
Unik Impex: Tuning the Strings of Success

Akshay Pillai*, **Arpit Poojary****, **Babitha Shetty***** & **Meet Bhanushali******

**Management Student, D.Y. Patil University, School of Management, Navi-Mumbai.*

***Management Student, D.Y. Patil University, School of Management, Navi-Mumbai.*

****Management Student, D.Y. Patil University, School of Management, Navi-Mumbai.*

*****Management Student, D.Y. Patil University, School of Management, Navi-Mumbai.*

ABSTRACT:

The case discusses the journey and challenges of Mr. Jayprakash Pillai, the protagonist, who went from being an employee in BGV Ltd. to an entrepreneur who had to compete with other companies which were existing since long in the market.

The case discusses the SWOT of the start-up business model which is trading. The case discusses about the bootstrapping effect for finances, right decision making at crucial business points, strategic planning, and wise marketing strategies to defend the competition, risk mitigation strategies and long term sustainability plan in sync with the entrepreneurial team's vision.

Being an intrapreneur for 21 years, he then used his immense experience and knowledge in the musical instrument market to create an enterprise. Thus, was the birth of Unik Impex, a start-up venture. It kick started by importing a guitar and it was pitched across various dealers. It was well received from the dealers because of its superior tonal quality and price. This brought confidence in Mr. Pillai to create a business model to work on long term sustainable grounds.

Today, Unik Impex has not only created a benchmark for itself in the business, but visualizes to see its business grow throughout India.

UNIK IMPEX: TUNING THE STRINGS OF SUCCESS

India is a country of opportunity for every new business organization to establish itself and flourish. Every type of industry has potential for a new business to make a name for itself. The musical instruments industry is one such industry that is growing and has become very competitive in recent times.

Mr. Jayprakash Pillai developed a desire to be a part of this industry during his time of working at BGV Ltd. dealt with the import of musical instruments and distributes them to dealers in the Indian market. He became the head of the computer department in the company due to his computer background and good practical knowledge of computers. But he was dissatisfied with the company's present trajectory and wanted the company to expand itself and diversify. He approached his boss, and shared his views regarding it but was often told to wait before making any decisions. As time progressed, he felt his job was getting stagnant and thus he finally made

the decision of moving away from the company and starting his own business with the help of all the experience he gained in his time at BGV Ltd.

THE BACKGROUND:

Mr. Jayprakash Pillai, came from a middle class south Indian family. Coming from a family where no one had ever been an entrepreneur, it was a very new and big challenge for him as he did not have anyone from the family to look for advice.

Mr. Pillai, who was a BSc graduate, joined BGV Ltd. soon after graduation. BGV Ltd. was a private company which deals with import and export of various musical instruments and handicrafts. At BGV Ltd., there were several leadership opportunities which made him realize his growth prospect in Music Industry field for his growth. This led to his final decision to leave the company and open a business of his own in the same field.

He started his first venture keeping all his earlier professional connects and personal connects of exporting rosewood from Kerala to China which is used in the production of fretboards. The start up was called "Oasis Timbers".

Through years of experience as an intrapreneur he had often observed that the priority for any entrepreneurial venture is the financial support. So he wanted that the finances for his start up venture should be in place. In order to keep sufficient financial reserves for the business, Mr. Pillai took the decision to go for partnership with two of his acquaintance at his earlier company, one of them was running a shipping agency and the other ex-colleague had broad knowledge in guitars and other musical instruments. The initial investment amount for the start-up venture was Rs 25 lakhs. The Start up venture had a small but effective team with domains of specialisation which was effective to form a business model (Exhibit 1).

THE MUSIC INDUSTRY:

According to Musician Expo market research report, musical instruments market is set to touch \$96 million by 2017. India's increasing acceptance of western culture and an average population falling in the age group of 34 years.

As per the report, an integral part of Indian retail space is the Musical Instruments (MI) market, which has witnessed tremendous surge in business in the recent past. Increasing adoption of western music, ready availability of the western music instruments, digitalization of most of the instruments and decreasing costs to buyers are some of the key factors that has driven the Indian MI market upwards. And with the increase in demand for western musical instruments, Indian MI merchants are no longer dependent on the sales of Indian musical instruments to sustain their business. All of these factors have culminated to create a huge potential for overall growth in the future.

Music Distributors had a dominant share of market in the industry. As Music Distributors had good connections with large numbers of retailers in India, it helped them to get low price products due to bulk orders. This helped them in maintaining the largest share in the market. This became an obstacle for other companies to bring the products at competitive price in the market.

Overall music industry has a stable market but it has its peak time during the month of school and college vacations. Generally Diwali vacations, Christmas vacations and summer vacations.

