

Integrated Marketing Management

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Lecture – 07 **Case of Suryodaya**

So, welcome to this class. Having discussed how to do a case analysis, what are the key ratios that you should consider while doing a case analysis, how to develop a case and all these aspects which were discussed in detail.

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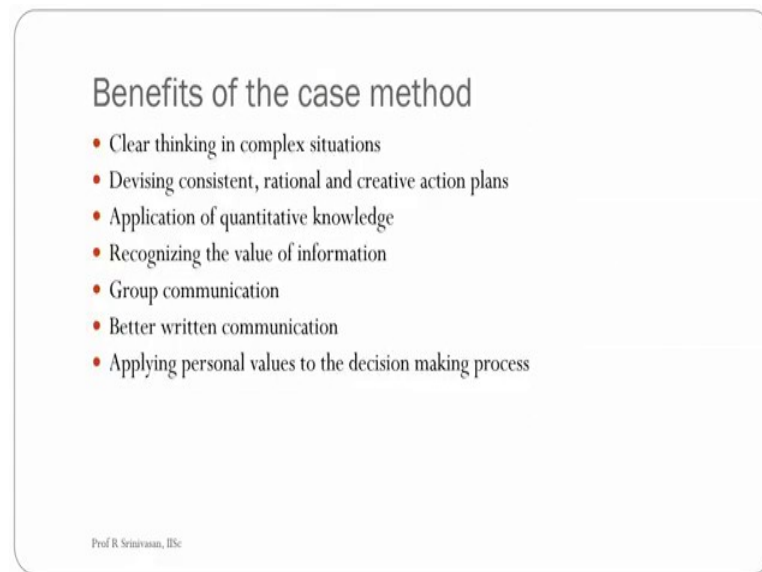
Key Financial Ratios (cont'd)

Activity Ratios	Liquidity ratios
1. <i>Inventory turnover</i>	1. <i>Current ratio</i>
2. <i>Fixed assets turnover</i>	2. <i>Quick ratio</i>
3. <i>Total assets turnover</i>	3. <i>Inventory to net working capital</i>
4. <i>Accounts receivable turnover</i>	Other Ratios
5. <i>Average collection period</i>	1. <i>Dividend yield on common stock</i>
	2. <i>Price earnings ratio</i>
	3. <i>Dividend payout ratio</i>
	4. <i>Cash flow per share</i>

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We will consider a real situation a real life case to discuss this case an (Refer time: 01:04).

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The case that I am going to discuss has already been uploaded in PDF form in your study material. It is a classic case. The names of the companies, the names of the individuals it has been masked, but it is a real case concerning the introduction of a new product. Whatever facts and figures that are mentioned in that case refers to that period only. The period that we are considering in this case is 1957.

Why are we considering this 1957? The present day government wants to give free gas connection to a large number of families below the poverty line. So, that they can have a better cooking environment ok. When was this attempt to have this gas cylinder made in India? If you look at the history because it is now historical, the first attempt to make use of this gas cylinder was done by a well known public sector company again the name is masked and it was the company to introduce this gas cylinder for the first time in India. It was introduced in the western part of India where people were using what is called the shegadi or the angity that is also there to make chapatis and cook food.

So, this case has been called Suryodaya. This Suryodaya is a case where it is the introduction of a new product in the Indian market and it was introduced as per the case terminology. As I mentioned the name of the city is masked, but it is mentioned it is a place in western India industrialized ok. It is termed as Udyan Nagar market; Udyan Nagar market. So, this Udyan Nagar market was the place where this distribution company that is the oil company dealing mostly with industrial products introduced this

bottled gas. This Suryodaya was a distribution company dealing with industrial products. It introduced as bottle; it introduced this gas in this Udyan Nagar area that is this gas cylinder.

So, it was employed or appointed as by a foreign oil company as an exclusive distributor for bottled gas and stoves in Udyan Nagar state; in Udyan Nagar city. Name of the state is also mentioned Gujarat, Western India. So, this was the first time an attempt was being made in the country to introduce bottled gas stoves to be put in a market.

So, as you can see it is 1955-57 country had become independent and for the first time you are introducing a new product into the market. So, the challenges of acceptance of this product, how the public is going to perceive this product all this becomes very vital for this product to succeed.

