exams.

   Mnemonic Dictionary (MD) helps in learning and remembering word and it's meaning easily by providing memory aids (called mnemonics) for each word. Mnemonics connect to-be-remembered meaning of words with a systematic and organized set of images or words that are already firmly established in long-term memory and can therefore serve as reminder cues
3. http://www.graduateshotline.com/list.html

   This is again one website which caters to people aspiring to give the GRE exams

   It provide the word list right at the home page sorted alphabetically and also provides the examples how one should use the GRE word list by way of examples right against the words of this list, which is quite unique in its own virtue.

   In addition to this the website provides information on the latest GRE pattern, and links to practise test as well
4. http://learnwordlist.com/

   This is a free Vocabulary Building site which provides free help to students who are applying for GRE, TOEFL, SAT and other competitive examinations, it is a sister site of Scholarship-Positions.com, which has over 4,00,000 members and provide help to students to apply in international universities.

   Good reputation through its sister site Scholarship-Positions.com, access to unique features like GRE Flash Cards, GRE Synonym, GRE Verbal Analogy, GRE Verbal Antonyms , GRE word List Quiz, Synonyms Antonyms, GRE Crosswords etc. right from the home page.
5. http://majortests.com/gre/wordlist.php

   The GRE word list has been segregated and has been classified into Basic GRE word list and advanced GRE wordlist, access to which is provided right from the homepage, in addition to this the user gets access to the latest GRE exam pattern and the site is also a source for other exams like GMAT, SAT etc.

5. http://majortests.com/gre/wordlist.php

The GRE word list has been segregated and has been classified into Basic GRE word list and advanced GRE wordlist access to which is provided right from the homepage, in addition to this the user gets access to the latest 2011 GRE exam pattern and the site is also a source for other exams like GMAT, SAT etc.

Open Source Education and SAP training

The target segment for this product comprises of students who have passed out of colleges after acquiring basic qualifications to start a career and are therefore looking for the career oriented applied technology sites that can provide them the requisite knowledge and certifications that are recognized in the Industry to make them employable.

A different set of target audience for this Product comprises of the practitioners and employed professionals who would like to get into the domain of SAP due to its high recognition, potential, and emoluments.

A third category of audience for this Product are the practitioners of SAP who are looking for solutions to the technical issues faced on course of their jobs to be able to resolve the issues faced or to learn new concepts.

Below is a list of few of the competitors that Revolution Ventures has in this space.

1. http://www.sdn.sap.com/irj/scn/weblogs

SAP Community Network (SCN) is SAP's professional social network. It provides trusted connections to SAP's dynamic community of SAP customers, partners, employees and experts. It delivers an unparalleled depth and breadth of knowledge, insight and rich content about SAP solutions and services, in a collaborative environment that encourages innovation and sharing of best-run business practices. There are communities for technical and business audiences, helping individuals and companies gain more value from their SAP implementations.

SAP Developer Network (SDN) offers deep technical content and expertise for IT pros, developers, and enterprise architects, who configure, install, run, optimize, and innovate on the SAP NetWeaver platform. Business Process Expert (BPX) community is your trusted community for business solution collaboration, knowledge and insight on implementation and business process, connecting functional application consultants, business analysts, product and solution managers, customers in various roles and opinion leaders / topic experts.

SAP EcoHub is a community-driven online enterprise solution marketplace that delivers a holistic view of solutions and services offered by SAP and its ecosystem of partners. For customers, it delivers a streamlined approach to discover, evaluate and buy the right solution for their business needs.

2. http://blogs.sap.com/
   This is the official blogging site of SAP were in SAP's blogs are written by SAP employees on topics they are passionate about and expert in, which offers the reader more a chance to get a better insight into their topics of choice related to SAP.
3. http://sapblogs.net

This website enables to submit sap blogging sites onto it self, it has a form to fill in on the home page and once cleared the blogging site can find a mention on this site.

New Product Development

Innovation is essential to all organisation continuing growth and performance in the market place. It creates competitive advantage and value for customers and the organisation, breakthrough innovations provide vital avenues for company growth and Revolution Ventures prime focus hence should be in this area. Revolution Ventures should aim at developing a culture of innovation and build effective processes to identify innovation opportunities and transform ideas into new-product successes.

Their focus has to be on new product development to offer superior value to customers ranging from totally new products to improvements in existing products.

These can be classified into (1) Newness to the market (2) the extent of customer value created resulting in the following types of new products

- Transformational Innovation: Products that are radically new and the value created is substantial.
- Substantial Innovation: Products that are significantly new and create important value for customers.
- Incremental Innovation: New products that provide improved performance or greater perceived value (or lower cost).

Pricing and Distribution

The pricing and distribution strategy for goods and services are becoming increasingly challenging for most of the firms of today, which could be attributed to deregulation, informed buyers, intense competition, slow growth in many markets and last but not the least the opportunity for firms to strengthen their market position.

Price imparts financial performance and is an important influence for buyer's value positioning of brands, in case of Revolution Ventures the advertisers on its site being the prime source of revenue generation it's pivotal to get the right pricing strategy in place.

The revenue model is purely on advertisement and there are no charges to the people who are viewing the contents. The advertisement revenues are earned from multiple places:

- There are advertisements displayed just before the video is played.
- There are text messages in small font size that scrolls at the bottom of the video to market a particular concept.
- The Google ad sense is placed in the websites and they contain relevant advertisements that people find very useful and click to get more information. The website is paid some portion when a user clicks on any such link.
- Scope of more revenue generation.
- The themes can contain advertisements that market a product in background like now-a-days the companies are using movies.
- Revenues can be generated from cross linking and cross referencing the website.
- Some of the specialised contains can be accessible only on login into the system and it can be charged once people find the information useful to pay for same.

Integrated Marketing Communication

In the times of today integrated marketing communications (IMC) strategies are replacing fragmented advertising, publicity and sales programs. These approaches differ from traditional promotion strategies in several ways as described by the following characteristics of IMC strategies in retailing:

- IMC programs are comprehensive. Advertising, personal selling, retail atmospherics, behavioural modification programs, public relations, investor—relations programs, employee communications and other forms are all considered in the planning of an IMC.
- IMC programs are unified. The messages delivered by all media, including such diverse influences as employee recruiting and the atmospheres of retailers upon which the marketer primarily relies are the same or supportive of a unified theme.
- IMC programs are targeted. The public relations programs, advertising programs all have the same or related or related target markets
- IMC programs have co-ordinated execution of all the communications components of the organisation.
- IMC programs emphasize productivity in reaching the designated targets when selecting communication channels and allocating resources to marketing media.

Revolution Ventures need to take cognizance of the above and come out with a suitable IMC approach with the following challenges in mind to attract the target audience:

- To attract the attention of quality customers such that they feel that the contents provided free is useful and not garbage
- To engage them further so that they spread the word in their community through social networking sites and are able to attract their group members to the site.
- To popularize the site such that it ranks higher (amongst top 20) on popular search engines like Google, Yahoo etc.

The question to Mr. Rungta is what should be his immediate as well as long term strategy. How should he address the micro as well as macro issues both from business perspective as well as marketing perspective.

Acknowledgments Authors gracefully acknowledge the support of Aswini Rungta, Shyamal Jyoti, Sutanu Bhattacharyya—former students of Indian Institute of Management Kozhikode for providing information to develop this case.

Case Study 9: M-Pesa: A Renowned Disruptive Innovation from Kenya

Isaac K. Ngugi and Lilian W. Komo

Introduction

This case study describes the developments and success of M-Pesa. M-Pesa is an innovative mobile banking application designed and launched by Safaricom limited Company in Kenya (East Africa) in 2007. It is the first banking app for mobile phones to be developed in the developing world.[1] In the word M-Pesa, 'M' stands for mobile whilst 'Pesa' is the Swahili word for money. The product has received global attention due to its uniqueness, innovativeness, rapid adoption, and the impact it has made to a large population, mostly people who are poor (bottom of pyramid).[2]

M-Pesa is free and available to all Safaricom subscribers, over 18 million subscribers, representing nearly 45% of the Kenyan population.[3] The app is installed in the user's SIM card and works on all makes of handsets.[4] M-Pesa has many uses (see Fig. 1), the main ones being: money transfer, buying airtime, paying bills such as electricity bills, and keeping the money in the M-Pesa account for future use. Safaricom subscribers can send money even to non-M-Pesa clients that have access to a mobile phone. M-Pesa allows consumers to make direct deposits and withdrawals from their bank accounts. Consumers, both those with bank accounts as well as those without, can also borrow loans from commercial banks

[1]Pasquier M., (2013) A brief history of Kenya mobile money system M-Pesa. http://martinpasquier.com/2013/11/22/a-brief-history-of-kenya-mobile-money-system-m-pesa/. accessed 8th Dec 2015.

[2]Vodafone (2007) *Safaricom and Vodafone launch M-PESA, a new mobile payment service*.

[3]Kamana J., (2014) M-Pesa: How Kenya took the lead in mobile money. http://www.mobiletransaction.org/m-pesa-kenya-the-lead-in-mobile-money/

[4]Safaricom (2009b) M-Pesa.

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_9

Fig. 1 M-Pesa screen shot. Source: https://pixelballads.wordpress.com/2012/01/14/mobile-technology-and-the-unbanked-m-pesa-part-3/

using their phones (via M-Pesa), as loan qualification is dependent on factors such as the amounts the consumer has saved in M-Pesa and how regular he/she use the service. Borrowing via the app has advantages to the M-Pesa users in that, no collateral is required, there are no transaction charges and loan applications are processed instantly. Safaricom took advantage of its big market share and innovative technology to fill a need through mobile banking and subsequently minimizing the M-Pesa agent liquidity problem by partnering with banks to enable the use of their ATMs. Through this innovation, Safaricom provided inclusive financial services for the wellbeing of all.

M-Pesa made it far easier to send money person-to-person in Kenya than in any other country in the world. Businesses too can receive money from their customers via mobile phone (M-Pesa), hence acting as an alternative to credit or debit cards. Parents pay school fees and send subsistence money to their children at universities and consumers make purchases of goods and services via M-Pesa. By using M-Pesa, this means that company or school employees do not collect cash payments (or they minimize it), thereby mitigating security threats. It also means that the customers need not be physically present to make the payments such as tuition fees, as they can do this from the comfort of their homes without having to travel to the school to make the payments.

M-Pesa uses the Pay-as-you-go model, handling high volumes of low-value transactions with no monthly charges or minimum balance.[5] It uses branchless banking, thus reaching previously excluded communities. Agents make cash withdrawals and deposits possible, register the users, and handle the 'know your customer' rules while educating users.[6] A customer does not need to be a Safaricom subscriber to receive cash. The combination of these attributes makes M-Pesa a world's first.

[5]Mobile Marketing (2010) Rackspace Powers Kenyan Mobile Money Solution.

[6]Ivatury G. and Mass I., (2008) "*The Early Experience with Branchless Banking*." CGAP.