OPPORTUNITY FOR MUSICAL INSTRUMENTS:

The musical instrument market is highly fragmented and characterized by the presence of more than 600 musical instrument manufacturers worldwide. The use of specific type of instrument in a region is highly influenced by the public taste in musical styles and cultural and social aspect of the specific geography. The demand in the musical instrument industry is currently driven by growing adoption of music as a hobby and rising disposable income in emerging economies.

The prices set for products in the music industry were highly flexible depending on the quality of the products. Most of the marketing is done through word of mouth. This meant that the companies don't have to incur high marketing expenses.

As India is a developing country, its population seeks to take inspiration from the people of developed countries and try to follow their lifestyle. Thus, the youth is hugely influenced by western culture. This has led to an increase in demand of guitars amongst the youth who like to learn how to play them as a hobby at an early age and maybe develop it into a career opportunity. As a beginner, people don't usually spend much for new guitars and tend to prefer the cheaper ones that they can practice the basics and develop their skills on. This has led to an increase in demand for entry level guitars as major part of the consumers in India are the youth.

Bobner guitars and Plutus guitars are the most popular entry level guitars in India and have been so since a long time. Their good quality of sound and materials used has helped them make a good name for themselves in the market amongst beginners. Taking this as inspiration, Mr. Pillai decided to introduce his own brand of acoustic guitars in the Indian market.

The idea was well received by both the ex colleagues and thus the entrepreneurial team came into existence for the venture named Unik Impex. As a part of his previous experience Pillai knew that the annual music expo in China during the month of October would be an opportunity to identify his supplier for the acoustic guitars. His visit to China when he decided to start his venture brought him the manufacturers to connect with SPD trading ltd. The negotiation further took the business deal ahead. Pillai would import acoustic guitars and sell them in the Indian market in the name of Unik Impex.

There seemed a lot of scope for a new company to enter and then go on to expand itself in the market through diversification. Mr. Pillai took this as an opportunity to introduce a line of violins to add to his existing line of guitars. Violins have high demand in the south Indian market and thus Mr. Pillai targeted the south market to expand his business.

Taking all these factors into consideration, Mr. Pillai decided to start his own company with his own brand and enter the market.

THE BUSINESS MODEL:

Pillai put his idea of venture to his acquaintance from BGV Ltd.. He started spreading awareness of the possibility of a new company entering the market by importing a sample guitar from SPD Trading Ltd and first showed it to Mr. Malusare to check its quality. After gaining approval from him, Mr. Pillai showed the sample guitar to various musical instrument retailers across Mumbai

who also appreciated the quality of the guitar and thus placed orders for it. This led to the business starting up as a whole for Pillai and he thus started importing many guitars and distributed them to the various retailers in Mumbai. He then expanded his area of distribution to some other parts of Maharashtra, Goa and Kerala (Exhibit 2).

The capital invested by the partners in Unik Impex was Rs 25 lakhs. Majority of the amount was sent to China to place order for the manufacturing of guitars. Some of it was used for the renting of a warehouse which was later purchased. And the rest was used for shipping and other transportation charges (Exhibit 3).

He analysed the market thoroughly and made a note of all the necessary requirements for the guitar business to prosper. He decided to import accessories for the guitars like tuners and bags from a company named as Y Music of Korea. Each consignment that was shipped contained 750 guitars. They bought a warehouse in Bhiwandi where all the products were kept after they were imported and then they were distributed to retailers from there and they still continue to do so.

Mumbai is a metropolitan city which has good transportation sources through roadways, railways, airways and seaways. It is also the only city in India where Octroi is levied. Whenever the goods enters the city Octroi has to be paid at the check post. But as Bhiwandi is located in the outskirts of Mumbai, it's an Octroi free area (Exhibit 4). After the success during the 1st year of business, Pillai gained confidence to further invest and expand the business. He started importing violins and made an additional investment of Rs 11 lakhs to purchase the warehouse which he used he had rented. Thus, many companies have warehouses in Bhiwandi. In the 2nd year he invested.

His next priority was promoting the brand to spread awareness in the consumer market. But musical instruments aren't usually promoted through forms of advertisements. The promotion is done through spread of word of mouth by the customers. The guitars sold by Unik Impex got positive reception from dealers and consumers and slowly started gaining popularity in Mumbai. The guitars were mainly praised for its superior tonal quality when compared to others of the same price range. This helped beginners to get a better understanding of the different sounds that are made from different notes while playing the guitar. This led to increase in demand for the guitars and helped the company establish a name for itself in the market. They then started to do inter-state sales of the products to Kerala as well which had demands of guitars and violins.

Pillai and his team put in their own money to start the business. The new venture involved high risk as there were many established market players. Hence risk mitigation was essential. The entrepreneurial team took the challenge of entering the market with a new brand but also using each others' domain specialisation. It could either be borrowed or by taking a high risk can be put from one's own end.