So, here was a person who was put in charge of this whole exercise. He was sent to this foreign company for training and after he came back he was put in charge of the distribution of this gas stoves in this Udyan Nagar city. So, this is a this was for the first this is an introduction of a new product and it is to the idea was to replace an existing product like the shegadi and it used coal as fuel. This new product is going to use gas as fuel. To light the coal in the shegadi they used to make use of a rag dipped in kerosene oil and this shegadi used to get manually fanned by the housewife for about 5 minutes till the coal started burning.

So, after it started burning this shegadi would be kept in an open place. So, it gives a, used to give out lot of fumes and smoke before it was ready for use. This whole process used to take about 30 to 40 minutes. Once it was ready that is this shegadi was ready food for 2 people could be prepared on it. Sometimes it required that some more coal should be added to complete this process and the housewife had to fan this coal. So, in the end it use this had to be extinguished with water for reuse.

This shegadi was used mainly for making these chapatis. The reason for using this shegadi was the chapatis which used to come out of this cooking by through this use of shegadi they used to be very puffed, very fresh, all those types of good things which were good attributes of a chapati attributes of a good chapati you can say that that it should be puffed it should be hot all those types of things.

Now, this gentleman according to the case the name given is Ram Chandran. He was put in charge of introducing this bottled gas in this Udyan Nagar city. When he started looking at the estimates for a family of 4 or 5 members, he found that this shegadi and the kerosene stove. This kerosene stove was being used for preparing breakfast and tea, this shegadi mainly for this food purposes. In this food chapati was the most prominent of the food. So, this it used to cost about 12 to 13 rupees per month on fuel that is a kerosene stove. And the shegadi put together it used to cost about 12 to 13 rupees on per month on fuel. You are looking at this scenario as it existed in 1957.

If the same family were to change over to bottled gas which this foreign oil company wanted to introduce, it might consume about one cylinder per month and that cylinder was priced at rupees 19 you can make comparisons of the gas cylinder, when it was first introduced in the Indian market and the present rates you will get a good idea.

So, it was priced at rupees 19. The expenditure on a family of 4 to 5 was likely to increase by 7 rupees per month that is also considerable; considering it was 1955-57. Changing over to this bottled gas also required a substantial initial investment. The initial investment was with respect to gas stove, it was priced around rupees 100 during that time and the user that is a customer had to deposit 25 rupees as a maintenance deposit with the oil company.

In all this investment used to be in the region of 125 rupees whereas, this former cost of this; whereas, a cost of this kerosene and shegadi it was coming hardly to between 12 and 13. This is the investment which the consumer had to make the additional investment if we opted for this.

So, there is a high initial investment cost. This high initial investment cost would make many market segments not in the usable range that is you have to look for families which can afford to make this initial investment. So, what this Ram Chandran did was to have a limited market confined to families earning more than 500 rupees per month.

Now, having done this exercise, he came across an estimate in a newspaper which put this figure of 500 rupees and above in this Udyan Nagar city, the number of families to be around 12,000. There was no market research, there was no real marketing during that period in this particular city or even in India for that matter.

So, what his thought was one of the methods he can make use of was persons having telephone connections. Having a telephone connection in the 50s was considered to be in the upper class of society. Not many people were having telephone connections and there used to be a waiting period of several years before you could get the telephone connection from the telephone telecommunications department.

So, this was this Ram Chandran made use of 2 aspects. One was this local newspapers report, second was this people using having a telephone or a car. Suppose you had a car there are only 2 types of cars then either it was your ambassador which was the most dominant in a market or otherwise the fiat.

So, this is a this was the 2 types of cars which were there in a market. So, using these types of indicators Ram Chandran made out a list of 5,000 families and he sent a sales letter to each of these families and he also arranged for insertions in the local newspaper. What is the type of insertions? He gave he said the more convenient, clean and attractive the kitchen the greater satisfaction does it give to the housewife, but when cooking is done with charcoal, firewood or other old fashioned fuel the kitchen soon becomes dirty.

So, the idea was to project this bottled gas as a convenient, clean and attractive kitchen instead of the shegadi or the kerosene where you have an old fashioned product according to this advertisement. But what surface was a number of problems? What is the type of problems which this whole product got? The product got inquiries, but the problems which came with it were also quite considerable. What is the type of problems?

