GREY MATTERS

A Monthly Magazine by Finance and Marketing Club

Aug'21 Edition

"If you don't find a way to make money while you sleep, you will work until you die"

-Warren Buffett

NATIONAL INSTITUTE OF AGRICULTURAL EXTENSION MANAGEMENT (MANAGE)

(An Organization of Ministry of Agriculture & Farmers Welfare, Government of India)

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Tough Times for "Just in Time"

2020 can rightly be remembered as an abnormal year in the history of mankind. A year full of shattered dreams, unrealized plans and immense sorrow. COVID-19 resulted in devastation of the economies, flattening of earth and alteration of living cultures, but there is always another side of the coin. This pandemic taught the humanity to break away the shackles of the old and traditional mindset. Once again Charles Darwin's Survival of the Fittest came into play. As the saying goes, where there is a will, there is a way, mankind discovered novel ways to get along with the new normal. Even management strategies of the organizations witnessed colossal changes during these unprecedented times. Just in Time (JIT) is one such strategy which had been instrumental in the manufacturing and retail sector for so long.

Get Rid of Waste

When Toyota executive, Taiichi Ohno, visited an American supermarket, he was amazed to see how the shelves were restocked as they were emptied. It was in contrast with the car industry where warehouses were kept full of sheet metal and tires to ensure the smooth flow of assembly line operations. Although supermarkets had little choice, since it was not possible to stockpile bananas for months, but Ohno saw an opportunity to implement the same in the automobile

"Highlights"

Under lean manufacturing model, suppliers deliver parts to the assembly line only a few hours or days ahead of their need.

The just-in-time model is based on supply chain efficiencies and economies of scale.

The lockdown imposed in China severely affected the manufacturing chains around the globe, causing trouble for companies employing the JIT model including Indian pharmaceutical companies which were forced to shut down manufacturing due to unavailability of imported active pharmaceutical ingredients (APIs) from China.

Realizing the loopholes in the current JIT system, Toyota started developing a database over the time which covers some 4,00,000 items and reaches as far as 10 layers down.

industry. This marked the start of Just in Time (JIT) or lean manufacturing.

The ultimate goal of JIT is to avoid wastage of resources. Under lean manufacturing model, suppliers deliver parts to the assembly line only a few hours or days ahead of their need. This way manufacturers save on warehouses and the people to manage them. JIT model revolutionized the business world and was quickly adopted by many small and big enterprises in the world including Dell, Apple, Harley Davidson and McDonalds. A sister idea to just in time is the use of single suppliers for many parts. This creates a win-win situation for suppliers as well as manufacturers. Economies of scale helps to increase the margins and better supply chain management.

Problems in JIT

The same Toyota Motor Corp., which invented the JIT model, is being reportedly stockpiling up to four months of some parts in the beginning of this year. While the efficiencies of JIT model are undeniable, there are doubts regarding its viability during a crisis. The just-in-time model is based on supply chain efficiencies and economies of scale. Today, the struggling supply chains, less demand and negligible production due to the ongoing pandemic is a stark reminder that there is no room for error in JIT and even a small blockage in the supply chain can cause rippling effects. The lockdown imposed in China severely affected the manufacturing chains around the globe, causing trouble for companies employing the JIT model including Indian pharmaceutical companies which were forced to shut down manufacturing due to unavailability of imported active pharmaceutical ingredients (APIs) from China. It is true that organizations cannot be prepared to fully avoid once in century like crises, but excessive reliance on JIT models clearly led to massive degradation in their performance.

Way Ahead

It is evident that JIT model is not flawless but it is also not possible to replace just in time entirely, because the savings are too great. Undoubtedly, 'just in case' model will work better during the current scenario as supply chain disruptions are likely to continue for a while, JIT model will soon kick in as the environment becomes steady. The major reason behind this is the presence of low margins in many supply chains. Also, the efficiency of JIT outcompetes other models. As the requirement of uninterrupted supply chains make this model prone to fail during the testing times, there is a burning

need to innovate this model. Here are the few remedies for making JIT less vulnerable to the supply chain constraints.

1. Proactivity

Organizations which are able to proactively stabilise their supply chains and position themselves to assess future disruption by providing structured responses to their risk and exposure will be in a position to withstand the current supply chain disruptions as compared to the reactive organizations. The importance of proactivity can be best understood with the example of Toyota. Realizing the loopholes in the current JIT system, Toyota started developing a database over the time which covers some 4,00,000 items and reaches as far as 10 layers down. When the lockdown restrictions came in many parts of the world, Toyota analysed that database and asked its suppliers to stockpile parts for certain components. These efforts have helped it weather this year's shortages of semiconductors better than many of its rivals.

2. Spreading the Risk

Introduction of new suppliers and dual sourcing strategies will help to spread the risk. Companies need to have back-ups in place for first, second, or even third tier suppliers and beyond, depending on the complexity of their product. Single vendor / single country + 1 strategy is crucial for managing supply related risk in the case of critical items.

Also, risk associated with inventory holding can be shared between suppliers and manufacturers. For example: Let us assume that a supplier usually holds 21-day inventory and supplies to the manufacturer based on JIT model. Here, the risk involved in inventory holding can be spread if the supplier holds the 10-day inventory and the rest 10-day inventory is being held by the manufacturer. So, a mixture of just in time and just in case will help to spread the risks evenly.

3. Technological Interventions

It is a bitter truth that the pandemic has not created the supply chain disruptions. It has only highlighted the risks in the existing supply chains. There is an urgent need to fix the loopholes for better supply chain management. Technology is the most powerful tool for this purpose. Technological aids can greatly reduce the risks and manage the supply chains in a better way. The recent gigantic shift in retail supply chain strategies can be attributed to the technological interventions. Grocers have started investing in e-commerce and other automation technologies like inventory optimization tools, advanced analytics etc. It will not be wrong to state that COVID-19 has boosted the pace of digital transformation across all the sectors. This transformation will cover huge grounds in mitigating the risks associated with JIT model.