CHALLENGES:

For every new company, availability of adequate capital is a major challenge. This is where proper bootstrapping helps. The money that needs to be invested for the establishment of the business needed to be sufficiently available.

Pillai then had to provide a product that would convince the retailers to buy it in a market that is already had many established guitar selling brands. The superior tonal quality of the guitar imported by Pillai helped him to convince the retailers to order for his guitars and this helped him compete with the others.

He also had to make the consumers aware of the guitars which were newly available and was thus unknown to them. As musical instruments are promoted mainly through word of mouth only, he had to ensure that his guitars delivered the quality that would appeal to the consumers and help it stand out in a highly competitive market.

As the business functions primarily by importing the guitars from China, the constantly fluctuating dollar rates also often affected the business as at times the amount needed to be paid for guitars rise. This means that the amount needed to be paid is never consistent. This further affected the selling price of the guitars to the retailers in India as they too have to pay different rates for the guitars accordingly.

MARKET SCENARIO:

Music industry currently has a very active market in India. There are many big brands available and more are coming in regularly. This makes the market very competitive and challenging. This requires the products to have a quality that will not only be good in the present, but will also be equally good in the future too. The products sold by Unik Impex currently have an increasing demand in the market and the company believes that the quality of their products are good enough to convince consumers to look forward to their products even in the future. Pillai assured that the company will try to use more premium materials in their products which will improve the quality of their products and make them a more prominent contender in the market.

The company presently has a good market share and is constantly developing. The Better tonal quality of their guitars already gives them a competitive advantage over the others which also enhances their sales. An expansion plan of the chain of business in the north in the future also gives an added boost to the sales potential of the company in the future.

He plans on introducing electric guitars to his guitar range which also has great demand and catering to the market can further elevate its position. He is also currently looking at drums sets too which he is considering importing in the future. The product range gradually would then move on to drums

GROWTH CHARTED OUT FOR THE COMPANY –

The company is growing with an approx 25% of sales every year (Exhibit 5). The main objective of the company was to create a Brand name in the Indian market and the Indian music industry. The company hopes to achieve this by expanding in Northern India in the future and to also diversify their current product range by selling more musical instruments and also expanding their current range of guitars and violins.

The company hopes to be better than its competitors in the future and to be the most prominent company in the musical instrument industry. They wish to achieve a reputation that would regard them as one of the best in the business.

The company plans on using more premium materials for its products in the future. This would require a higher investment and so the company is currently waiting for the business to get stable growth and market share in the market before making the investment in the future.

THE COMPETITORS:

As Unik Impex is a company that not only imports guitars, but also distributes them in the Indian market under its own brand name. The competitors are other importers and other guitar brands.

In Mumbai, the leading companies in this field are BGV Ltd. and MD Company who have a good reputation in the market due to its long presence. The brands mentioned above currently have a good reputation in the market as they have been in the business for a very long time. But, Unik Impex has been able to compete with them due to the exceptional tonal quality and better after sale service of its guitars. This has led to more customers wanting to buy their products as the prices are also very affordable when compared to a company like Fonder. The word of mouth promotion has been spreading due to the good quality of the products and the overall marketing strategy has been working successfully.

The competitors have been in the business for a long time which has given them a good reputation and thus their products are priced at a very high rate when compared to that of Unik Impex. The products thus have to be of a much higher quality and a competitive price for the consumers to feel inclined to buy them. The strengths of these reputed companies is that professional musicians tend to buy products that they are already used to playing and often don't risk going for brands that are new in the market.

But a weakness for such companies is that beginners who are interested in learning musical instruments do not tend to spend a lot on buying their first guitar or violin. This is where Unik Impex capitalizes and sells their products to beginners.

Competitors & their USP charts:

In every form of business, rivals play an important role in the sales of the company. The aim of the business is to be better than its rivals and to stand out amongst them. The main competitors in the distribution business are BGV Ltd., Tristar and MD Company. Apart from these companies, the products also have to compete with other brands like Bobner, Plutus, Fonder etc. Thus, the sales are hugely affected by the rivals as if the company is not able to compete its rivals, then its sales will fall as retailers will always look for quality for the price they pay in the music industry. This demands the company to constantly keep up and better the quality of its products to provide value for price. For example, if BGV Ltd. introduces a new product, it will instantly cause a stir in the market due to its reputation and will affect the sales of newly developing companies like Unik Impex.

Similarly, a substitute product can affect the sales of the products sold by the company as consumers would prefer a similar product at a cheaper price if available. For example, Bobner guitars sell similar guitars to Unik Impex at a slightly cheaper rate. Thus, some customers prefer to buy Bobner's guitars (Exhibit 6).

PROMOTION:

In today's time, products are most commonly promoted by advertisements. These advertisements are conveyed to the general public through televisions, newspapers, billboards etc. Though these have shown to be the most effective way of promoting products, the same cannot be said for the promotion of musical instruments. As musical instrument is something that is judged more on the authenticity of its sound, a purchaser would prefer to have it heard in reality than on television.