The people who opted for using this gas stove, they found one thing that is the types of utensils that they are using it cannot be used the way they are in the same way as they would use it in a kerosene stove or the shegadi in this gas stove. That is it was having a round bottom, this gas stoves used to have a round bottom. Many times this play this vessels used to have a flat bottom. All this made the job of this housewife using the gas stove quite a tough proposition.

So, in this Udyan Nagar market where this Ram Chandran was given this task probably it was an unenviable task for him. So, with all this he started in he started this introduction of the new product then he came across some more problems. What is the type of problem? He found that the chapatis which used to get cooked through this gas stove did not get puffed as they used to get in the shegadi.

In other words what does it mean? It meant that the taste of this chapati, it was not being relished by the user as he used to relish in the shegadi. The housewife had some more complaints. What is the type of complaint? She said while I was using shegadi I could go around the house attend to my other course also when the cooking was on, but when these gas stove is being used have to stand in front of this gas stove only. So, much time I have to devote for this exercise.

Then the other problem which they used to have was this gas stoves they were not sure when this gas was getting empty. They said where is that it is not going to any reserve this thing. So, at in other words they were not knowing when this gas cylinder is going to become empty and when it becomes empty immediately it has to be replaced with a new cylinder. They were not very confident that this new cylinder would come immediately from this foreign oil come from this Suryodaya.

Then there was this other this thing. What is the other type of problem? This gas cylinder has to be fitted by a person from this company and he has to enter the kitchen many sections of the users they were not willing at that point of time kindly appreciate to allow any stranger into this into their kitchen. They did not want these strangers to come into their kitchen.

So, faced with all these problems that is the gas stove demanding constant attention, then for some of these user segments they were not very happy with this rubber being used in the gas stove, some of the orthodox sections. So, it was a challenge for this Ram Chandran how to make this product become acceptable in this market. So, it was a cost of the product, cost of usage of the product and the product itself.

Now, this gives this case gives you a wonderful idea of how this gas cylinder when it was introduced in the 50s. What were the types of shortcomings which people felt was in the in this new product. Given this it is a new product, how should a company go about accelerating the diffusion of this product and also acceptance of the same.

So, how does a company do that? So, this gentleman Ram Chandran was in this unenviable position of making this happen in the Udyan Nagar market. Being in a marketing function the other important aspect was given the scenario what type of communication he would use, how do you communicate with your prospective users?

In other words you had a kitchen in the shegadi which used to give a lot of smokes on fumes then he put on he put a local insertion ad in the newspapers, local newspapers saying that by making use of these gas stove you will have a very clean kitchen no smoke no use of coal.

So, all this again putting water for reuse all those things are avoided. You had a better kitchen he put a newspaper, but it was not serving the total communication effort. So, it required a better communication effort on the part of Ram Chandran. So, what are the types of problems that you can or issues that you can think of in this particular case.

So, you can look at the problems faced by this company Suryodaya in the introduction of this new product in Udyan Nagar market. The second problem is given these types of second issue is the given these types of problems how should this company try to accelerate the diffusion and acceptance of this new product.

The third which as a marketing man you should do is what is the type of creative marketing communication ideas that you can put forward for the acceptance for both diffusion and acceptance of this product. The fourth issue that you might which I listed was there is a lot of consumer resistance for the adoption of this product.

So, in the light of this consumer resistance for the adoption of this product how should consumer benefits be projected and to which section how do you project this and what is the type of reasoning that you will give. These are the types of issues that came up when this new product was introduced into the market. This is a very classic case in the 50s. All the facts and figures in this particular case refer to that time period.

Now, you can make you can ask you can try to answer the questions. Going back in time what could have been done by this gentleman Ram Chandran, what he did not do for these issues and how he could have handled or how he should have handled these issues in a perhaps a better manner if it was there.

And now you can also get a comparative idea in 2019 what is the gas stove price. What is the price of the gas cylinder? How is it is acceptance in the market? All the types of comparative ideas you can get into this. This could be a good starting point for a case discussion. You can apply all the types of concepts that were discussed in case analysis

to this particular case. Make your own decision making and that could serve you as a good harbinger for the next cases that we may discuss in this subject, in the next lectures.

Thank you.