While there are many constraints in the Covid period, there is no reason for

companies to move away from JIT in a steady state scenario because 'Just in Case' model is not sustainable. It can only be used to overcome the current supply chain and infrastructure constraints. Undoubtedly, JIT model requires some interventions to meet the demands of the 21st century industries. Proactivity and technological interventions along with risk sharing practices can help in the evolution of a better JIT system in the coming days.

Brain Bulb Facts

Parle most chosen brand, Dettol and Lifebuoy widen reach in '20

Parle, Amul, Britannia, Clinic Plus, and Tata Consumer Products dominated Kantar Worldpanel's Brand Footprint for 2020 as the five most chosen brands in India. Hygiene brands Dettol, Lifebuoy, Savlon, and Harpic benefited significantly in 2020, gaining wider penetration among Indian households as the pandemic drove up demand for cleaning products in India, researcher Kantar said in the 9th edition of its annual Brand Footprint 2021 report released on Thursday.

Brand Footprint 2021 looked at 2020 rankings covering categories such as food, home care, health and beauty, beverages and dairy. It measured more than 400 brands.

Reverse Merger (Reverse Takeover)

We all know about the mergers and purpose behind the mergers. But many of us may not know what is reverse mergers? So, we are going to know about the reverse mergers in this article.

A merger occurs when a smaller firm merges with a larger one through the exchange of stock or cash. A reverse merger, on the other hand, occurs when the acquiring company is weaker or smaller than the one being consumed. Reverse mergers typically occur when a parent company merges with a subsidiary, or when a profitable company merges with a loss-making one.

Examples of Reverse Mergers:

A reverse merger in India occurred when Godrej Soaps, a profitable firm with a turnover of Rs. 437 crores, merged with Gujarat Godrej Innovative Chemical Limited, a loss-making company with a turnover of Rs. 60 crores. Godrej Soaps Limited was formed as a result of this process.

The Jindal (April 2003) - The Sajjan Jindal-controlled Jindal Iron and Steel Firm and its subsidiary, Jindal Vijayanagar Steel, merged their businesses through a reverse merger to form a company worth over Rs. 4000 crores. After reorganizing Jindal Vijayanagar Steel's capital, they joined at a 1:1 effective share swap ratio.

"Highlights"

Reverse mergers occur when a private corporation acquires a publicly traded company.

A private firm can essentially become public without going through the difficult and expensive IPO process by undertaking a reverse merger.

For investors, reverse mergers carry some risks because the companies aren't subjected to the y.

When ICICI and its bank, ICICI Bank, combined in 2002, it was an example of a reverse merger. At the time, the parent company's financial sheet was more than three times that of its subsidiary. The reverse merger was intended to create a universal bank that could lend to both industrial and retail clients.

X+Y=Z is the same as **Y+X=Z** according to basic mathematics. So, what's the point of a reverse merger? There may be concrete benefits to allowing a smaller firm to survive a merger due to taxation, laws, or the legal system.

One motivation is to carry forward the smaller firm's tax losses, allowing the combined corporation to pay lower taxes. In some circumstances, the smaller entity may have trademark or asset rights, making its survival critical. Or a company's license agreements may be

non-transferable, giving it a motivation to protect its identity.

We understand how time-consuming, stressful, and financially exhausting the process of launching an IPO can be. Hiring bankers, completing due diligence, performing several verifications, and so forth. It should come as no surprise that bringing a private company public the traditional way can take months or even years. Worst of all, even after all of this, the corporation does not need to seek approval from SEBI.

By acquiring a public corporation, a private company can be assured of a public listing. It effectively becomes a subsidiary of the corporation, cutting the months-long procedure down to just a few weeks. Backdoor listing on exchanges is another popular inducement for going the reverse path around the world. A major corporation may reverse merge with a smaller publicly traded corporation and become public without an initial public offering (IPO). Although the Indian Companies Act prohibits this, Chinese companies seeking to list in the United States continue to use this technique.

Challenges for Reverse Mergers:

Shareholder Risks: Reverse Merger Challenges International experience reveals that stockholders in public companies frequently sell their stock with nefarious motives. Intentional non-disclosure of significant liabilities, such as outstanding lawsuits, and deceptive corporate governance are examples. To protect yourself, you'll need to do some extra legwork.

Inadequate public disclosure: Complying with these disclosure standards in the case of reverse takeovers may limit management flexibility and hurt the company by leaking vital information to competitors, suppliers, customers, and business partners.

Organizational restructuring challenges: The management of an unlisted firm may have little or no expertise handling the affairs of a publicly traded company. As a result, new internal and external issues will arise following the merger.

What should Investor do?

Every investor should do research before investing in any reverse merger company benefits associated with it, risk analysis and after the trough research only one should investment.

Mergers have a shaky track record of generating value to shareholders. Reverse mergers may benefit the companies that initiate them, but they may put shareholders' returns in reverse gear.

the competitor brands can indicate the brand's health.

Interesting Facts about Companies: (Fun Facts)

1. The Facebook color scheme is set to blue because Mark Zuckerberg suffers from red-green color blindness.

2. Candy Crush is one of the most downloaded games today. People obsess over unlocking the next level in Candy Crush. Did you know that Candy Crush brings in more than $633,000 in revenue every day? One's obsession becomes someone else's income.

3. Google was initially called BackRub. The research project Sergey Brin and Larry Page undertook at Stanford University was termed BackRub but in 1997, they renamed their search engine to Google because it was a play on the mathematical expression for the number 1 followed by 100 zeros.

4. Pepsi got its name from pepsin, the digestive enzyme. The name Pepsi was chosen because Caleb Bradham, the inventor of the famous drink, believed that his drink was a 'healthy' cola that helped with digestion.

5. The retina scan technology of your Apple product is not made by Apple but manufactured by Samsung.

Brain Bulb Facts

Rule of 72 - Whenever a beginner looks to invest in the share market, the first question he gets in his mind is the time required to double the investment.

The time needed to double the capital is calculated using the simple rule of 72, which requires a fixed interest rate.

One can divide the rate of return by 72 to get an approximate value of return on investment.