Thus, the promotion is mainly dependent on word of mouth publicity. The entire promotion often happened by showing a sample of the product to the retailers to generate awareness of the product. Then, the retailers sold the product to their customers and got positive feedback. This empowered the sales of the product and the retailers were willing to purchase them from him due to the good quality and demand from the consumers. Guitars and violins were sold in a premium quality cover that would represent the Unik Impex brand name. Some retailers tend to give the cover free along with the products.

SUPPLY CHAIN AND LOGISTICS FOR THE BUSINESS:

Pillai's intention was not to be a manufacturer as that would require a lot more capital and personnel. So, through his experience and connections in BGV Ltd. he channeled his interest to become a distributor of musical instruments which was imported from a manufacturing company in China. Logistics and shipment played a major role in the business model. Shipment attracted various costs which was imposed by the Indian Government. They were Customs Duty, Freight, Clearing and Forwarding charges. Overall all these expenses came about to 45% including the custom duties. Each container had 730 units in it. The documents needed were the invoice, packing list, certificate of origin, bank payments voucher and bill of entry.

Pillai then bought a warehouse in Bhiwandi where all the products were kept when they were imported and then they were distributed to retailers from there. They took the orders, shipped the products and billed the retailer. The major retailers of Unik Impex are Resonance Musicals in Chembur and Waves Musical in Thane.

A minor hindrance had once occurred while shipping the products to Kerala. Mr. Pillai accidentally sent the wrong form of clearance to the authorities in Kerala who disallowed the products to be offloaded from the ship due to the strict rules and regulations developed by the government regarding import of goods i.e. CST form as there was a change in the government regulations. Pillai had to personally travel to Kerala and submit the right form and pay a fine to get permission to allow the goods to be offloaded from the ship and sent to retailers.

SALES STRATEGIES:

Product sales is one of the challenges which the music industry faces and is considered to be an important factor. Unik Impex being a company belonging to this industry, they too had to consider this as one of the major challenges for their business to be successful. Unik Impex were distributors of guitars, violins and accessories in various parts of India. Their main competitors as distributors were BGV Ltd., Tristar and MD Company. Apart from these companies Unik Impex products had to also compete with other brands such as Bobner, Plutus, Fonder etc. The mentioned brands had their unique selling proposition as having created a good will in the market because of being in business for a long time for premium products and professional musicians were customers. The drawbacks for these companies were they could not have beginners as their customers because of the price range of their musical instruments. This was adopted as a sales strategy by Unik Impex and focussed on the market segment of beginners for their business. The USP of Unik Impex was they had branded musical equipment at a lower price tag as compared to the others in the industry.

Logistics management also is a major challenge for sales. If the goods do not reach on time, the company would loose their customers. Besides, the documentation process during the transportation also was a big challenge. The prices of the goods are directly impacted by the shipment process.

The company gives its retailers a credit period of 15-20 days. This varies from retailers to retailers. As the focus is on quality, the company doesn't give a discount of more than 5%. The profit margin is about 25% for each type of products. Unik Impex had a positive growth rate since its entrance in the market. Usually the payments are made in this period or sometimes they get extended to around 15 more days. Except for some cases that involve retailers passing the deadline and extending the time since they made their payments. Some of the retailers delay their debts of upto Rs 4.5 lakhs more than 3 to 6 months. The delay in payment leads to the creation of provision of bad debts.

The goods are sent to the retailers via delivery vans as each shop does not keep more than 10 guitars or violins till stocks last. The delivery process is handled by Pillai himself and he makes sure that the products are delivered on time.

The main target market is the retailers. It was essential to convince more retailers to purchase the products from the company. This requires the retailers to approve of the quality of the products and also timely delivery of goods with minimum defects. The demand by retailers is dependant on the demand by the consumers. As every retailers' main aim is to sell their products and make as much profit as possible. This leads to the total profit accumulated by the company through the channel of delivery.

Currently, the products are being distributed to locations in India such as Mumbai in Maharashtra, Goa and Kerala. The company plans to expand its distribution in the north in the future.

MILESTONES OF SUCCESS:

Initially the business got a good response and the company started developing well. This resulted in the company starting to make a good name for itself in the market. Mr. Pillai is a man of his word and always gave his products on time and made the payments properly and never backed out of his word. This helped him gain a good trust amongst the retailers and they were happy to invest in the company.

Taking the initial success of the company in consideration, Mr. Pillai decided to then expand the company's product range and started selling more varieties of acoustic guitars and also brought in semi acoustic guitars. He then started selling violins too which is a very popular musical instrument in Kerala.