Companies may need to consider investing in innovations that reach the poor majority market segment as this has the potential to deliver profits and reduce poverty. M-Pesa was designed in such a way that it was attractive to the poor majority. As the first Safaricom brand stretch into financial services in Kenya (diversifying from telecommunications), M-Pesa has filled the gap left by conventional financial services providers by serving the majority poor who were previously unable to afford a bank account. In 2007 when M-Pesa was introduced, there were only 2.5 million bank accounts in a Kenyan population of 39 million.[7] This signifies high levels of financial exclusion, providing an open playing field for M-Pesa. Anecdotal sources suggest a high demand for safe savings products globally. However, only about 10% of the world's poor have access to formal bank accounts.[8] M-Pesa allows poor people to save and transfer money safely as and when they earn it, conveniently, in small amounts and can mobilize a very large number of transactions.[9] This promotes productivity by supporting cash flow and entrepreneurship thereby enhancing livelihoods,[10] thus creating a virtuous cycle which improves the economic and social well-being of Kenyans in poverty. The fact that M-Pesa is profitable, while at the same time is successful in reducing poverty, is evidence that this market segment of the poor majority in society should not be ignored.

M-Pesa: A Disruptive Innovation

M-Pesa is considered a disruptive innovation. Disruptive innovation is defined as the "process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors".[11] It is an innovation that creates a new market and value network and eventually disrupts the existing system, displacing established market leaders and alliances. It is the "development of products that do not seek to emulate, replicate or outperform existing products that dominate particular sectors, but focus on creating new markets with products that often perform less well but are affordable, simpler and more convenient. These products

[7]Cull R., (2010) M-Pesa: Mobile Payments, Improved Lives for Kenyans. DECFP.

[8]Collins, D., Marduch, J., Rutherford S. and Ruthven O., (2009) *Portfolios of the poor: How the world's poor live on $2/day*. Princeton: Princeton University Press.

[9]Heyer, A. and Mas, I., (2009) Seeking Fertile Grounds for Mobile Money.

[10]Ashley, C., (2009) Harnessing core business for development impact. *Overseas Development Institute (ODI), the Department for International Development (DfID) and Business Action for Africa.*

[11]Christensen C., (2015) Disruptive innovation. [online]. Available from; http://www.claytonchristensen.com/key-concepts/. Harvard Business School. [Accessed on 8th Dec 2015].

attract new types of consumers at the lower end of the market and ultimately disrupt the longer-term trajectory and dominance of market leaders.’””[12]

Amongst others, M-Pesa has provided banking and money transfer services to the bottom of the pyramid, a population which was hitherto not accessing such services, hence connecting the disconnected. The simplicity of the service makes it attractive to even illiterate and semi-illiterate people who otherwise would not access bank services. Unlike online banking which would work only with internet access, the transfers or payments via M-Pesa do not require this. This offers more convenience, creates value where none existed and taps into consumer’s latent desire, all of which are characteristics of a disruptive innovation.[13] Before the launch of M-Pesa, consumers had to travel to banks to make money transfers. Online money transfers are still in their infancy in Kenya, largely due to limited internet access and safety concerns. However, M-Pesa changed the user’s world-view and behaviour. The users easily use the app with confidence and it provides convenience given that it is mobile.

M-Pesa started with a purpose. It was meant to solve a small problem which faced an informal group of women (called *chama* in Swahili language). Therefore, M-Pesa did not start as a big idea *per se*, nor was it initially envisaged as far-reaching product as such. The aim was not to outperform the existing products but to solve the problems of the women group. Anecdotal sources indicate that it was first designed by Safaricom as a solution to enable *chama* women to send and receive money from each other in their monthly contribution arrangements. It was therefore first conceived as a means of doing microcredit disbursements and repayment. However, the adoption by the women group revealed much broader demand for the service in moving money around the country. Thus, M-Pesa began by changing a small group of people at the edges, i.e. women in a *chama*, which then diffused to the rest of the population, starting from the lower end of the market.

How Was M-Pesa Developed?

The M-Pesa pilot programme was funded by the Vodafone Group plc (which acquired a stake and management responsibility for Safaricom in May 2000) and the UK Department for International Development.[14] The Kenyan financial services regulators were also supportive of this great innovation and Safaricom had developed a good relationship and trust with them. Therefore, the innovation was developed through a partnership arrangement. Safaricom is the dominant

[12]Dawsom P. and Andriopoulos C., (2014) Managing change, creativity and innovation. Sage. London

[13]Jiwa B., (2015) Characteristics of Disruptive Innovations. [online]. Available from; http://thestoryoftelling.com/characteristics-of-disruptive-innovations/. [Accessed on 27th Nov 2012].

[14]Vodafone (2007) *Safaricom and Vodafone launch M-PESA, a new mobile payment service*.

telecom operator in Kenya, accounting for 80% of the market share.[15] This dominance may not be the main factor attributable to the success of M-Pesa given that other countries have similar dominant operators but have not done this well. Formed in 1997, Safaricom Limited has become the leading provider of communications services in Kenya, offering cellular network access and business solutions. The company has a reputation of being consistently innovative. Consistent innovation enhances a firm's competitive advantage and capabilities while becoming market leader with an improved brand image.[16]

Growth of M-Pesa

M-Pesa is a disruptive innovation which, upon development and diffusion, threatened the incumbent businesses and sparked new business formation and entrepreneurship. Pioneered by M-Pesa, mobile money is a rare case in which a poor African country, Kenya, is the global market leader and an exporter of innovation. The M-Pesa recorded the highest rate of adoption in the history of the developing world, after it surpassed the rate of adoption of mobile phones.[17] In 2012, every day, M-Pesa transactions in Kenya outnumbered Western Union transactions globally (*ibid*). In only the first 4 years, M-Pesa created a whole new financial ecosystem, much like smartphones in Western markets.

Many Kenyan rural families have some members who live and work in Nairobi, or other cities and towns, while the rest remain in the village. The early adopters of M-Pesa were well educated and high income earners living in urban areas, particularly the Kenyan capital city Nairobi. They used M-Pesa to send money home to their parents and relatives in the rural areas. In most cases, such recipients did not have bank accounts, and for those who did, the banks were located in towns where it could take close to one hour or more to reach by public transport. Likewise, if the senders were to deliver the money physically, it would take hours to travel to rural areas, a situation exacerbated by poor road conditions. Hence, the advent of M-Pesa was perceived as a panacea to all these difficulties.

In the first 18 weeks since introduction to the market, 200,000 customers signed up for M-Pesa. A year on, there were over 1.6 million registered customers, and approximately 200,000 additions per month.[18] From inception, the M-Pesa

[15]Pasquier M., (2013) A brief history of Kenya mobile money system M-Pesa. http://martinpasquier.com/2013/11/22/a-brief-history-of-kenya-mobile-money-system-m-pesa/. accessed 8th Dec 2015.

[16]Sambamurthy, V., Bharadwaj, A. And Grover, V., (2003) Shaping agility through digital options: reconceptualizing the role of information technology in contemporary firms. *Management Information Systems Quarterly,* 27**,** 237-263.

[17]Omwansa T. And Sullivan N., (2012) Money, Real Quick: The story of M-PESA. Guardian shorts.

[18]Vodafone (2008) *M-PESA Reaches 1.6 Million Customers in 12 Months.*

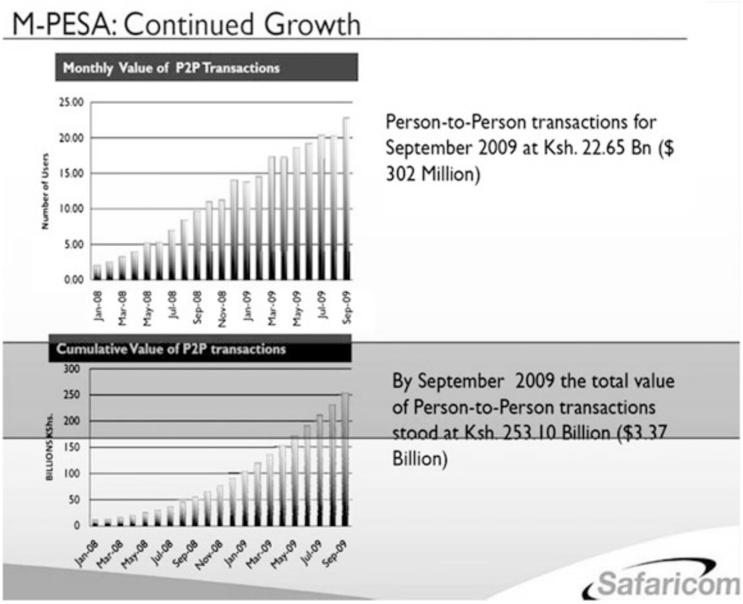

Fig. 2 M-Pesa success illustrated. Source: http://image.slidesharecdn.com/fy2010resultsannouncement-100803065826-phpapp01/95/safaricom-2010-results-announcement-15-728.jpg?cb=1280818977

customer base had grown to 7.9 million users as of September 2009, with consistent improvement in transaction value[19] (see Fig. 2).

Nineteen million Kenyans, nearly 70% of the adult population, signed up for mobile money services within the first 5 years of the introduction of the app to the market.[20] Of the 19 million, 16 million were customers of M-Pesa. By 2012, one in every two people in the world who sent money over a mobile phone was a Kenyan, thereby making Kenya a leader in mobile money technologies in the world, despite being a poor country (*ibid*). In only 5 years, M-Pesa enabled an exchange of 12 billion euros, in Kenya only.[21] Figure 3 shows the rapid growth in the number of M-Pesa users during the period 2007–2012. M-Pesa system accounts for 98% of all mobile money transactions in Kenya. There are over 12,000 Kenyans employed in M-Pesa service provision.[22] Safaricom has partnered with businesses which by using M-Pesa now benefit from easy and cheap payments for services, salaries and

[19]Safaricom (2009a) Half-Year Results Presentation Serena Hotel, Nairobi.

[20]Omwansa T. And Sullivan N., (2012) Money, Real Quick: The story of M-PESA. Guardian shorts.

[21]Pasquier M., (2013) A brief history of Kenya mobile money system M-Pesa. http://martinpasquier.com/2013/11/22/a-brief-history-of-kenya-mobile-money-system-m-pesa/. accessed 8th Dec 2015.

[22]Safaricom (2009a) Half-Year Results Presentation Serena Hotel, Nairobi.

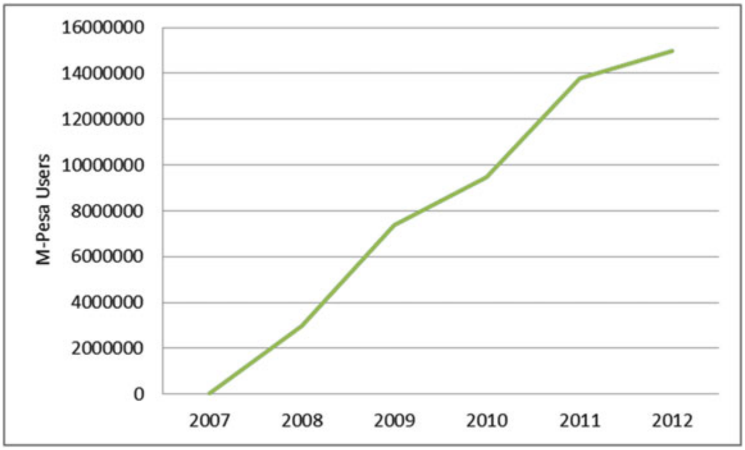

Fig. 3 Growth in the number of M-Pesa users during the 2007–2012 period (Pasquier M. (2013). A brief history of Kenya mobile money system M-Pesa. http://martinpasquier.com/2013/11/22/a-brief-history-of-kenya-mobile-money-system-m-pesa/. Accessed 8th Dec 2015)

promotions, while their customers and employees are able to pay their bills anywhere, anytime.