Let us understand with an example, suppose is a person is investing Rs 3,00,000 at the rate of 8%.

So, 72/8 = 9, i.e., it will take 9 years for him to double the capital.

Blue Ocean Strategy

Blue Ocean Strategy is a business entering a market that has little/no competition. This strategy focuses on moving away from an existing market and searching for new markets. The new markets give the company a highly competitive advantage as well as low price/cost pressure.

What is Blue Ocean Strategy for?

Here, the theory that targets companies fighting for market share. Companies are fighting in a fiercely competitive market which contains major players, i.e., strong competitors. Blue Ocean Strategy is needed more when supply exceeds demand in a market. In an Over competitive & saturated market, companies struggle to stay alive over the long-term.

How to create a Blue Ocean Strategy:

1) A brand-new product or service- it is launching or introducing a completely new product, service, or concept.
2) Develop virgin market space – it is for a company to transition or try to expand out of an existing industry.

The Blue Ocean Strategy could be considered the pacifist of the group, among the many strategic planning models. In Blue Ocean Strategy, we should look for less exploited markets and new ways to invent in the industry to avoid head-to-head competition.

"Highlights"

The Blue Ocean Strategy could be considered the pacifist of the group, among the many strategic planning models. Here, companies should look for new market space and ways to reinvent the industry, avoid head-to-head competition and focus on innovation.

In Blue Ocean Strategy, consumers don't have to choose between value and affordability. If the company think how to provide the current value to customers by identifying the value, differentiation and low cost can both be achieved. This is termed as "value innovation."

Blue Ocean Strategy is needed more when supply exceeds demand in a market. In an Over competitive & saturated market, companies struggle to stay alive over the long-term

This strategy is to find and develop "blue oceans"-virgin, growing markets and avoid "red oceans" -overdeveloped, saturated markets to have more success, fewer risks, and increased profits in a blue ocean market

- **It is not just theoretical-** Many Strategic planning models are based on theories that don't quite pan out during go-to-market executions. But Blue Ocean Strategy is made after

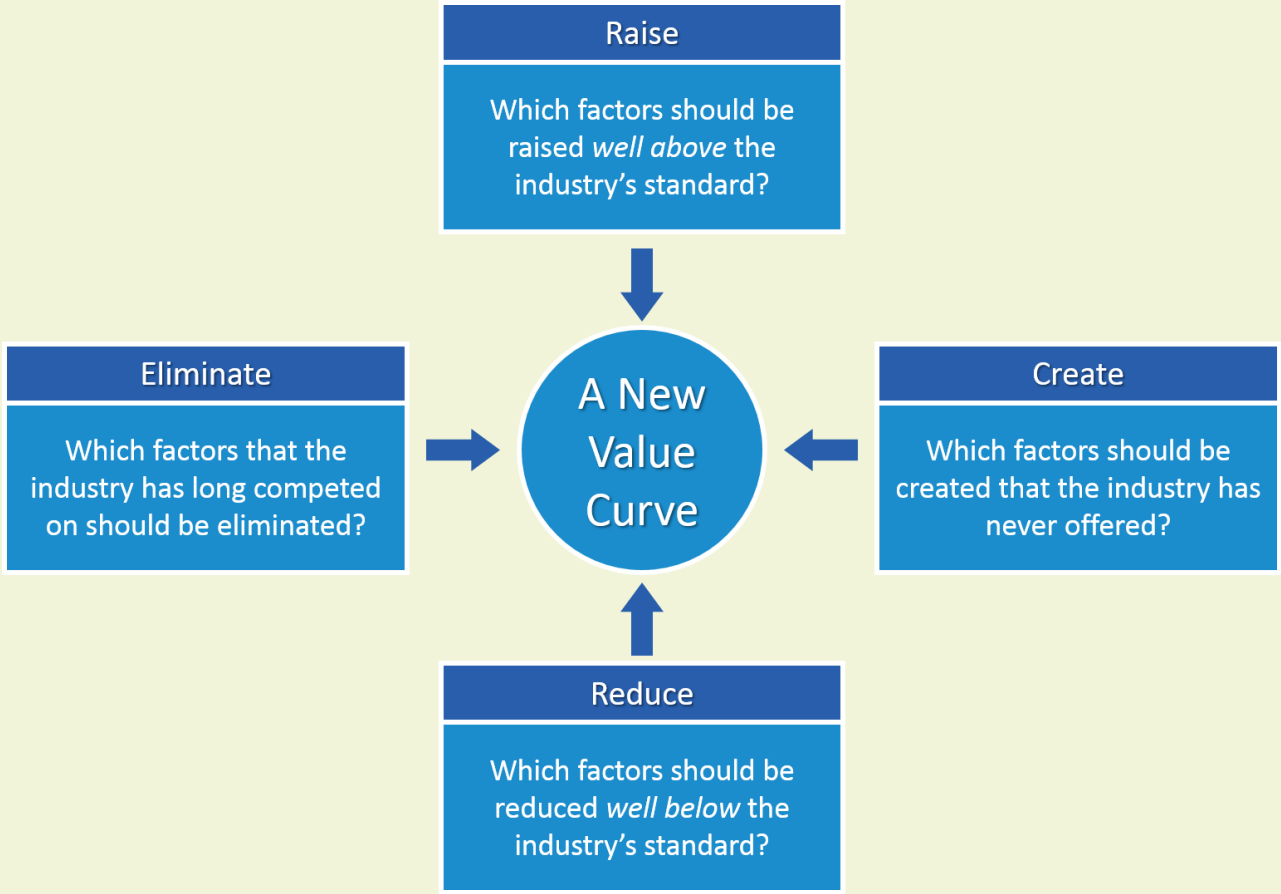
analysing industry Success & failure dances for almost 30 years. It is more of proven data rather than unproven ideas.

- **The competition is irrelevant-** In a Blue Ocean approach our goal isn't to outperform the competition or be the best in the industry. Our aim is to operate within that new space, making the competition immaterial

- **Differentiation and low cost can coexist-** In Blue Ocean Strategy, consumers don't have to choose between value and affordability. If the company think how to provide the current value to customers by identifying the value, differentiation and low cost can both be achieved. This is termed as "value innovation."