This gave a perfect benchmark for the company to grow and continue its progress in the future. And so the company continued its development in Mumbai and other parts of Maharashtra, Goa and Kerala. The company had attained a steady market share. The sales in the 1st year since the company's inception were Rs 50 lakhs and now after 4 years, the company has done sales of nearly Rs 1 crore. This shows how the company has made growth in the 4 years of its existence and Mr. Pillai believes it will continue to do so. The company is growing with an approx 25% of sales every year. It presently has a good market share and is constantly developing. The Better tonal quality of their guitars already gives them a competitive advantage over the others which has enhanced their sales too (Exhibit 7).

The company started off with an initial capital investment of Rs 25 lakhs. This yielded a turnover of approximately Rs 26 lakhs in the 1st year, Rs 53 lakhs in the 2nd year, Rs 80 lakhs in the 3rd year, and the most recent turnover of Rs 1 crore in the 4th year.

The company has to expand slowly and acquire more demands of the product to attain more stable growth by maintaining the quality of the product and the goodwill of the company. The company has a good growth in the market and thus wants to expand from 3 states to many other states to capture more share of the market. Northern India is known for very high competitive price. To compete this, the company have to increase their current range of products and number of people. But the company has only focused on guitars, violins and its accessories.

Looking at the growth of Unik Impex, many investors in the market have approached Pillai for investing in his business. But Pillai has kindly refused to seek help in terms of finances from a third party and strongly believes that his money would be put back for growth. Similarly he is not willing to acquire professional hiring for his entity during the expansion phase.

Though the company has great vision for itself, Pillai has not gone for increasing his team, neither has he been receptive for financial assistance. Under these circumstances, the expansion seems to be only at a start up level and has not taken his mindset to a growth level.

- Company names have been changed due to copyright reasons

INSTRUCTOR MANUAL**1. Title : Unik Impex: Tuning the Strings of Success****2.****a. Abstract of the case:**

The case discusses the journey and challenges of Mr. Jayprakash Pillai, the protagonist, who went from being an employee in BGV Ltd. to an entrepreneur who had to compete with other companies which were existing since long in the market.

The case discusses the SWOT of the start-up business model which is trading. The case discusses about the bootstrapping effect for finances, right decision making at crucial business points, strategic planning, wise marketing strategies to defend the competition, risk mitigation strategies and long term sustainability plan in sync with the entrepreneurial team's vision.

Being an intrapreneur for 21 years, he then used his immense experience and knowledge in the musical instrument market to create an enterprise. Thus, was the birth of Unik Impex, a start-up venture. It kick started by importing a guitar and it was pitched across various dealers. It was well received from the dealers because of its superior tonal quality and price. This brought confidence in Mr. Pillai to create a business model to work on long term sustainable grounds.

Today, Unik Impex has not only created a benchmark for itself in the business, but visualizes seeing its business grow throughout India.

b. This case was written for classroom teaching of post graduate entrepreneurial course.**c.** The case was drafted by the authors after undertaking field research and by constant one on one interaction with Mr. Jayprakash Pillai, who is the protagonist of the case.**d. Teaching Objectives:**

- The bootstrapping effect for finances, right decision making at crucial business points
- Strategic planning
- Wise marketing strategies to defend the competition
- Risk mitigation strategies and long term sustainability plan in sync with the entrepreneurial team's vision.

e. New start up venture in SME's:**f.** Suggestion on teaching the case:

This case is basically developed to put across to the audience the challenges faced by a start-up venture (SME sector). This case also discusses that the strategy adopted at a start up phase needs to be different as compared to when the organization reaches growth phase of an organization cycle, articulating growth and succession plan during the growth phase is an important activity for an entrepreneur. During growth phase seeking professional help is also essential.

g. Discussion questions and possible answers:

Teaching Notes

The Unik Impex case has been developed to highlight the challenges faced by many Small and Medium Enterprises (SME's). There are many SME's that have successfully overcome the initial survival challenge. They have a stable base of loyal customers, and able to command attractive prices and have built up a reputation for good quality. Yet they are unable to grow beyond a certain point because they are unable to detach themselves from the business and are not willing to change from traditional business practices to professional management even at the cost of not growing and stagnation. Here the question arises is than inspite of doing well at the start up phase, Why is the entrepreneur not willing to let his firm grow by adopting professional management after a certain point in organization cycle? What must they do to overcome the growth challenge?

Q.1 What do you think could be the SWOT Analysis of the business?