Safaricom gained competitive advantage by enhancing the customer experience through innovation which was informed by thorough research and product testing. Competitive advantage was also gained by engaging customers and value network partners in co-creation and co-production activities.[23] Collaboration with other businesses or partners has the potential to co-create value and boost innovation.[24]

Safaricom challenged established brands in Kenya to diversify into other products or services through stretching their brands. The Kenyan financial services sector is dominated by a few competing banks. With competition from new entrants, customers stand a better chance of getting improved services in terms of prices and quality.

M-Pesa revolutionized the lives of Kenyans through Safaricom partnerships with banks, ATM service providers, Saccos and micro-finance institutions to extend the reach, accessibility and convenience of using M-Pesa. Without the partnerships that Safaricom established with other organisations, M-Pesa may not have challenged conventional banking in Kenya like it did while tremendously improving the M-Pesa value proposition (see Fig. 3). Following the exceptional performance and achievements in Kenya, M-Pesa has been introduced into other emerging and transitioning markets including; Tanzania, South Africa, Afghanistan, India and Romania by 2014.[25]

[23]Lusch, R. F., Vargo, S. L. and O'brien, M., (2006) Competing through service: Insights from service-dominant logic. *Journal of Retailing,* (83)**,** 5–18.

[24]Ngugi, I. K., Johnsen E. R. and Erdélyi P., (2010) Relational capabilities for value co-creation and innovation in SMEs. *Journal of Small Business and Enterprise Development,* 17 (2), 260–278.

[25]Kamana J., (2014) M-Pesa: How Kenya took the lead in mobile money. http://www.mobiletransaction.org/m-pesa-kenya-the-lead-in-mobile-money/

Marketing Research and Segmentation

Upon sensing the M-Pesa's great potential following a successful adoption by a women self-help group (*chama*), Safaricom set up a separate department purposely to focus on building, selling and operating M-Pesa. The adoption by the women self-help group in a way served as a trial or test marketing. The innovation was scaled up, targeting other segments in addition to women self-help groups. Teams were trained to support, develop and promote this new innovation. Thorough market research was conducted to identify appropriately at the very least the consumer needs, wants and desires and to inform marketing segmentation and targeting.

M-Pesa was targeted at the following segments:

(a) Safaricom mobile customers without bank accounts, due to lack of access to a bank or sufficient income to justify a bank account.[26] The size of this consumer segment was approximately 19% of the then 39 million people of the Kenyan population.[27]
(b) Urban migrant workers in the city who regularly send a portion of their income to their family members and relatives living in the rural areas.[28]
(c) Business organizations to provide them with safe, fast and effective methods of making and receiving payments.
(d) Expatriate remittances to Kenya via M-Pesa taking advantage of Vodafone's network. Safaricom's drive to have its parent company Vodafone Plc launch M-Pesa service is informed by the fact that the UK accounts for more than 20% of total remittances to Kenya.[29]

Distribution and Branding

To support the distribution and marketing of M-Pesa services, Safaricom created a network of agents. Agents were buying wholesale airtime and selling or retailing it at a profit. Kiosk operators were also engaged as agents. Kiosks are small convenience shops selling in small quantities products such as cigarettes, soft drinks, biscuits and basic products. They are found nearly everywhere in Kenya, thereby providing an effective and extensive distribution channel, reaching both urban and rural populations. M-Pesa was offered to agents as an additional source of revenue as they took a cut on each transaction.

Contrasting commercial banks and M-Pesa agents, it took more than a century to establish 43 licensed commercial banks, 1045 bank branches and 1500 ATMs in

[26]Vodafone (2007) *Safaricom and Vodafone launch M-PESA, a new mobile payment service*.

[27]Nicholson, C., (2007) In Poorer Nations, Cellphones Help Open Up Microfinancing. The New York Times, New York.

[28]Gordon, N. and Gera, P., (2009) Banking 2012: Preparing for a resolution.

[29]Aromn, M., (2008) M-Pesa's Bid to Enter UK Runs Into Legal Hurdles.

Kenya, whilst it took only about 4 years for Safaricom to provide its customers with more than 30,000 M-Pesa agents[30] and the number had risen to 79,000 agents by 2014.[31] These agents provided points where people transformed cash into e-money or e-money into cash. Anecdotal sources suggest that the M-Pesa network of agents is more expansive than that of Coca-Cola Company.

By targeting the majority, the people who are poor, who were previously unable to afford bank accounts, this accorded Safaricom a first mover advantage in mobile banking, thus also facilitating a customer lock-in effect. As an early mover in mobile banking in Kenya, Safaricom partnered with other businesses thereby broadening its agent network before competitors came into the scene. Safaricom also negotiated agreements with utility companies to distribute or collect payments on their behalf, consequently capturing a bigger market share among the local population than its competitors.

Safaricom were involved in aggressive promotion and advertising of M-Pesa (see Fig. 4). The company has used creative and relevant taglines such as '*Send money home*', and '*Relax, you have got M-PESA*'. These are simple and memorable slogans that express the importance, role and benefits of M-Pesa. In addition, Safaricom gave meticulous attention to branding. All M-PESA agents' stores are painted the 'Safaricom colours'—essentially green. This ensures a uniform appearance, reinforces the link with the well-respected Safaricom mobile provider, and makes it easier for customers to locate the agents.[32] Furthermore, to ensure that customers have almost identical experiences across all agents, Safaricom hired a third-party vendor who monitors or visits each store at least monthly. During each visit, the vendor rates the agents or stores based on variety of criteria including: visibility of branding and the M-Pesa tariff poster; availability of cash and electronic value to accommodate the flow of customer transactions; and the quality of record-keeping (*ibid*).

M-Pesa Achievements

M-Pesa made remarkable achievements especially in the targeted markets (see from the above section named "Marketing Research and Segmentation") in the following ways:

- Customers without bank accounts were able to hold money with M-Pesa for later use and risks or problems associated with carrying around large amounts of cash were reduced.

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[30]Omwansa T. and Sullivan N., (2012) Money, Real Quick: The story of M-PESA. Guardian shorts.

[31]Kamana J., (2014) M-Pesa: How Kenya took the lead in mobile money. http://www.mobiletransaction.org/m-pesa-kenya-the-lead-in-mobile-money/

[32]Cull R., (2010) M-PESA: Mobile Payments, Improved Lives for Kenyans. DECFP.

Fig. 4 M-pesa advertisement. Source: http://ced.berkeley.edu/bpj/2012/10/the-next-step-how-mobile-money-could-rightly-supersede-the-government/

- Provided a safe way for wage earners to send money back home to their families fast, securely, efficiently and cost effectively.
- Enabled business organizations to make salary payments and micro-finance loan repayments, and allowed customers to pay school fees and utility bills fast, securely and cost effectively.
- Allowed international use for remittances therefore Kenyans overseas were able to send money home quickly and much more cost effectively than most alternative means.
- Improved remittances to the older generation and families that are poor especially those living in the rural areas—away from their affluent children or relatives living in urban areas. Previously, this transaction involved carrying the money physically via public transport which posed the risk of loss or theft.

Other M-Pesa achievements

- Saved lives—charity organizations were able to access and offer help to people in need when it was not safe to be there in person during the Kenyan post-election violence in 2008.[33] International development NGO Concern Worldwide used M-Pesa to deliver cash transfers to the vulnerable displaced communities in isolated places.[34]
- Living the Safaricom vision to be the best company in Africa by illustrating innovation, customer focus, incremental revenue and a competitive edge.[35]

[33] Safaricom (2009a) Half-Year Results Presentation Serena Hotel, Nairobi.

[34] Safaricom (2009a) Half-Year Results Presentation Serena Hotel, Nairobi.

[35] M-Pesa (2008) M-PESA – An Overview.

- The total value that was created for society by Safaricom was estimated to be almost 10 times more the financial profits that the company made in 2015; with M-Pesa creating Kenya Shillings 79 societal value with every transaction.[36] Consumers benefited mostly due to increased personal savings, lower transaction costs and lower rates of theft. Jobs for both youth and women as well other segments have been created through the M-Pesa innovation ecosystem.

Conclusion

In this case study, we have defined a disruptive innovation as the 'process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors.' This was the case with M-Pesa. Essentially, M-Pesa created a new market and value network and eventually disrupted an existing market and value network, thereby displacing established market leaders and alliances such as the mainstream banks or financial institutions.

M-Pesa was started in order to solve a problem that was experienced by a small informal group of women, who wanted an effective way to make and manage their monthly contributions. The app was based on genuine consumer needs. It therefore started with a purpose of solving a small problem rather than as a big idea. It complemented what people were already doing. It is a simple-to-use technology and the app is conveniently available to users. It is a mobile app and amazingly, it does not require internet access in order to use it. Internet signals are not needed to use M-Pesa and this makes app useful to even people living in the very remote areas where internet access is not available or is quite limited. Customers use it when they wish and transact amounts of their choice. The app is a perfect response to customer needs. It tapped into a consumer's latent desire and connected the previously disconnected poor majority to financial services. It started by changing members of a small informal group and then it was quickly adopted by the larger population thereby changing their behaviour and worldview especially in relations to transacting. There was hesitation at the start but eventually the consumers became confident with the technology and it is now widely used.

Safaricom excelled in the innovation and marketing of the M-Pesa product by basing the development of the product on consumer needs. The company also had to build good relationships with critical partners, thereby developing the innovation and co-creating value together. In addition to making profits for the company, M-Pesa contributed to the improvement of the socio-economic well-being of the society. The app revolutionized the financial services sector in Kenya and became a major competitor to established financial services providers in Kenya.

[36] KPMG (2015). KPMG True Value Case Study: Safaricom Limited.

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Case Study 10: Irrway—A Green Personal Mobility Solution

M.S. Chandrashekar, Gaurav Sharma, Basant P. Rangadhol, Ashwin Petkar, Mohan Mookan, and Atanu Adhikari

> I went with the idea of Steve Jobs. Create compulsion in the customer to buy what I have to sell. As a startup company, we did not do a lot of market research before building the product, because we neither have the resources nor the money to do effective market research and to get the right data for a product like Irrway is always difficult. So, I need to hit the market with what I have and make the customer buy this product.

Anjan Kumar very passionately describes about the product that he conceptualized and eventually built with a small team of dedicated team members called Irrway™. He founded Greendzine Technologies Pvt. Ltd. with a vision of developing green

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DOI 10.1007/978-3-319-51545-8_10

mobility products which are green beyond the batteries and motors that go into an electric vehicle and are green at every phase of their development.

It's been close to 1.5 years since Anjan founded Greendzine Technologies and the first prototype of Irrway was built. Since then the product has garnered a lot of interest among various market segments like Villas and Gated Communities, Airports, IT Parks, Golf courses etc. These were the market segments that Anjan had originally hoped to serve. However, there has been very little success from any of these segments till now. After a lot of demos and talks with real estate developers, golfers, senior executives at resorts etc., talks are not progressing beyond a certain point. The main challenges being faced right now are related to Greendzine Technologies not being a known brand, not able to cater to B2C market, made in India products carrying a lot of apprehension about quality and performance, supply chain issues (limited access to Electric Vehicle related components and vendors in India) and an overall lack of acceptance of green vehicles in India.