- **Framework to test your ideas-** Blue Ocean strategy is an overarching strategy and lets companies test the commercial viability of ideas. This helps refining the ideas and in identifying opportunities with the most potential, minimizing risk

For implementing Blue Ocean Strategy
Recognizing the difference between just a red and blue ocean may not be as easy as the colours would indicate in the strategies. Identify your target market needs and what they don't currently have. Study the existing companies that are doing well (or not so well) to serve that market and determine how you can differentiate (for example, by price point or audience). To guide through the process, create a checklist and hold internal brainstorming sessions for each



point. This Challenges companies in pushing the boundaries of their industries and offer consumers something unique of immense value.

Brain Bulb Facts

A **routing number** is the nine-digit code found on the left-hand side of your check and it identifies the bank where your account is held. Your **account number** is the second set of numbers following the routing number.

People spend 12-18% more when using credit cards than when using cash, so try to stick with cash to curb unnecessary spending.

A checking account is not the same as a savings account. Since a checking account does not accrue interest like a savings account does, only use it to house the minimum dollar amount you need to cover day-to-day expenses (and transfer additional cash from your savings account as-needed).

Requesting your credit report once a year yourself does not have a negative effect on your credit score, although too many third parties checking it may (so be careful applying for multiple credit cards or loans). A good credit score is above 700.

The Impact of Currency Fluctuations on the economy

Currency rate fluctuations are market fluctuations where in the currency price of one country gets stronger or weaker compared to another country's currency. These currency fluctuations occur on an everyday basis, but only few individuals know about its implications on their everyday functioning.

Currency fluctuations are a result of the floating exchange rate system that works in most economies. Various factors impact and determine the exchange rates such as the supply and demand of the currency, economic performance of the country, inflation, interest rate differentials, capital flows and so on.

Foreign trade in goods and services typically involves incurring the costs of production in one currency while receiving revenues from sales in another currency. As a result, movements in exchange rates can have a powerful effect on incentives to export and import, and thus on aggregate demand in the economy as a whole.

Exchange rates are more volatile in the world of managed floating rates than during the period of U.S. expansion in the international economy. More and more, countries follow divergent monetary policies. At the same time, markets are becoming more global. The United States no longer has a 70% or 80% world market share in key industries but shares markets more equally with Europe and Japan.

"Highlights"

Currency fluctuations has a huge impact on the Remittances, which not only benefit individuals; they also benefit the economy. According to the World Bank, remittances come second only to Foreign Direct Investment (FDI) as a country's resource inflow.

One of the most prominent impacts of currency fluctuations can be seen in international trade. Generally, a weaker currency stimulates exports and makes imports expensive, thus decreasing the country's trade deficit depending on the sector.

Wide fluctuations in currency rates or persistently weak currencies are a sign of an unstable economy. In the larger picture wherein world markets are involved, such a situation can impact foreign investments. For foreign investors to invest in a country there needs to be a stable economic structure with; a stable government, regulatory laws and steady currency. More foreign investments in the country are likely to attract better job opportunities and better infrastructure development. If the currency rate fluctuations show instability, foreign investors are like to refrain from investing and that in turn impacts the growth and

development of individuals in the economy.

One of the most prominent impacts of currency fluctuations can be seen in international trade. Generally, a weaker currency stimulates exports and makes imports expensive, thus decreasing the country's trade deficit depending on the sector. On the other hand, a strong currency can reduce exports and make imports cheaper, effectively widening the trade deficit. While it is generally assumed that a strong currency is a good thing for a nation's economy; in reality, it might not be so. An unjustifiable strong currency can cause a drag on the economy over the long term, as entire industries are rendered uncompetitive and thousands of jobs are lost. As GDP is directly linked to exports, a weaker currency may actually help the country's economy, contrary to popular belief. On the other hand, a depreciating currency can result in inflation as the cost of importing goods increases. Currency fluctuations also have a direct impact on the monetary policy of a country, as exchange rates play a vital role in deciding exchange rates set by a country's central bank. Constant currency fluctuations can also affect the market adversely, causing it to become volatile, and affecting both local and foreign trade.

Currency fluctuations has a huge impact on the Remittances, which not only benefit individuals; they also benefit the economy. According to the World Bank, remittances come second only to Foreign Direct Investment (FDI) as a country's resource inflow. For many small and developing countries, there will be a direct impact on the steady flow of foreign currency into the country.

Viral Marketing

Viral marketing is a sales technique, which involves organic or word-of-mouth information about a product/service to spread at an ever-increasing rate.

The advent of social media & internet has greatly increased the number of viral messages in the form of memes, shares, likes, and forwards.

Viral marketing refers to how consumers spread information about a product/service with other people, much in the way that a virus spreads from a person to another.

Important principals of viral marketing

- Urgency
- Unique/strange/distinct
- Inspirational
- Never seen before content
- Good incentive
- Exclusive content
- Excellent planning
- Low barrier to entry
- Humor or liking ability
- Satires/spoofs
- Warnings

"Highlights"

Viral Marketing Example

Android: What is cuter than animals? Even more animals! This ad from Android proves the company's dominance on the market as neither the brand's name nor logo appears anywhere in the ad save for a few seconds in the end.

This ad was constructed to appeal the viewers love for animals for 2 minutes of many different species playing together. The idea behind this low-budget viral video is very straightforward i.e., emotions, and plenty of them.

- Controversial material
- Audience involvement
- Celebrity involvement(optional)
- Worthy cause

Types of viral marketing

1. Emotional: the ad that results in an emotional reaction like laughter, anger or tears is known as emotional viral. The best part is that we can't ignore it because our emotions will enforce us to share the contents with people known to us. Amusement, humor, Anticipation and excitement are the positive emotions that have a direct impact on the mind-set of individuals. Also the negative emotions

like sadness, anger and guilt also contributes to viral marketing.