Ans. Every business has its strengths, weakness, opportunities and threats. The entrepreneur has to analyse all aspects and accordingly work on it to improve the business. Following is the SWOT analysis of Unik Impex -

SWOT	HELPFUL	HARMFUL
Internal factors	<u>Strengths</u> <ul style="list-style-type: none"> • Supply chain management • Quality • Knowledge & experience • After sales service 	<u>Weakness</u> <ul style="list-style-type: none"> • Limited promotion options • Stiff competition • Payment delays
External factors	<u>Opportunities</u> <ul style="list-style-type: none"> • Diversification of products • Scope for geographical expansion • Broaden the channels of distribution 	<u>Threats</u> <ul style="list-style-type: none"> • Existing competitors • New entrants • Fluctuating dollar rates

Strengths:

- The goods are imported on time and are supplied to the retailers as per their demands without any compromises.
- The good quality of the products has helped the company make a recognizable name for itself in the market

- Mr. Pillai's immense knowledge and experience in the field has greatly helped the business to prosper.
- The good after sales service provided by the company has helped it make a positive mark on the consumers.

Weakness:

- The promotion options are limited in this field and the company is dependant on word of mouth of consumers.
- The market is highly competitive which makes it difficult for a new business to gain popularity in a short time.
- The retailers often delay payments that need to be made.

Opportunities:

- The company has lots of scope for diversification in its product line.
- The company can expand geographically throughout India.
- They could use more channels for distribution

Threats:

- The existing competitors have already established a name for themselves in the market and Unik Impex finds it tough to match these companies.
- There are many new companies also currently entering the market who could threaten Unik Impex's position.
- The constantly fluctuating dollar rate makes the price of their products unstable.

Q.2 What is the bootstrapping effect relating to Cost?

Ans. The capital invested by the partners in Unik Impex was Rs 25 lakhs. Majority of the initial capital was used for the manufacturing of guitars with the brand name. Rs. 3 lakhs for renting of a warehouse which was later purchased after 1 year at a cost of 11 lakhs. Some amount was used for shipping and transportation charges.

The goods were shipped in by filling consignments to the maximum in order to avoid paying for more logistic expense. Also Pillai didn't appoint any employees to work under him so that the costs incurred would be reduced.

Unik Impex guitars were priced slightly higher than others in the same segment but they were considerably cheaper than the more reputed companies. For example, Unik Impex's best guitar is priced at Rs 5840. Bobner guitars of the same range are sold at Rs 5690, Plutus guitars are priced at Rs 5440 and Fonder guitars at Rs 6340.

The pricing of the guitars were done taking into consideration the costs incurred during the manufacturing and shipping of the goods and also keeping in mind the quality provided by the guitars which is superior to its competitors.

Q.3 Which are the critical areas in the business model where the entrepreneur needs to focus more and why?

Ans. The most important area in the business model is the logistics management. The business mainly functions through the import of its products from China. The importing is done through ships. During the shipping process, it is possible that the goods could get damaged due to unavoidable circumstances. Selling even slightly damaged goods can hamper the company's reputation.

The goods being damaged would also lead to the retailers not getting the entire stock that they ordered. Also, it is essential that the company provides its retailers with the products on time and avoid any delays. A problem that the business faces from the retailers is often delay in payments which could lead to delay in placement of new orders due to insufficient availability of funds.

Another area that needs to be focused on are the various documents that need to be submitted to fulfill all the legal formalities for proper import of the goods in India. Failure to fulfill each of the necessary formalities would lead to certain penalties. A minor hindrance had once occurred while shipping the products to Kerala. Mr. Pillai accidentally sent the wrong form of clearance to the authorities in Kerala who disallowed the products to be offloaded from the ship as CST form as there was a change in the government regulations. Pillai had to personally travel to Kerala and submit the right form and pay a fine to get permission to allow the goods to be offloaded from the ship and sent to retailers. Paying of such penalties would increase the selling price of products. So the entrepreneur needs to pay proper attention for all the legal formalities.

Q.4 Why do you think the entrepreneur has set up his warehouse in the outskirts of Mumbai?

Ans. The entrepreneur has set up his warehouse in Bhiwandi which is in the outskirts of Mumbai. Since, Mumbai is metropolitan city, it has good connectivity for transportation in terms of roadways, railways, airways and seaways. Also Mr. Pillai resides in Mumbai so it becomes easier for him to solve issues related to the warehouse and take quick decisions for the same. Mumbai is the only city in India where Octroi is levied. Whenever, the goods enter the city, Octroi has to be paid at the Check post. By setting up a warehouse in Bhiwandi, Mr. Pillai can save the Octroi levied on the Guitar if they are sold in other places except Mumbai. Since the warehouse is on the outskirts of Mumbai, maximum amount of space is available at lesser cost as compared to setting it up inside the city.

Q.5 Would it be wise for Mr. Pillai to not accept external investment and bring professional team if he plans to expand his business and during the growth phase of the organization? Suggest reasons for your answer.

Ans. No, it's not wise for Mr. Pillai to not accept external investment and take outside help or advice. This is because if the business wishes to expand beyond its current horizon, it needs more personnel who could handle the various aspects of the business and thus help make the business function more efficiently. This would also relieve Mr. Pillai from the intense stress of managing the entire business on his own. Having a larger team would help Pillai in managing the business throughout India as each part of the country would have different people focusing on it.