However, in the month of February 2012, his dream was one more step closer to fruition because he had got his first two big customers for Irrway. One was a golf course whose management was very much interested in buying the product to be used by golfers as an alternative to caddies provided, the product is customized in certain ways to suit the golf course needs. The second was a rather unusual and accidental customer in big commercial mall complexes, where the mall management was interested in using Irrway to give "mobile dynamic branding space" for all their retailers inside the mall and charge a fee from those retailers with royalty paid to Greendzine Technologies for having used Irrway for the dynamic branding activity.

Even though this was very good news for Anjan, who had been struggling for over a year to get a breakthrough in customer sales, he was trying to approach the situation with cautious optimism. Anjan had initially thought about selling the Product only in B2B mode and the golf course was one of the segments that he had targeted. Even though, putting Irrway inside a mall was also a B2B model, it had two varying consequences. The positive consequence was that more and more people will start seeing Irrway and the brand value of the product will increase. The negative consequence was that more B2C enquiries will come from general public for which Anjan was not prepared for and he has to explain to the public that the product is only being sold in a B2B model, with a risk of killing enthusiasm about the product in the customer and subsequently denting the brand value of Irrway. He has to make a decision of continuing to pursue the mall segment in his marketing strategy for Irrway, as Bangalore has ample malls in the city and the revenue being generated from this activity was going to help Anjan improve his current financial situation of the company. It would also better prepare him for targeting the product towards his original list of B2B segments like Golf Courses, Villa Communities, Gated Communities, IT parks, Govt. Organizations like Tourism Dept, Airports etc.

The Protagonist

Anjan Kumar is the chief technical architect of the Irrway™ product and also the founder of Greendzine Technologies. Anjan has immense experience in research and development of green technology solutions with specific focus on the development of in-wheel motors. Anjan has the backing of a very strong and efficient technical team. After researching about the current products and solutions in the Indian market for personal mobility, he was inspired by the product “Segway” in US and decided to develop a similar product for the Indian Market.

The Company

Greendzine Technologies Pvt. Ltd., Bangalore (www.greendzine.in) is a startup venture, focusing on developing “Affordable Green Technology Solutions and Products” for the Indian Market. An ambitious company with a very capable and experienced technical team which hopes to serve an underdeveloped market segment of “In Campus Mobility” in India with an objective of developing products which are green in every aspect of their development i.e. green from “Cradle to Cradle”. The company has been incubated by the NSRCEL (www.nsrcel.org) of IIM Bangalore.

The Product

Irrway™ is India’s first green personal mobility vehicle suitable for short distance mobility needs of urban India, with a tagline of “Fun, safe and easy mobility”. Irrway™ has been designed and developed based on a patent pending design approach and electromechanical drive aided by extensive field trials and usability study. Simple styling, ergonomic design, stable platform and powerful drive make Irrway™ best suited for India.

Irrway Features

Irrway is a rear wheel driven (three wheel stable platform) electric personal mobility vehicle with a powerful hybrid mechanical drive, intelligent safety system, battery management and on board speed including range and navigation display system.

Irrway has more than 80% recyclable parts and the components are designed such that, it does not involve any power intensive manufacturing process. Irrway is completely hand assembled and care is taken to use paints which are eco friendly. The features are listed below:

- Green Vehicle
- Powerful Hybrid Mechanical Drive, with excellent pulling power
- Quiet and smooth drive
- Easy to ride, no balancing issue
- Ergonomic design and light weight
- Suitable for all age groups
- Navigation tools and other accessories

Irrway is also customizable in terms of the accessories needed for a particular segment. Right from display stands for branding and Golf Kit holders to vegetable and book carriers, Irrway can be accessorized with many different needs as per the needs of the consumers of the different segments.

Even though Irrway was inspired by Segway, the basic core principles behind the conceptualization of Irrway are as below:

- Launch a new product in Green personal mobility space which was not available in India.
- Target a segment ("In Campus Mobility") which the current Electric Vehicle manufacturers are not focusing on and it is also an untapped segment for a startup company.
- Create a unique riding experience and cool factor which will make Irrway an acceptable product for young crowds even though it's an electric vehicle.
- Focus on short distance mobility and address last mile problem.
- As a long term focus, through Irrway create an awareness and acceptance of EVs in India and erase the bad memories of cheap imported scooters from China.

A quick look at the comparison of specifications between Segway and Irrway documented in Table 1 and the pictures of both the products documented in Fig. 1 reveals that Irrway is designed specifically with the Indian market in mind.

> The basic principle in the design of Irrway was 'Frugal Engineering'. I did not want to complicate the product with a lot of on-board electronics, self balancing gyros and spend a ton of money on look and feel. I went for the safest three wheel design model so that the cost of making Irrway comes down phenomenally and I do not have to deal with safety issues related to self balancing. I know there will be outright comparisons to Segway, but my basic intention was NOT to build a competitor for Segway but rather build a differentiated product targeted for an underserved segment of 'In Campus Mobility' within India.

Although Anjan has plans to bring out different variants of Irrway for different segments, he currently has only three variants of the Product: a basic version for personal mobility, a variant used for Golfing and a variant used for branding inside malls. There are lots of ideas of how Irrway product line can be stretched across various segments with different variants, but right now Anjan cannot afford to invest in the necessary Research and Development required to develop those variants considering his present financial situation of the company.

Table 1 Specifications, Segway vs. Irrway

Specification	Irrway	Segway (i2 PT)
Max. weight capacity	130 kg	117 kg
Charger	100–240 V	100–240 V
Battery life	Over 300 recharge times	Over 500 Recharge times
Rated speed	Up to 7 km h^{-1}	Up to 20 km h^{-1}
Range per charge	25 km	38 km
Recharge time	4–8 h	6–8 h
Front wheel	4″ Dia, Air filled	NA
Rear wheels	10″ Dia, Air filled	19″ Dia, Non-Marking
Front brake	Disk	Not conventional but Custom Braking system relying on weight shifts of the rider to stop the vehicle
Rear brake	Electric	
Net weight	30 kg	47.7 kg
Dimension	450 mm × 450 mm × 200 mm (LxWxH)	48 × 63 cm (Footprint)
Need for balancing	No	Yes

Apart from Irrway, there is no other product similar to Segway in India currently which can have a similar "attention drawing/head turning" capacity as Segway which incidentally was also launched in India recently. The immediate competitors for Irrway are a bunch of electric scooters, high end bicycles and bicycles fitted with electric conversion kits which are comparable with a similar price range as Irrway. However, they are all sitting versions and none of them allow a rider to stand and ride the vehicle which is a unique experience in its own.

A small SWOT analysis of Irrway is given below relative to Indian Market.

	Strength	Weakness	Opportunity	Threat
Irrway	Utility, safety, price, performance, manufactured in India, easy to operate	Looks, unknown brand, not proven in market yet. No regulation for B2C market	Can venture into B2C market in future. Can target multiple segments with more product variants	Segway, other electric scooters like EKO and bicycles

Market Research

Anjan had done very minimal market research before deciding on designing and building a product like Irrway. His key conclusions after the research were as follows:

Fig. 1 Product Comparison—Segway vs. Irrway. Source: www.segway.com

Electric Vehicle (EV) Market in India

With the growing awareness of Green Technologies in India today, the EV market has improved considerably as compared to the year 2000. We see a lot more Mahindra Reva cars on the road today than we used to see 5 years back. However, many believe that this shift towards alternative means of transport driven by electricity is more driven my economics than the love for environment or Green technologies. The rising fuel (petrol and diesel) costs in India every year have made people with minimal transportation needs in their daily life look for other alternatives and economic means of personal transport. Even though the purpose of developing Irrway was NOT to provide an alternative solution to the current Two-Wheeler motorcycle/scooter industry used for daily commute (Like TVS, Honda Motorcycles and scooters) OR make a low cost electric scooter OR compete against other electric scooters in India, this increased attention and awareness towards Greener technologies and solutions in India over the years was a positive sign and a trigger point for launching a product like Irrway in the Indian Market for an underserved market segment of 'In-Campus Mobility' which the current EV manufacturers in India were not concentrating on.

Figure 2 gives additional insights about the current electric vehicle market in India.

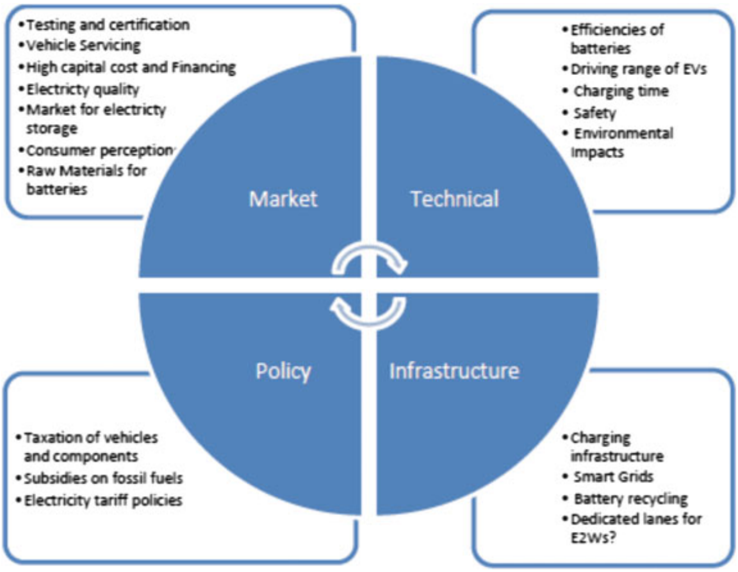


Fig. 2 Barriers to EV adoption in India. Source: http://www.unep.org/transport/lowcarbon/PDFs/ElectricVehicleScenarios.pdf

Increased Need for In-Campus Mobility in Recent Years

In the last 10 years, many big campuses like IT parks, Theme and Recreational Parks, Gated Communities, Villa Communities and Resorts have sprung up in most of the major Indian metros which increases the need for ‘In Campus Personal Mobility’ within those campuses. A vehicle like Irrway in those campuses will have enormous utility and can be effectively targeted to these campuses.

Increasing Purchasing Power of Urban India

Another reason was that, the purchasing power of urban India was increasing every day. With the capability of higher purchasing power comes the desire to be different, own different types of items which are not conventional and which is not a common item owned by everybody. So, people might be ready to shell out that extra bit of cash to be able to differentiate oneself in the society and Irrway is unique enough to fall in to this category.

Segmentation and Targeting

As described earlier there are three major variants of Irrway (refer Table 2) currently and Anjan had targeted the following segments with these three variants.

Information Technology Parks

There are more than 25 major IT parks in Bangalore alone. As more and more IT companies set up shops in India, the need for these huge IT parks will keep on increasing. There are different types of commutes within the IT parks that happen every day. Some examples are:

(a) Travel from IT park entrance to specific company buildings and vice versa.
(b) Travel from company building to restaurants/food courts within the campus.
(c) Travel from One Company building to another within the campus.

Basic personal mobility version with accessories like laptop bag holders would be targeted for this segment.