2. Incentivized: Used by organizations to increase their customer base, like when a customer refers to someone known to him to the company, he gets a reward for his effort.

3. Engineered: It is not a random act rather it's an intentionally engineered campaign. Though some of the viral sensations have occurred randomly, their percentage of getting viral is very low. It is now perfectly strategized to get maximum impact.

4. Lucky: On the basis of luck sometimes things have a way of unfolding themselves and creating further awareness that will prove beneficial for everyone who is involved in it.

5. Pass-along: Here the user passes the message to others by forming a chain. Religious communities have effectively used.

6. Buzz viral marketing: A buzz is made to grab the attention of the public. Messages or advertisements which are controversial are forwarded, & then it becomes a hot topic of conversation and spreads easily.

Viral Marketing Example:

Android: What is cuter than animals? Even more animals! This ad from Android proves the company's dominance on the market as neither the brand's name nor logo appears anywhere in the ad save for a few seconds in the end.

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key viral marketing techniques

There are a few proven strategies, which can be used to increase its chances of taking it viral. Viral content doesn't happen randomly, often it happens as the result of careful attention towards consumer behaviour.

1. Capture attention fast

Loads of content surround consumers every second they spend on the web, or on the mobile device. We must have an immediate attention-grabber content that stops customers in their tracks, instead of scrolling past our campaign.

Having a visual depiction in digital marketing content can help to get it viral. Adding to that, our strategies need to adapt to the changing media consumption. For example, TikTok videos, Instagram Reels and Clubhouse Rooms have become increasingly popular.

2. Engage your audience

A content will not go viral if it doesn't encourage audience to engage. Viral marketing goes best when it's designed for the audience to interact and easily sharable.

The main motive to get a content viral is to ensure that viewers don't take their eyes off the visual until they've shared the content with their own networks.

3. Appeal to emotions

Consumers are heavily driven by how they are feeling. While creating a viral marketing content which leads to a strong emotional response, then our viewers are more likely to engage.

By thinking about some piece of viral content, either they have made us laugh or cry. Perhaps they're particularly heart-warming or appeal to our sense of nostalgia. Some cases like, the content may have been shared by a celebrity who we already follow or admire. Whatever marketing campaigns come to mind, it's likely because it has impacted us in some or the other way.

4. Keep the message simple

Having more than one overarching message or one CTA can confuse or distract your audience, reducing the overall effectiveness. A simple takeaway by limiting viral messages makes it more memorable and approachable.

5. Set objectives

Ensure the team is working behind the scenes to enhance your target, re-engage audience members, and keep the world focused on your brand. To do it successfully, we must have marketing objectives guiding to improve our strategy in real-time which should be a specific & a measurable goal.

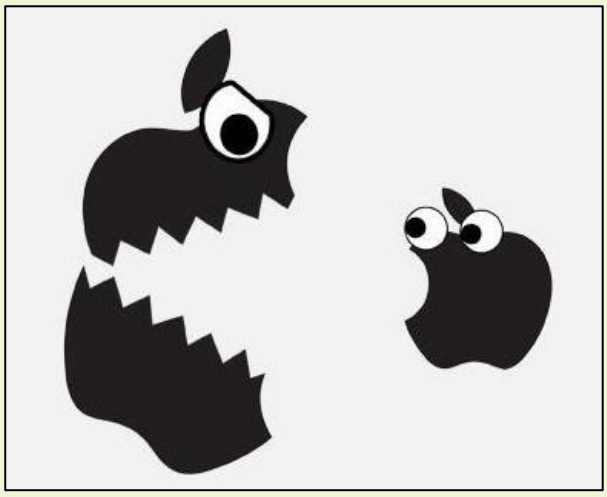
Brain Bulb Facts

- 5,000 and 10,000 Indian Rupees notes were in circulation between 1954 and 1978.
- In 1923, hyperinflation caused German currency to lose, almost all of its value. It became so worthless that people gave it to children to play with or used it as wallpaper.
- In 1923, hyperinflation caused German currency to lose, almost all of its value. It became so worthless that people gave it to children to play with or used it as wallpaper.
- Before the days of paper money, Americans traded animal skins, including deer & elk bucks, for goods and currency. Hence the words "Buck" to describe money.

Understanding Brand Cannibalization

Every brand or company wants to introduce new products which can help them eat up their competitor's market share. But is it that easy as it sounds? Sometimes trying to achieve this goal, companies can commit blunders that can turn against them, and these types of blunders are generally termed Brand Cannibalization in the marketing world.

What does brand cannibalization mean?



Brand cannibalization sometimes also called market cannibalization/corporate cannibalization is a situation when there is a decrease in the demand for a brands' product in response to the launch of another new product by the same brand.

In other words, the new product of the company gains sales by eating up the sales of the old product of the same company. This usually results in the overall loss of revenue to the brand.

Why does brand cannibalization happen?

"Highlights"

Brand cannibalization sometimes also called market cannibalization/corporate cannibalization

In brand cannibalization, the new product of the company gains sales by eating up the sales of the old product of the same company

Intentional cannibalism occurs when brands treat customer satisfaction as their priority

Generally, this happens due to the miscalculation by the company during the launch of the new product, i.e., failing to establish a significant difference between the old and the new product in terms of price, target audience, features, and design. Let's understand the reasons clearly

1. Failure in reaching a new audience or target customer

If the new product targets the same customer base as the old product, then there will be a split of the market share between the two products of the same brand.

2. Comparable products

When the new product is in close comparison to the old product i.e., if the new product fails to offer significant new features, design, etc then it will attract the

same old customer of the old product resulting in cannibalization.

3. Miscalculated Pricing

If not properly planned, then low-priced new products offering almost similar features and design as the old product will steal the revenue and profits from the brand, as there would huge customer shift to a new product from an old product.

But is it always bad?

It depends on the intention of the company behind launching their newer products. Sometimes cannibalization occurs unintentionally and, in some cases, it is done intentionally. Yes, you heard it right! It can be intentional too.

Intentional cannibalism occurs when brands treat customer satisfaction as their priority and are ready to launch newer versions of their existing products in order to provide their customers a better experience even if it is at the cost of fading out sales of their old product.