Accepting investment from people outside the business would mainly yield more capital and funds for the business to invest further in its expansion and reach out to the north Indian market which is where Pillai targets for the company to expand itself. This would also increase the profit of the business.

Another option would be to hire a team of professionals who have good experience and knowledge related to the field and who can provide proper advice for the business to go further in the right direction.

Q6. What attitudinal change would you recommend for Mr. Pillai and his team as an entrepreneur/to sustain and grow in the business for future achievements?

Ans.

- Any business after reaching growth stage needs to move from entrepreneur's organization to professional organization.
- Let of the organization from one's child to the employees child.
- Importance of delegation of authority needs to be understood.
- Formal planning and control systems need to be introduced.
- Thinking of succession planning before the business fades.

Articulate a growth intention:

Revenue growth requires planning, building a team, aligning the team to the organization's goals, mobilizing resources and executing the plan. For doing all this, it is helpful if the SME owners articulate a clear growth goal over the next five or ten years. The growth goal will serve as a challenge.

Building a competent management team:

They have to build a strong tier of management. Mr. Pillai needs to carefully build a team of managers who can look after day to day operations, leaving space for the founders to think of strategic growth initiatives. They also need to build trust and autonomy amongst the managers which would in return motivate the managers.

Need to draw a clear succession plan (Planning and Control System)

Planning and control system to go hand in hand with greater autonomy for managers, resources are made available for the achievement of the objectives, and the performance is monitored on an ongoing basis.

In essence, Pillai must initiate the process of making the transition from being an entrepreneurially driven organization which has been characterized by centralized decision-making, informal organization structure and informal communication to a professionally

managed organization which will be decentralized decision making, a more formal organization structure and communication.

h. References for further research:

Similar musical instrument industry case studies can also be written for some other country which has good market and similar business model.

i. Exhibits

Exhibit 1: UK Guitar



Exhibit 2: Business Model

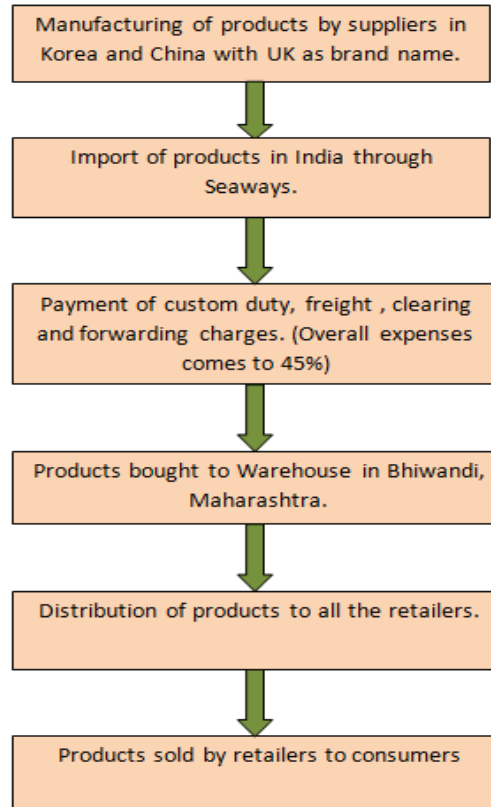


Exhibit 3:

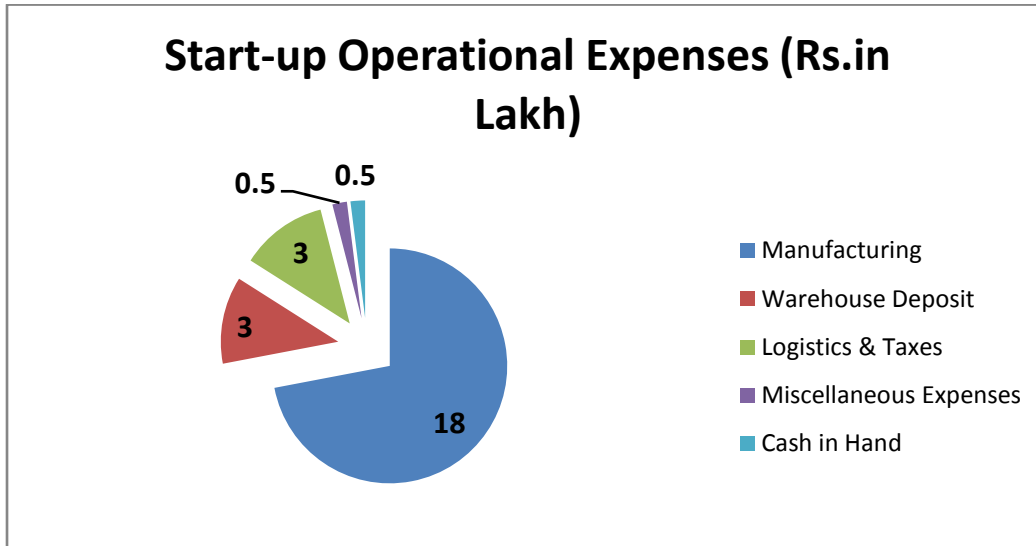
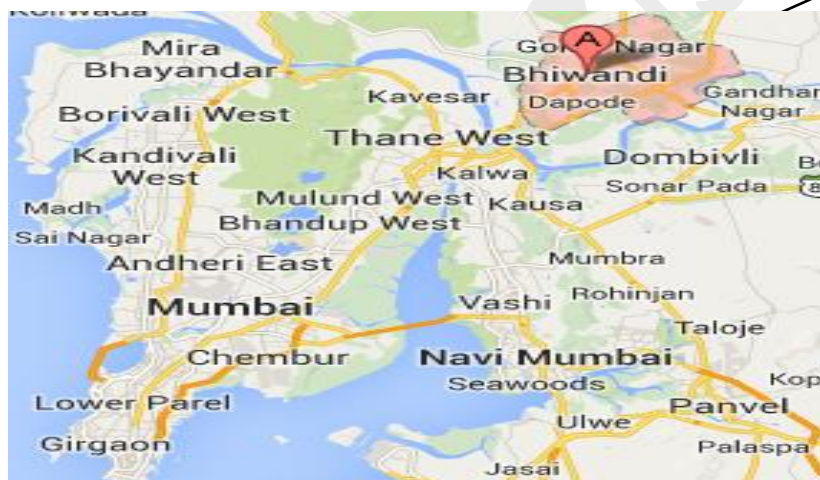


Exhibit 4: Map of Bhiwandi



Warehouse

Exhibit 5: Sales Chart

YEAR	VOLUME	COST	PROFIT	SALES
1	750	21,00,000	5,25,000	26,25,000
2	1500	42,50,000	10,62,000	53,12,000
3	2250	64,00,000	16,00,000	80,00,000
4	3000	84,00,000	21,00,000	1,05,00,000

Exhibit 6: Pricing

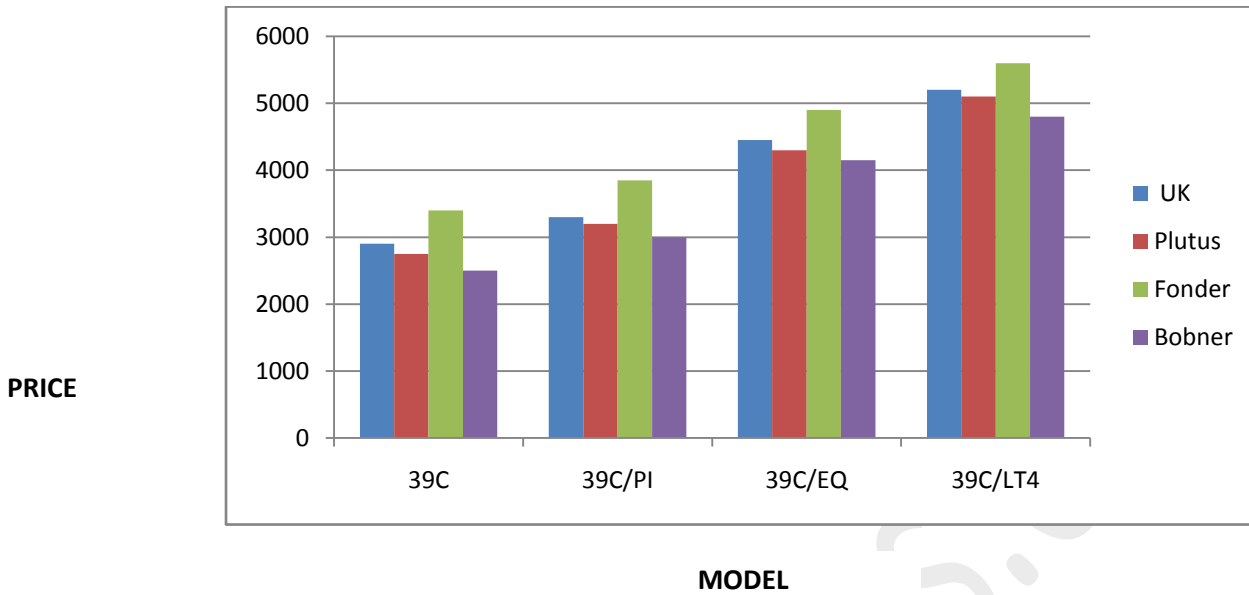


Exhibit 7: Sales Projection