Residential Gated Communities

The newest in residential living in urban India are Villa Parks/Gated Communities. These are large residential townships spread over multiple acres of lands with all

Table 2 Irrway variants

Irrway variants	
	Basic version for Personal Mobility
	Golf Version
	Branding in Malls

Source: Greendzine Technologies

kinds of necessary and luxury amenities like supermarkets, swimming pools, and clubhouse etc. all in the same campus. With such a large campus, there are a lot of requirements for in campus mobility within the community. The basic version of Irrway with an accessory to carry groceries, books etc. would be targeted for this Segment.

Golf Courses

Many Golf courses in India do not provide golf carts and many of them either have casual caddies or no caddies. The lack of qualified caddies is a worrying problem the Indian Golf Industry faces today. Caddying is a profession which does not pay well and has a lot of safety concerns without good rights and regulations developed for practicing caddies.

Golf carts in general are very costly and maintenance costs of Golf carts are a very high. That is the primary reason many Golf courses do not have Golf carts and they provide the services of Caddies for hire only.

An EV like Irrway with the right specifications and accessories will be the right fit for Golf courses with an intention of killing two birds with one stone. The Golf variant of Irrway fitted with accessory to carry the golf kit and specially designed turf tires is being targeted for this segment.

Large Govt. Organizations and Tourist Destinations

Many of the big Govt. Organizations within India have really huge campuses. Some of the examples are BHEL, BEML, ISRO, IISc, big tourist destinations owned by Archeological Survey of India like Tippu’s Summer Palace, Mysore Zoo etc. Right now barring bicycles and golf carts no other means of personal mobility vehicle is being used in these campuses and a basic version of Irrway with minimal accessories is being targeted for these segments.

Big Colleges and University Campuses

Many of India’s colleges and universities have huge campuses where student and staff alike have to travel for long distances within the campus everyday for various reasons. A basic version of Irrway fitted with accessories to carry books and laptops is being targeted for these segments.

Security Agencies, Theme Parks and Big Resort campuses

Security agencies which patrol big campuses can use the basic version of Irrway for patrolling the huge campuses which is traditionally done by foot.

Theme parks and resorts have huge campuses which the visitors cover on foot. This can be very tiring and Irrway can be used especially for the elderly citizen segment to move through the campuses.

Big Malls in Urban India

An accidental discovery of this segment was done when trying to showcase the Irrway product to a mall Manager. The idea is to put up accessories on Irrway which will carry branding space on the vehicle to showcase the advertisements of retailers within the mall. Generally in a mall if a retailer is positioned in the third floor of the mall and the public footfall is not too much in that part of the mall, there are possibilities that the retailers might be losing customers. With their brands and advertisements displayed on Irrway and the Irrway driven across the mall continuously every hour, then lot more people will see the advertisement and will be attracted towards that retailer especially in times of sales promotions or quick offers. This new dynamic branding concept has been well received by some of the retailers and they are eager to use Irrway for this activity inside the malls.

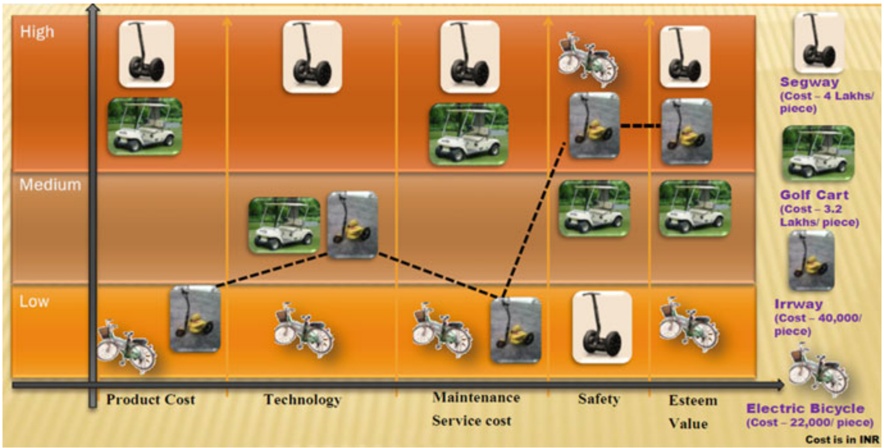
Branding and Positioning Strategy

Anjan has the following branding strategy for Irrway.

- Pick on Emotions of the consumer
  Irrway being a truly green vehicle, we can play on the emotions of the consumer by pricking their conscience for using more and more environmentally friendly products when they are ready to spend a lot of money on other non-environmental friendly products.
- Pick on Cool factor of the Product
  The tag line for Irrway is "Fun, safe and easy mobility". Since this is the first unique product in India in its category and Segway being so expensive in India, Irrway can be positioned as a 'cool' product for mobility which is also fun to ride.
- Utility factor of the Product
  One of the biggest positives of Irrway is its utility as a safe personal mobility solution for In-Campus mobility and its utility needs to be communicated across to the various segments.

There is a plan to leverage Social Networking sites like Facebook to build branding activity for Irrway on the above said points and to develop advertising videos based on each of the above points to be released in the same medium (Facebook and Youtube). This could increase the brand followers of Irrway and build awareness among general public with a far greater reach.

The positioning strategy based on five key parameters (product cost, technology, maintenance service cost, safety, esteem value) on a scale of Low, Medium and High for Irrway in relation to Segway, Golf Carts and Bicycles is highlighted in the below schematic:



Source: Greendzine Technologies

Marketing Strategy

Anjan has thought of the following Business models to be able to cater to the different segments that he has in mind as his immediate marketing strategy.

- B2B selling
  In this model he would like to sell Irrway to other businesses like the different segment owners that he is targeting with a minimal order of at least 10 vehicles for each business. The minimum order quantity is essential because of the ease it gives to provide after sales maintenance services to these customers.
- B2B Rental Mode
  In this mode, Irrway would be rented out to businesses with the businesses paying rental fee for each vehicle it rents with the entire responsibility of maintenance and repairs of the vehicle owned by Greendzine throughout the rental period.
- Royalty Mode
  This is another form of rental mode where the Businesses will not pay a direct rental for each of the vehicle, but would pay a royalty to Greendzine on the revenue earned by the usage of the vehicle by those businesses.

Anjan intends to market Irrway with these business models along with offers to try out the product on a pilot basis for some of the businesses in the different segments. Considering the present response that he is getting for the product he is hedging his bets more on the B2B Rental and Royalty mode to click with the customers. With Irrway being a new product and first of its kind in the market, customers have lot of apprehensions about the quality, performance and maintenance of the vehicle and they do not want to own them immediately with a fear of their investment going waste. Anjan is ok with this response from the customer because it is still a positive sign from the market that the customers do want to use the product although they do not want to own them yet.

Why not going B2C?

> To go B2C, there is a strict need for Regulation with the Govt. Preparing for Regulation to get the vehicle on road requires a lot of time, effort, money and for a startup company; we will kill ourselves if we want to do it. Also, how do I control somebody who is riding the vehicle on the road? Polarizing the market to a particular environment is ok; however, we do not know today how to handle the Viral Market. Once the vehicle goes out of a gated campus, the safety aspect and liability aspect becomes a huge factor for an organization like us.

Anjan's words above aptly summarize why Greendzine cannot go for B2C selling right away. He has to grow his company to a level where he has enough revenues and profits which can be invested further to develop an Irrway variant along with the required regulation approvals to put Irrway on the road for a B2C Customer.

Pricing

Anjan currently is pricing Irrway close to Rs. 40,000 with a minimum order of around 10 vehicles for each Business that wants to buy Irrway. Even though this price is high compared to other competitors like bicycles or the EKO scooters, Anjan defends the high price tag.

> Pricing is highly contextual and emotional. An alloy wheel for a car will cost Rs. 60,000. Alloy wheel is not a necessity, but still people spend money on them because necessity is a function of many parameters. It could be because my friend has it and I want to buy or it's a cool thing so I need it or it increases the performance of the vehicle so I want to buy or I just feel that I need to have it. So, when we are adding a price point to a product, we should know what we are targeting for.

One of the reasons that Irrway is priced high is because of the high quality of post sales service/warranty that Anjan is planning to provide for the vehicles. Also, Irrway being truly Green vehicle with 80% recyclable parts which are developed on a "Cradle to Cradle" philosophy, it's a value addition which justifies the price to be high. Anjan also believes that Irrway being priced high will enable Greendzine to use the returns to develop other variants of this product, break even pretty fast and since it is the first of its kind in India with its unique appeal and utility, the high price can be justified. This price may be high for a direct B2C customer but a business might be able to pay such a price for a product like this. Also, the segments that are being targeted are all wealthy enough to be able to pay such a price for Irrway. The bigger challenge is to prove the utility of the product for the customer.

An example is the Golf Course which has decided to buy Irrway. The management did not even ask for the price once they were convinced about the utility of the product. All they were concerned was about the customizations that they requested to suit Irrway for the Golf Course.

Competitors for Irrway

Even though right now there are no direct competitors for Irrway, there are some electric scooters, bicycles with conversion kits and other electric vehicles which operate in the similar price range as Irrway. Even though Segway is a direct competitor, it is priced so high in the Indian Market currently that only very high net worth individuals can afford a Segway. Table 3 has pictures of the different competitors of Irrway along with their prices.

Problems Related to Scaling Up

Another problem that Anjan currently faces is related to scaling up his operations provided he gets a very big order for more than 100 vehicles. Currently he has a very small facility in Bangalore where each of the machines are being hand assembled by him and his team. If he gets a big order, then he needs to scale up pretty quick which will require a lot of financing.

Problems Related to Availability of Capital

Being a startup company, Greendzine does not have access to the necessary working capital to execute future plans. A lot of VCs and Angel Investors have been approached without any breakthroughs. A general lack of an ‘ecosystem’ in India for product development by startup companies is a huge contributing factor for Greendzine not being able to attract enough investors. India mainly being a Services Industry, the general attitude of investors was more oriented towards backing service based business models than pure product development.

Marketing Issue

The history about marketing Electric Vehicles in India has shown that any company, regardless of its economic might and loyal customer base will face the following marketing issues:

- Lack of acceptance of Green solutions for mobility from users and hence reluctance to acknowledge the usage of such solutions.
- Apprehensions about performance, service, breakdowns, charging stations etc.

Table 3 Competitors for Irrway

Other EVs in India for Personal Mobility	
	EKO Vehicle – Electric Scooter Business Model: B2C Price: Around Rs. 36,000 On Road Manufactured in India Image Source: http://www.ekovehicle.com
	Bicycle Conversion Kits Business Model: B2C Price: Around Rs. 8000–12,000 Mainly Imported Image Source: http://www.evfuture.com/images/bike_kit_s.jpg
	Nebula Golf Cruiser Business Model: B2C, B2B Price: Not Known Image Source: http://nebulaauto.com/wp-content/uploads/2011/10/Golf-Cruiser1.jpg

- Pricing—No matter whatever the price of the vehicle is the general feeling is that Green Technology Solutions are expensive and not worth investing in.

Since Greendzine technologies is a startup company, it faces the additional challenges of not being a known brand, not having a loyal customer base and lack of capital expenditure (the first prototype of Irrway™ was built from Anjan's personal capital). Many Venture Capitalists and Angel investors have shown interest in the company, however most of them want to see the business model succeed and the company shows enough cash flow to be able to invest in the company. So, the immediate issue at hand is for Greendzine Technologies to be able to get a minimum number of customers with a significant order very soon.