An example of this can be seen in the products of Apple.Inc. Over the years Apple has been launching newer versions of the same products even after knowing that it will decrease the sales of their existing products. But here Apple.Inc makes it up with record sales of new products against the losses in revenue from old products. With brand cannibalization Apple.Inc has been able to maintain an edge over its competitors and convey the message to the world that customer satisfaction is their priority over revenues and profits (but in reality, they have always got the benefit out of this strategy).

But not all companies are capable of replicating such success and in most cases, cannibalism results in an overall loss to the brands

Can it be avoided?

If a brand wants to launch its new product to impact its competitors without affecting its old products, then certain precautions could be followed to avoid the negative impact of brand cannibalization.

Thorough Research: Try to find a new target group for the new product, find whether is it overlapping with the current product's market share, gauge in advance the possibility of cannibalization.

Develop Distinctive Product: New features, new design, distinctive pricing satisfying newer needs of the customer.

Careful Positioning: Make sure the new product is positioned to target new

customer needs and is perceived distinctively by the customers.

To conclude, we need to understand that brand cannibalization may be sometimes intentional, sometimes intentional, sometimes beneficial, sometimes harmful but it is surely not a phenomenon that should be ignored by brands before planning their next product…

Brain Bulb Facts

- The first Credit Card was created because of the embarrassment of a man who had to pay for dinner but forgot his wallet.
- There are more credit cards than people in the U.S.
- On Indian Rupees you can't find these "I, J, O, X, Y, Z" alphabets / letters on the number panel. As in these case RBI only have twenty alphabets are used as insets. For security reasons, Reserve Bank of India doesn't reveal which inset alphabet/ letters are assigned for which printing press.
- Cost to mint a 10 Rs Coin is 6.10 Rs.

What is an IPO?

So many IPOs are coming up, but do you really know what IPO is?

In simple terms, Initial Public Offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance.

This process also creates an opportunity for smart investors to earn a handsome return on their investment.

The initial public offering of Saudi Aramco, a Saudi Arabian multinational petroleum and natural gas company, on the Tadawul in December 2019, was the largest public offering globally as of July 2021. The IPO of Saudi Aramco raised approximately 25.6 billion U.S. dollars.

Types of IPO

"Highlights"

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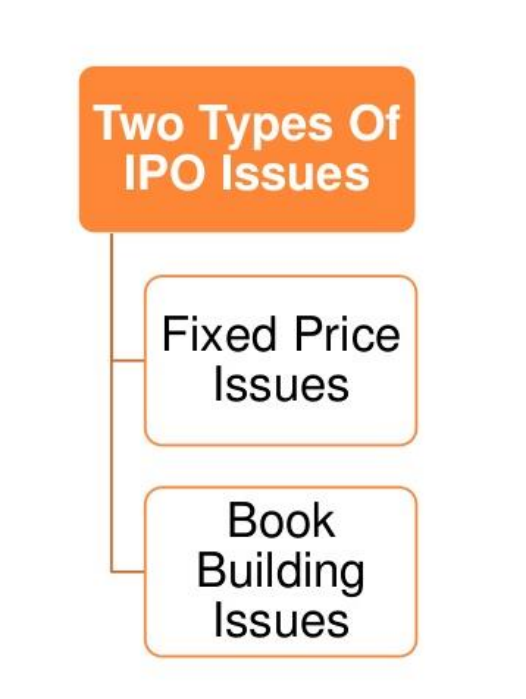
One of the main purposes of a company to offer an IPO is to let early investors in the company cash out their investments.



Fixed Price Offering

Under fixed price, the company going public determines a fixed price at which its shares are offered to investors. The

investors know the share price before the company goes public. Demand from the markets is only known once the issue is closed. To partake in this IPO, the investor must pay the full share price when making the application.

Book Building Offering

Under book building, the company going public offers a 20% price band on shares to investors. Investors then bid on the shares before the final price is settled once the bidding has closed. Investors must specify the number of shares they want to buy and how much they are willing to pay. Unlike a fixed price offering, there is no fixed price per share. The lowest share price is known as the floor price, while the highest share price is known as the cap price. The final share price is determined using investor bids.

Advantages of IPO

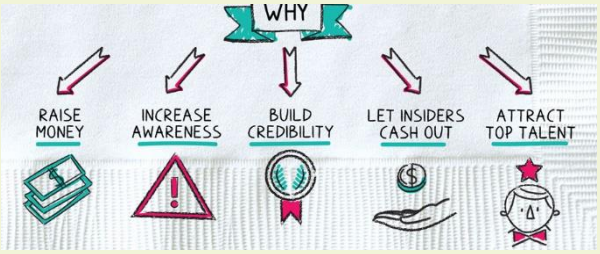
The major benefit of launching an IPO for a company is that it can raise a lot of capital through it. Through the course of running, a company may need funds to function further. If the initial inventors are unable to provide the funds, a company has an option to approach the banks but the high ROIs is always a drawback.

One of the main purposes of a company to offer an IPO is to let early investors in the company cash out their investments.

IPO gives a company a lot of public exposure. When a company goes public, it reaches a lot of people giving it an additional boost of publicity.

Going public also improves a company's credibility. Since the process of filing for launching an IPO requires a company to share all its financial documents with SEBI, it gives a sense of transparency to the investors.

After becoming a public limited company, it becomes easier for a company to do mergers and acquire other companies.



Disadvantages of IPO

Launching an IPO is a costly affair for any company. For underwriting charges, legal fees, accounting costs, registration fees, advertising costs and other charges, the company has to prepare itself financially.

The company loses its autonomy once it goes public.

The company that goes public is required to conduct regular audits and has to publish financial reports every quarter. These may lead to an increase in cost as it will have to hire specialists from time to time.