There are conflicting ideas about using “Green” as a branding strategy for Irrway. With the current awareness levels about Green Technologies in India, the debate is whether being Green is really a value proposition or just a value addition.

Another marketing concern is putting Irrway inside a mall. Currently based on the success of renting out Irrway to the mall, the company is getting lot of interest from other Malls to use Irrway as a mobile branding platform for its retailers. Anjan says:

> Going to a Mall, we will have foot fall for general public. Why are we showing the product to a bunch of people whom you don’t want buying your product. We will have the first mover advantage in the market no doubt, but the brand value is decided by the statistic that how many people know about your product. It’s a virtual currency with which we can go and catch an Angel Investor or a VC and if we keep killing the enthusiasm of the general public about the product saying it’s not available for B2C selling, it will hurt the brand equity of the product.

Also, an additional concern is that the perception about a product immediately changes when we say the product is made in India versus made outside India. Irrway being a totally Indian made product (manufactured and assembled in Bangalore) has the challenge of convincing its customers that the product is equally reliable as an imported product like Segway.

Anjan wants to understand the market dynamics of all these segments which he has concerns about and he wants to do a surgical attack on a particular segment for now to be able to sell/rent Irrway so that the revenue of his company increases and he will be financially stable enough to be able to scale up and better target the multitude of segments that he originally planned for and for which Irrway has tremendous potential as a product.

Electric vehicles look like a solution to the growing air and noise pollution in India. Road transport amounts to 80% of India’s crude oil consumption and is the major cause of air and noise pollution. There will need to be continued focus on subsidy provision from the government to continue promoting the use of electric vehicles for the next 8 years.

EV market in India is still at a nascent stage. However, technology and battery advancements are making EVs more attractive to consumers due to increasing convenience and affordability.

Import taxes levied on importing Electric cars is 125%, which encourages cars to be assembled in India rather than be imported as completely built units.

> The Indian consumer probably looks at costs harder than consumers elsewhere. He isn’t too interested yet in the benefits of a green car, or in his responsibility to help make the planet greener. This is unlikely to change quickly.

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Case Study 11: Citrus Ventures—Distressed Asset Specialist

Harsha C. Shastry, B.T. Lakshmipathi, Manohar, M.G. Srenath Rau, Pankaj Kumar Jatarya, Sachin M. Kamtikar, and Atanu Adhikari

It was March 15th, 2012 and Vinod Menon had a decision to take. It was exactly one year since he had started pursuing his dream of being a real estate developed and launched Citrus Ventures. Citrus had acquired a "distressed asset" at Sarjapur Road, Bangalore. In the past year the project had made limited progress and the customers who had purchased the property before Citrus took it over were being

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8_11

difficult and not sticking to their commitments. Vinod had already priced it at a discount of 33% to the market and still had only been able to sell three against the planned sale of six units in the past 6 months—even these sales were tentative and yet to close. He had a reputation to protect given his commitment to the bankers, ex-owners and old customers to complete the development. Now, he had to take a call on reduction of price or of delaying the project further until he was able to sell a few more units and resume development.

About the Company: Citrus Ventures

Citrus was envisioned as an urban infrastructure company focused on real estate, mining and water recycling. Operating across the infrastructure lifecycle it wanted to invest into, design, develop, operate and manage infrastructure assets.

Citrus had been focusing on the distress assets in real estate segment—especially prime urban projects—for the past 1 year. The company specialized in taking over projects which have been significantly completed before getting stuck due to shortage of funds or other issues—termed "distressed assets". They tied up projects in Bangalore including a residential project on Sarjapur Road and a retail mall on Outer Ring Road. The firm was run by Vinod (CEO), Shashidhar Pai (MD), Charles (Director Marketing) and other professionals from the industry. This was radically different from typical Indian real estate developers which were family run. This meant that the organization was nimble and open to changing their tactics according to the situation. It also brought in the learning of different organizations since the management were from different backgrounds and had worked in different firms in the past.

About the Entrepreneur: Vinod Menon

Vinod Menon, a cost accountant and a serial entrepreneur, launched Citrus Ventures, a Real Estate fund/development company since he believed the time was right to bring in professional management to what had been an unorganized industry. Vinod was till recently, a Director at o3 Capital (an Investment Bank) heading their real estate practice. The opportunity to interact with several developers and fund houses as a Banker, along with his prior experience as CFO of Mfar Holdings (a real estate development company) gave Vinod a deep insight into the cyclical nature of the industry and the need for developers to conserve capital during the upswings in the economy in order to tide over the inevitable downturns. When an opportunity came along to play the role of both Developer and fund house, he grabbed it and started his own firm Citrus Ventures.

Promoters

Apart from Vinod Menon, the firm was promoted by two others:

Shashidhar Pai, then the CFO for Ozone group was one of the investors in the business. Shashi, a fellow chartered accountant, had strong experience of raising capital, having raised upwards of US$500 million of equity and debt capital in his career spanning 16 years.

Tanvir Jabbar a qualified architect was the third promoter who looked after the mining and infrastructure business divisions of Citrus.

The marketing department in Citrus was headed by **Charles Hayward** a 20-year veteran with experience across industries and business functions. Prior joining Citrus Charles was Vice President at Mfar Holdings handling the marketing function.

Brand

Vinod wanted to run the business in a professional manner unlike the family run companies which dominated the industry. The companies name had to capture the essence of a new approach to the industry and the theme of re-invigoration of stuck projects. "Citrus" being a symbolic of vibrancy, youthfulness and fragrance was hence a fitting choice as a name for Vinod's latest venture.

The brand of Citrus had to take root not only in the customer's psyche (since they were the eventual buyers of the product) but also in the financial world as their future projects acquisition depended on good reputation as problem solvers amongst the financial and developer communities.

Organization Focus

The modus operandi of Citrus Ventures were:

- Identify a distressed asset
- Renegotiate economic stakes of various parties involved in the project
- Raise capital (debt and equity) for completion of the project and ensure financial closure
- Execute and deliver the project creating value for all the stakeholders

Distressed assets being projects that are partially developed and where the progress has stopped due to various reasons such as legal, financial and technical troubles, the stakeholders were more than in an ordinary development project, namely:

- Developer of the project
- Financial institutions
- End customers
- Vendors
- Approval authorities

When a project gets stuck after significant progress, it results in locking up of capital and high holding costs and can even result in litigation and bad blood among the different stake holders.

A re-developer or distressed asset specialist can step into a stuck project and bring all the stakeholders to the table. He can help the liquidity situation through refinancing the project and provide the execution capabilities to ensure the project completion. This provides the stakeholders an alternative to auctioning the property (which potentially can result in lower realizations due to negativity associated with such distressed assets.) In certain cases, where the project sits idle for long periods due to lack of initiative, incentive and availability of any recourse, the re-developer can bring in an additional dimension to the status quo.

The firm had the technical knowledge, business network and soft skills to deliver on this strategy.

Value Addition

Specialists handling distress assets need to be multi-faceted:

- Ability to handle decision makers from various backgrounds as well as handling customer sensibilities becomes critical
- Financial expertise and reputation among investors and bankers would be critical to financial closure of projects
- Technical competence to execute the project would be critical to the timely completion of the project.

Citrus having all of the above skill sets was able to provide tremendous value to the situation at hand. In addition to this the USPs of Citrus were:

- Professional management which has been a part of the industry for more than a decade
- Perception among rival developers of not being a threat or competition
- Familiarity among bankers and other real estate value cycle contributors

Opportunity

There was a severe liquidity crunch for the industry given high interest rates and lower end-user demands for residential and commercial developments. The negativity in the media regarding the global and domestic economy had aided capital flight from risk and real estate was perceived as risky. This had created a large number of projects where the developers were stuck and needed assistance of a professional or specialist to liquidate the assets or take over projects. This proved a huge market gap for Citrus and they were receiving more proposals than they could handle.

Challenges

Since Citrus Ventures was funded with proprietary capital of the industry professionals, it had a small outlay of funds in relation to the size of the projects they would take on. Lack of access to large and quick equity capital was a key challenge.

Bigger disadvantage was the stigma associated with "distressed assets"—the market perceived long delays in projects as a bad omen. While Citrus felt that distress of a project was no longer there once they took over the project, the new customers often times felt that the project was still distressed or that the quality would somehow suffer due to change in management. This belief was hard to combat, although there was an opportunity for customers to get above average returns on their investment. Since while the projects sold at a discount during construction, after completion the prices would shoot up to market or above market levels.

About the Project (Figs. 1 and 2)

The project Citrus Ventures SpringVille comprised of 65 row houses on a 3.5-acre plot. The project was located off Sarjapur road (a fast developing commercial area with highest concentration of IT office spaces). Springville got into trouble in the middle of the 2008 downturn and since then no work of any note had taken place. The project was financed by HDFC Bank which wrote off the debt asa Non Performing Asset (NPA). Due to the relationship and comfort Citrus management enjoyed with the leadership at HDFC Bank, they were able to negotiate a deal with the bank to step in and complete the project. Citrus now had the responsibility to complete the row houses and hand it over to the end-users. In turn they got to collect the un-realized

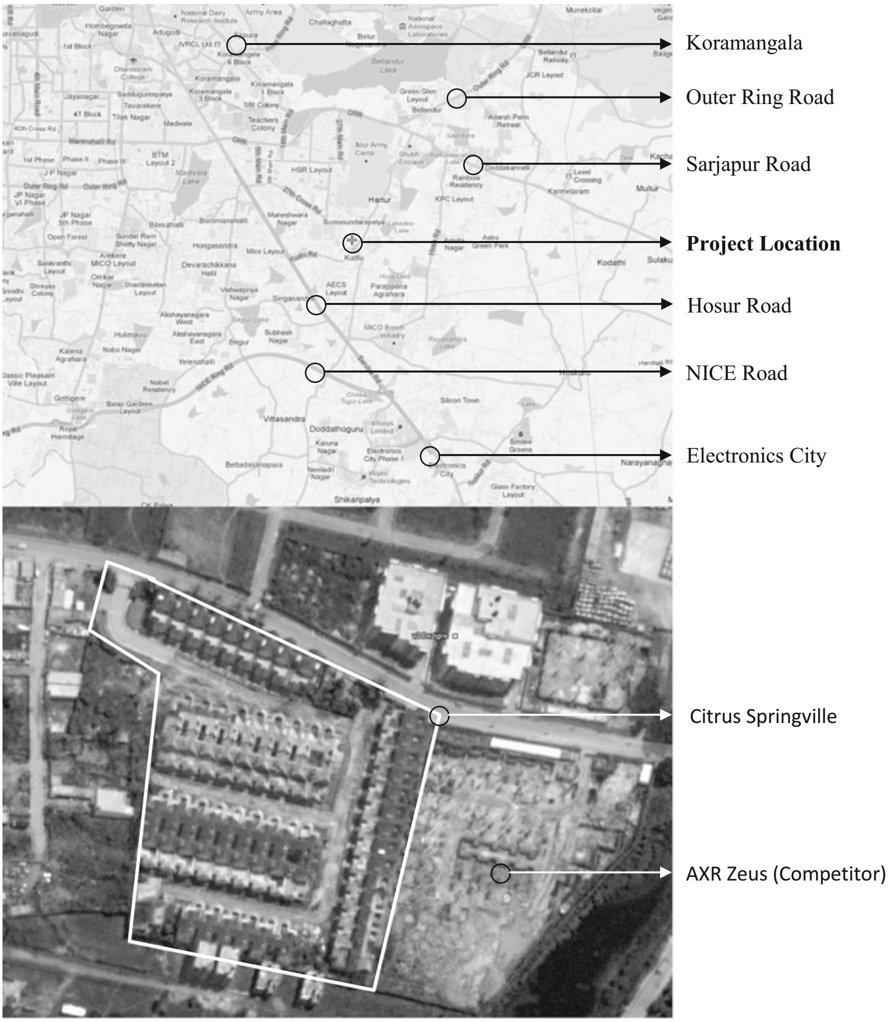


Fig. 1 Project location. Source: Google Maps

payments from the end-users as well as sell the unsold stock of nine units. The proceeds would go to both HDFC Bank and Citrus in a pre-agreed ratio (Tables 1 and 2).