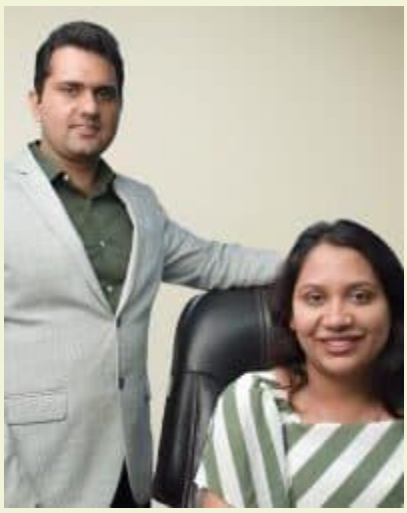
Going public also means that the company is required and expected to perform well regularly putting an unrequired pressure at all time.

Start-up Watch

Freshokartz

"Reinventing the Indian agriculture"

Founders: Chandrakanta Sahu, Rajendra Lora



Founded: Dec 15, 2016

Sector: AgriTech

Business Model: B2B, B2C

Headquarters: Jaipur, Rajasthan

Legal Name: Freshokartz Agri Products Pvt Ltd

Website: www.freshokartz.com

Innovative Idea:

Founded in 2016, the agritech startup provides agricultural inputs to farmers through all crop cycles and claims to augment their income by 50 percent. Today, Freshokartz provides soil data-based crop and fertiliser recommendations to farmers and based on that delivers agri Input to farmer's doorsteps from network of Freshokartz physical centres. Freshokartz also provides market linkages for outputs, crop advisory, agri equipment, and financial services to farmers. It is targeting one centre for every 10,000 farming population. They are integrating farms, farmers, vendors/traders & Customers at a common platform to structure agriculture sector.

They are eliminating limitations of traditional supply chain by adding value at every step Finance is integrated at every step – Value chain Financing with partner organisations (NBFC, Banks) Hi-tech training , skill development and employment generation to farmers Reaching every farmer through their vast

network of Facilitation Centre (Rural/Urban Kiosk) and Gather and Manage field level data Crop packages from land selection to final production using AI/ML and data from field, Agriculture universities, Input companies. New Age Farming practices like Green House, Drip Irrigations, Solar Farms etc development and Creating awareness about it.

The platform has 75 centres including 45 farmer producer organisations (FPOs) and has around 90,000 farmers on its network.

How they do it:

Freshokartz charges Rs 500 to Rs 1,000 annually per farmer as a subscription fee which includes - one soil test, unlimited call centre support, and field visit at farmer's doorstep. They have farm management software through which they take care of the whole crop cycle data like sowing date, fertiliser date, and pesticides date. This helps them to keep track of the data and guide these farmers at a micro-level. For subscribed farmers, they help them to market their products/output. Their field executives also use the mobile app to map the data."

Users:

The main beneficiaries are marginal farmers of whom 70% are women.

Funding & Investors:

Freshokartz is funded by

Sunil Kumar Singhvi,

Innovana Thinklabs.

Rajasthan Venture Capital Fund and AWE Funds are the most recent investors.

Total Funding
$1.6M

Competetitors:

Dehaat, Agrostar, Gramophone, Global Agrisystem, Kisan mandi etc.

Way Ahead:

"We are doing partnerships with governments and NGOs who work closely with the farmers. Our main target is to explore more FPOs so that we can provide more services to them. We are also exploring tie-ups with fintechs who can provide loans to the farmers through financial institutions. We are also tying up with new precision agriculture tech provider companies, whom we can help in reaching to the farmers," says Rajendra.

instamojo

"Easiest way to build your own online business"

Founder: Aditya Sengupta, Akash Gehani, Harshad Sharma, Sampad Swain

Founded: 2012

Headquarters: Bangalore, Karnataka

Sector: Financial Services

Legal Name: Instamojo Technologies Pvt. Ltd.

Website: www.instamojo.com

Innovative Idea:

Instamojo was founded in 2012 by Harshad Sharma, Sampad Swain, Aditya Sengupta and Akash Gehani. Sampad Swain is now the CEO of the company while founder Harshad Sharma is no longer with the company. Instamojo is a Bangalore-based digital payment gateway and e-commerce store company. It targets the digital selling of goods and paying the fee online. Anyone with a bank account can enroll themselves at Instamojo and sell or buy goods on this digital platform. Instamojo handles the payment and delivery aspects of the process.

It is an on-demand payments platform that enables MSME entrepreneurs to build, manage, and grow their business online. With transactions being a key part of every business, Instamojo pioneers 'Payment Links' in India, an easy-to-start and easy-to-integrate payment solution, enabling entrepreneurs and businesses to quickly get startedwith collecting payments online.

Instamojo also provides a suite of services and products which enable sellers to create a store online, uncover insights into their store behavior, and use that to scale their business further.

How they do it:

It offers a swift and simple setup. It does not demand any fee for an account and requires no paperwork.

All kinds of payment facilities like credit or debit cards, net banking, etc. are

accepted and transactions can be done through various mediums including email, SMS, Whatsapp, even Facebook.

Its biggest USP is the simple and quick setup process that is understandable to even an Internet apprentice. There is a variety of businesses Instamojo caters to. A few examples would be Digital files, event tickets, services, subscriptions, physical goods, and so on.

Instamojo has turned into a full-stack digital services platform overtime with the sole vision of constructively bridging the gap between MSMEs, who find it hard to leverage and optimally use the right technology and developers in reaching out to the relevant application users.

Instamojo has two flagship products:

MojoCapital: This product from Instamojo helps disperse bite-sized short-term credit loans which are worth in and around $2 million. MojoCapital caters primarily to its merchants on a monthly basis, and it has shown the projected growth of 25% on the month-on-month basis.

MojoXpress: MojoXpress is often regarded as the logistics arm of Instamojo, helps MSMEs deliver its products to their respective customers. Not very surprisingly, It is touching close to 1,000 shipments per month.

Users:

Industry leader internet companies like Urbanclap, 91 Springboard, zepo, dunzo, adani realty, The Wire, Insta office and others use their product.

Over 1,500,000+ MSMEs from 29 States And 7 Union Territories With 100+ Million Customers Have Used Instamojo

Investors and Funding:

Instamojo is funded by 15 investors. Times Internet, AnyPay, Kalaari Capital, Mastercard, Stern fisher, Beenext and BASE are the most recent investors.