Pricing Strategy (Table 3)

The pricing strategy was to sell at significantly below market price since the project was perceived to be a "dud" by most customers and brokers. Citrus planned to sell units at INR 11–13 million (depending on area of each unit) where as in the market

Fig. 2 Citrus Springville. Source: Photographs taken at site

the price for a similar unit was around INR 18 million. For this price the end-user received ownership of a super built up area of 2700 sqft with free-hold rights over 1500 sqft of land which was registered to the property owners as a divided share (unlike other row house projects where the owners got the undivided share in land which would be jointly held by all unit owners). The existing customers had acquired the units at various price points between INR 8–11 million depending on the time of purchase. Citrus planned to sell one unit every 2 months in order to finance the development as well as make payments to HDFC Bank.

Charles had sent out the sales brochure of this property to almost 500 property brokers. The brokers in the area were strong decision influencers and could woe

Table 1 Details of citrus Springville project (INR millions)

Number of Unsold Units	90
Additional Units through Re-planning	30
Estimated Realisable Value of each Unsold Unit	12
Pending Collection on already Sold Units	70
Total Realisation	214
Settlement debt Owed to HDFC	65
Development Completion Cost	85
Cost of Developing Additional Units (2200 per sft*3 units*2650sft)	17
Cost of Approvals	5
Administrative Overheads	5
Marketing Costs (% of Revenue)	5%
Income Tax	30%

Source: Citrus Ventures company data

potential customers on the basis of this "discounted price." The development was expected to be completed by December 2012.

Profiles of Buyers (Fig. 3 and Table 4)

The existing customers were a mix of IT employees, other salaried folks, business men and middle-class individuals. Of these 40were end-users/potential occupants and 16 were investors. The existing owners were frustrated with how things had turned out and hence were suspicious of the new developers. This was due to the fact that on previous occasions, the earlier developer would get minimal work executed by contractors just to invoice and collect money from the owners and work would come to a standstill after a month or so. The units were also not registered in the name of the customers. This meant that they did not have the title to the property in order for them to sell it (Figs. 4 and 5).

Citrus held a joint meeting with the previous owners and HDFC Bank, where the process of Citrus taking over the project was communicated. HDFC Bank also highlighted that in case they auction the property, no revenue would be shared with the owners since they didn't have a registered sale deed. Hence Citrus was a lifeline for the customers. However even this did not assuage their mistrust. The customers were very reluctant to make good on their pending payments even if Citrus undertook construction and showed progress. One of the steps taken up by Citrus in order to instil confidence in the owners was to get the property registered in the name of the owners. This gave them title to the property. Even this step did not give owners the comfort that was expected.

Table 2 Monthly projections for cash flow statement

Projected cash flow	To Date	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total
Uses												
Site Mobilization	1.0											1.0
Payment for Site Inventory	0.3	0.5										0.8
Labor Payments	0.3	0.5	0.3	0.5	0.5	0.3	0.3	0.3	0.3	–	–	3.3
Material Payments	0.3	0.3	0.3	0.3	0.5	0.8	0.8	0.8	–	–	–	4.1
HDFC Retirals	0.5	1.0	1.0	1.0	1.0	0.5	0.5	0.5	0.5	–	–	6.5
Approvals	–	–	–	0.5	–	–	–	–	–	–	–	0.5
Contingency	–	–	–	0.4	0.4	0.4	0.4	–	–	–	–	1.6
Administrative Costs	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	–	1.0
Marketing Costs	–	–	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9
Total Uses	2.5	2.4	1.8	2.9	2.6	2.2	2.2	1.8	1.0	0.2	0.1	19.7
Sources												
Citrus Capital	0.8	–	–	–	–	–	–	–	–	–	–	0.8
Collections on Sold Units	–	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	7.0
New Unit sale	–	–	1.2	1.2	1.2	1.2	1.2	1.2	2.4	2.4	2.4	14.4
Advance Taxes	–	–	–	–	1.0	–	–	1.0	–	–	1.0	3.0
Total Sources	0.8	0.7	1.9	1.9	2.9	1.9	1.9	2.9	3.1	3.1	4.1	25.2
Surplus/Gap	−1.7	−1.7	0.1	−1.0	0.3	−0.3	−0.3	1.1	2.1	2.9	4.0	
Cumulative	−1.7	−3.4	−3.3	−4.3	−4.0	−4.3	−4.6	−3.5	−1.4	1.5	5.5	

Source: Citrus Ventures company data

Table 3 Competitive benchmarks

S. no.	Developers	Project	Location	Area/ Unit in sft	Cost/ sft	Total price (INR millions)	Completion
0	Citrus Ventures	SpringVille	Harlur Road	2700	4400	12	December 2012
1	AXR	Zeus	Harlur Road	4518	6000	27	August 2013
2	Sobha	Signature	Harlur Road	6807	8500	58	June 2014
3	LGCL	Ashlar	Harlur Road	3204	7800	25	Ready
4	Assetz	27, Park Avenue	HSR Layout	5760	8750	50	November 2013

Source: Cold calling of competing firms—data provided by sales and marketing teams

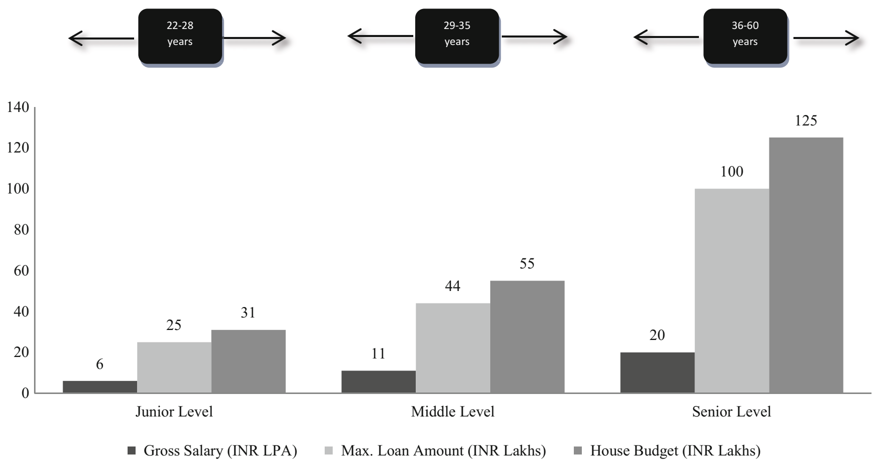


Fig. 3 IT salary benchmarking. Source: Ma Foi man power survey

Table 4 Analysis of number of IT professionals

Total Number of IT Employees in Bangalore	3,50,000
Ratio of Junior:Mid:Senior Level Executives	94:5:1
Junior Level Executives	3,25,000
Mid Level Executives	52,500
Senior Level Executives	3500

Source: Ma Foi man power survey

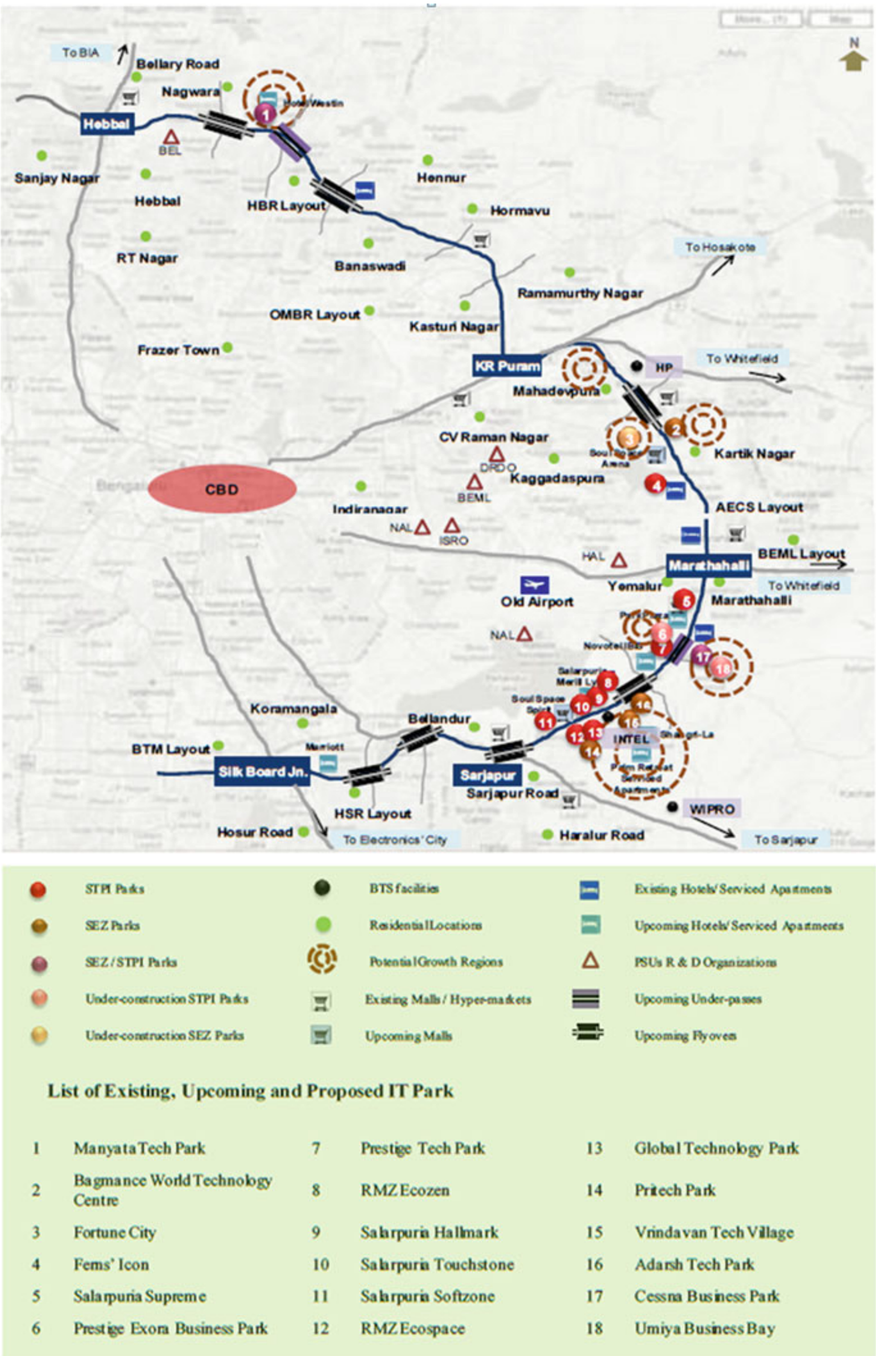


Fig. 4 Micro market at Sarjapur road. Source: VestiansIT ITeS Growth Corridor Series Bangalore ORR