Total Funding
$15.2M

Acquisition:

Instamojo has acquired 2 organizations. Showman: A movie ticket buying platform was acquired by them on April, 2021. They also acquired Get me a shop for $5M.

Competitors:

Razorpay, PayPal, Authorize.Net, Paytm Payment Gateway, 2Checkout, CC avenue, PayU.

Growth:

Currently, Instamojo is providing payment gateway services to more than 3 lakh small-and-medium businesses. Successfully developed a reputation for being fast and easy to use. It is quite popular with the tech-savvy crowd. To date, Instamojo has helped in creating more than 11,000 online stores. Since

Covid 19, Instamojo has witnessed a 25-30 percent growth on its platform.

Future Plans:

As per the plans for the near future, Instamojo is all set to close FY20 with 1.5 million merchants. "With an attractive market opportunity, comes amplified competition," says Sampad. He and the team fairly claim that they are unaffected by the competition. Furthermore, the Instamojo is looking to build a platform to bring all its 700,000 registered MSMEs to a unified payment gateway platform.

Quiz Matters

1. **Which one of the following may be classified as FMCG?**
   a) Printing machines
   b) Tobacco products
   c) Lifesaving drugs
   d) Coin vending machines

2. **Using a customer's buying history to select them for related offers is known as**
   a) Up-selling
   b) Prospecting
   c) Marketing
   d) Cross Selling

3. **What happens to marginal cost when average cost increases?**
   a) Marginal cost is below average cost
   b) Marginal cost is above average cost
   c) Marginal cost is equal to average variable cost
   d) Marginal cost is equal to average cost

4. **Development means economic growth with;**
   a) Price Stability
   b) Social change
   c) Inflation
   d) Deflation

5. **Which of the following is not one of the three fundamental methods of firm valuation?**
   a) Balance sheet - where the firm is valued in terms of its assets.
   b) Market Share
   c) Income or earnings - where the firm is valued on some multiple of accounting income or earnings.
   d) Discounted Cash flow

6. **What is the value of the firm usually based on?**
   a) The value of debt and equity
   b) The value of equity
   c) The value of debt
   d) The value of assets plus liabilities

7. **Which of the following defines the market to book value?**
   a) The ratio of stock market valuation divided by the value of its NAV.
   b) The ratio of NAV value divided by stock market valuation.
   c) The market value of tangible assets divided by the book value of tangible assets.
   d) The market value of intangible assets divided by the book value of intangible assets.

8. **Shareholder's wealth increases with the increase in ___**
   a) EPS
   b) Market value of the firm
   c) Dividend & market value of the firm
   d) Market price of the equity share

9. **Promotion of welfare of human by corporate is called as_____**
   a) Social service
   b) Philosophy
   c) NGO work
   d) Corporate philanthropy

10. **Leasing of machinery can be categorized as_____**
   a) Fixed asset
   b) Investment decision
   c) Financing decision
   d) Capital budgeting decision

11. **A mutually exclusive decision means;**
   a) Accepting of an alternative, leads to rejecting of other
   b) Accepting of both alternatives
   c) Rejecting of both alternatives
   d) Both c & d

ANSWERS

1. Tobacco products
2. Cross Selling
3. Marginal cost is above average cost
4. Social change
5. Market Share
6. The value of debt
7. The ratio of stock market valuation divided by the value of its NAV
8. Dividend & market value of the firm
9. Corporate philanthropy
10. Financing decision
11. Accepting of an alternative, leads to rejecting of other

Business Scan

July 1:

Vodafone Idea headed for a financial crisis, needs urgent cash infusion: Analysts

July 2:

Overseas crypto exchanges may face 18% additional GST in India

July 3:

Sebi proposal may bolster IPO-bound founders' rights

July 4:

FPIs invest Rs 13,269 crore in Indian markets

July 5:

Bengaluru-based startup ELAI AgriTech offers free precision farming advisory to farmers

July 6:

Noida-based start-up takes commodities storage solutions to farmers' doorstep

July 7:

Maharashtra, the birthplace of sugar cooperative, veers toward private mode

July 8:

Cheaper wheat begins replacing corn as feed

July 9:

Agro-chemical industry in for a 'positive growth' in Q1

July 10:

With India reducing tur imports, Myanmar farmers switch crops to catch Chinese bus

July 11:

US, Japan move WTO against India onion export ban

July 12:

Agri infra fund is yet another jumla: Samyukt Kisan Morcha

July 13:

Edible oil import declines by 20% in June

July14:

IFFCO Kisan Sanchar setting up 17 FPOs in Gujarat in tie-up with NABARD, NCDC

July 15:

India seeks fair WTO pact on fish subsidies, says limited S&DT inappropriate, unaffordable, unacceptable

July 16:

Agtech investments plunged 35% last year

July 17:

PNB Housing Finance to remain under lens: Sebi

July 18:

ET Financial Inclusion Summit: For a digital India, rules should aim at desired outcomes

July 19:

Government collects Rs 1.01 lakh crore from excise, Rs 2.41 lakh crore from income tax in Q1

July 20:

RBI's Mastercard ban likely to create monopoly in credit card market in Ind

July 21:

SEA asks govt to allow soyabean meal import to help poultry industry

July 22:

Banas Dairy to pay ₹1,132 crore as price difference to dairy farmers

July 23:

Q1 farm exports up 44% at $4.8-billion

July 25:

Centre inks MoUs with Microsoft, Amazon, Patanjali for farm data project

July 26:

South Asian nations form platform to tone up agromet advisory services

July 27:

Govt cuts basic import duty on masur dal to zero to tame prices

July 28:

Farm-to-fork: Noida-based firm comes up with low-cost cold chain systems to transport fruits

July 29:

Heritage Foods Q1 net at ₹30 cr

July 30:

WayCool Foods signs MoU with Be'nishan

July 31:

Silk goods exports decline 16% during 2020-21

GREY MATTERS has arrived...

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