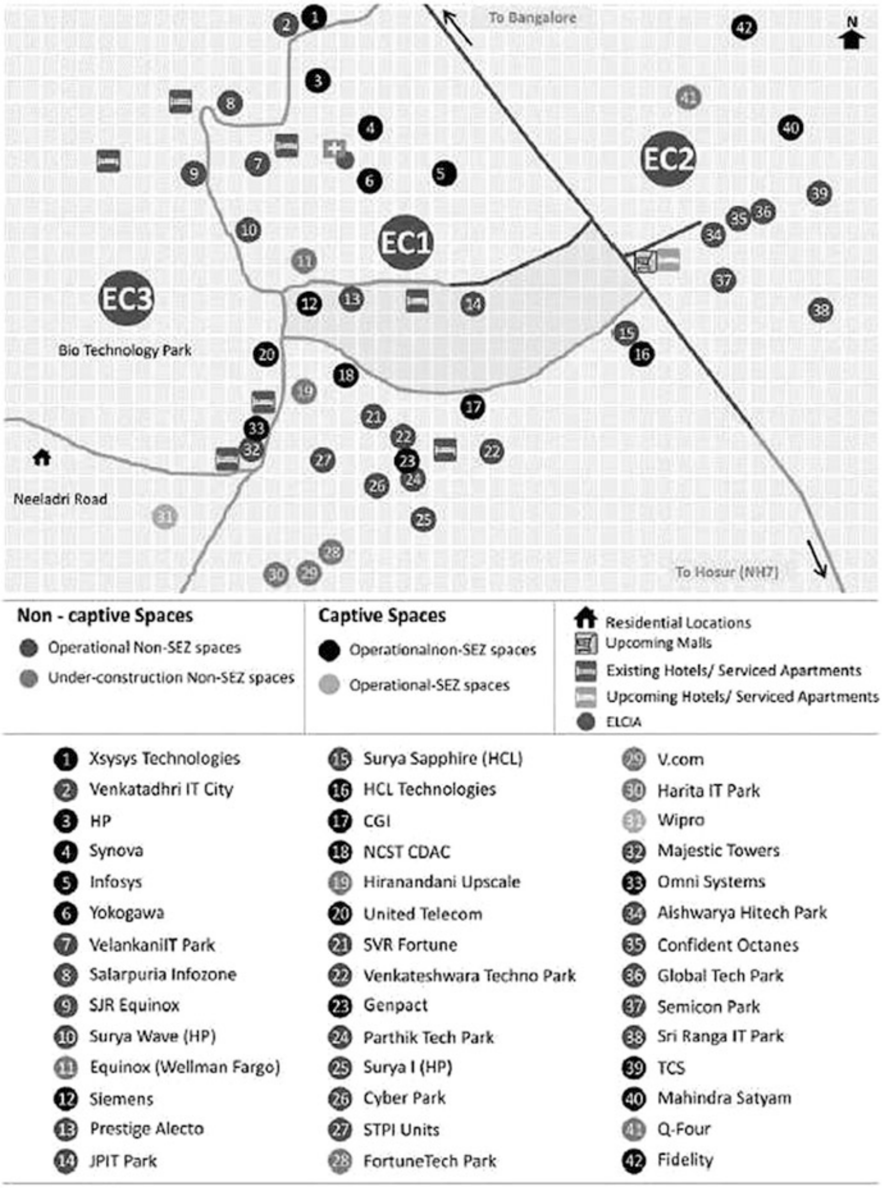


Fig. 5 Micro market at electronics city. Source: VestiansIT ITeS Growth Corridor Series Bangalore Whitefield Electronics City

Alternative Perspective

Vinod felt that Citrus was a B2B company rather than a B2C company. The primary target for Citrus comprised of bankers and developers whose problem Citrus solved. The secondary target, the end-user of the product, accounted for only a small portion of the overall unit sales. The relation with bankers and developers would help Vinod acquire a strong pipeline of assets. However, in order to successfully liquidate the assets and unlock value, Vinod would need the end-users to purchase the developed product. Citrus being new to the industry the end-users were not very keen to buy their product. This in addition to the stigma of being distressed meant that Citrus had an uphill challenge marketing the property.

The Dilemna

Vinod Menon had a decision to take. His cash flow projection looked bleak at best. He had invested most of his asset acquisition outlay into the project. He was a single project organization and that meant his working capital depended on the cash flows from this project. Older customers of the project in a desperate attempt to exit the project were under cutting him in the market. This meant that even at a steep discount to market his units were not selling. The image of the project in the market was severely dented. He had made commitments to the bank to start paying back the debt in this financial year. The collection due from earlier sale was also not forthcoming due to a trust deficit among the older customers.

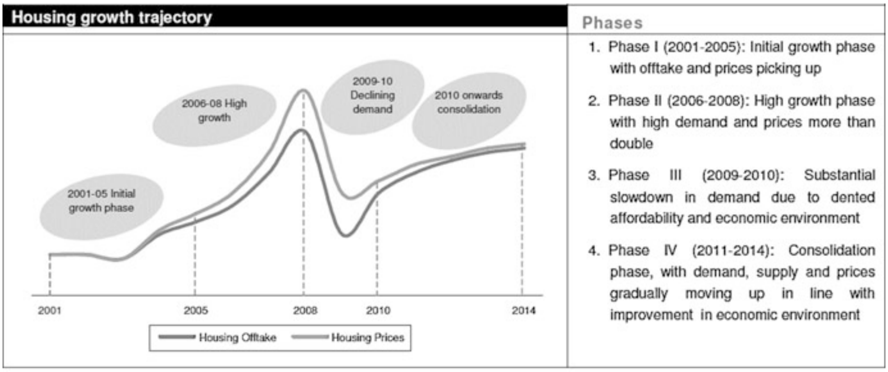
He had two options the way he saw it. He could exit the project cutting his losses short. But that would seriously dent his reputation in the market. It would also mean a loss of his capital already sunk into the project. The other option was to undercut the price even more such that the product was at cost to a new buyer. This could backfire if the customers attributed this cut in prices to sinister motives. Even if he sold it would mean minimal or no profits or even a loss of capital for him.

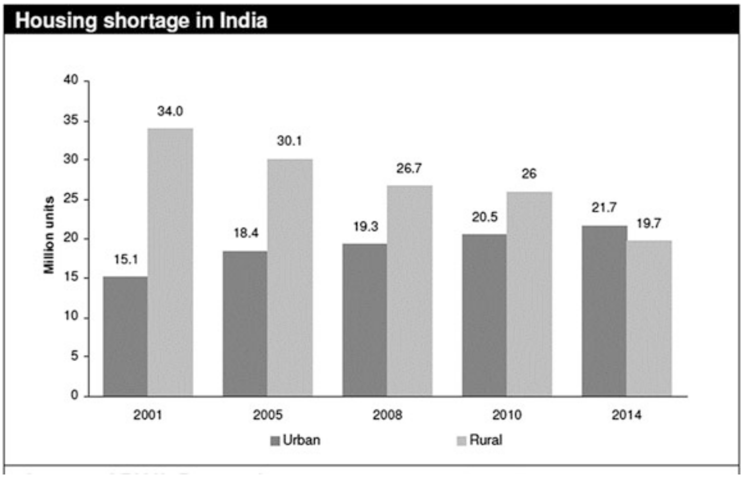
It was time for some strategic thinking and he called together his senior management for an extended discussion with the following agenda:

- How to manage the burn rate of INR 0.8 million per month? Is firing an option? Should Citrus take a corporate loan?
- How to manage the old customers of the project? How to collect payments? How to prevent them from undercutting them?
- How to address the concerns of vendors whose payments were already delayed?
- How to address the concerns of HDFC Bank? Should we intimate them about inability to start paying in the next month or wait?

Background

The Indian real estate market has grown from an unorganized sub-segment comprising of contractors to an industry clocking over USD70 billion in revenues in 2011. It currently contributes 5% to the Indian GDP. In the last downturn (2008) however, real estate has been one of the hardest hit sectors due to multiple factors like high interest rate regimes, low retail interest, over-leveraged businesses among others. This has resulted in numerous developers and development projects stalling, defaulting on financial commitments, delaying delivery and rolling back operational scales. Investors and developers who have conserved capital or had access to capital during these times have been able to acquire projects like these (referred to as “distressed assets”) at deep discounts.





About Bangalore

Bangalore (Bengaluru), the Silicon Valley and Garden City of India, is the capital of Karnataka. It is one of the fastest growing metropolitan cities of India and the World. It is home to large number of public sector industries, software companies, aerospace and defense organizations and telecommunication majors.

Bangalore is located in the south-eastern part of India at the heart of the Deccan plateau. The city is situated about 3000 ft. above sea level resulting in a salubrious climate.

With a geographic spread of about 741 km^2 and a population of over nine million, it is the fifth most populous city in India with one of the highest growth rates (46% per decade).

About Bangalore Real Estate

- Bangalore Real Estate has been fairly resilient to the upswings and downswings witnessed in the last economic cycle (2005–2012). Prices have remained largely stable with steady growth over the period of time. Demand is strong, driven primarily by IT, ITeS companies—Bangalore clocked the highest commercial development absorption of 11.7 mnsft during CY2011. This has resulted in strong employment creation, spurring demand for housing.
- However, recently, due to high interest rates and lack of confidence in global markets there has been a slackening of demand from homebuyers. Unsold inventory has gone up marginally indicating low oversupply situation. Launches in the affordable segment with a price band of INR 2500 per sft to INR 3000 per sft have witnessed highest off take. Such properties are expected to continue to evince end-user interest in the coming months.
- Some of the highlights of the market are as follows:
- Salary hikes of nearly 17% on average across Bangalore according to a survey by manpower services firm Ma Foi.
- High demand for units priced in the range of INR 3–5.5 million (which is where 75% of the supply is focused), with interest dipping closer to INR 6 million and above.
- Lack of ready to occupy properties since newly launched projects are expected to hit the market only by 2014–2015.
- Large township projects have not been successful.
- Metro connectivity is expected to change the demand/supply map of Bangalore real estate.
- Price gaps between the pre-launch and launch stage are miniscule in Bangalore indicating low speculative demand.

- Micromarkets in Whitefield, Outer Ring Road—Sarjapura, Bannerghatta Road and Electronic City have developed into self-sustaining suburbs.
- IT and commercial office developments in these markets are overshadowing the infrastructure constraints.

Source: CRISIL Research: India Real Estate Overview and ICICI Property Services: Bangalore Residential Real Estate Overview

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A. Adhikari, S.K. Roy (eds.), *Strategic Marketing Cases in Emerging Markets*,
DOI 10.1007/978-3-319-51545-8