



# MODULE 2

PROJECT: Case Studies and Analysis

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## Case Type: Success

(S 7) **OYO Rooms**: OYO Rooms have a network of hotels that are currently operating in 5,000 cities in India, Malaysia, UAE, Nepal, China, and Indonesia. Ritesh Agarwal is the founder and CEO of OYO Hotels. It used to be a hotel aggregator. The customers used to buy the services from the brand OYO rooms and didn't care who the partner was. Just like Uber, OYO provided rooms with standardized quality and price.

## Case Type: Failure

(F 4) **Tata Nano**: The **Tata Nano** is a compact city car that was manufactured and marketed by Indian automaker Tata Motors over a single generation, primarily in India, as an inexpensive rear-engine hatchback intended to appeal to current riders of motorcycles and scooters — with a launch price of one lakh rupees or US\$2500 in the year 2008.

## Case Type: Scam

(B 3) **Mahindra Satyam**: (formerly **Satyam Computer Services Limited**) was an Indian information technology (IT) services company based in Hyderabad, India, offering software development, system maintenance, packaged software integration and engineering design services. Satyam Computer Services was listed on the Pink Sheets, the National Stock Exchange and Bombay Stock Exchange and provided services to a wide range of customers including 185 Fortune 500 companies.

1	<p>What was their prime business model and revenue source?</p> <p>➤ <b>OYO Rooms'</b> business model is similar to the <b>Aggregator Business Model</b> (where the firm collects the information about a particular good/service providers, make the providers their partners, and sell their services under its own brand.) OYO has some essence of the franchise business model also. OYO room organizes those hotel rooms under their brand name and OYO partner hotels provided standardized service to customers of those rooms. Bookings of these rooms were made through the OYO's website and mobile application. Now the Oyo rooms have performed some changes in their business model. Now OYO doesn't lease the hotel rooms, OYO asks the hotel partners to operate them as a franchise. OYO boasts a 100% increase in revenue to their partner hotels and they have good brand equity.</p> <p>OYO Rooms is having about 1,200 employees at an average of 25,000 Rs. per month per employee. That will make about 3 crores per month approximately. OYO is spending a huge amount on advertising such as online, TV, Radio and other mass media channels and on other marketing campaigns. TV ads can cost between 30 lacs to 3 crores per advertisement and the total ad run budget could have been anywhere between 20 to 100 crores. OYO is spending a large amount of money on online advertising and on Google as well. This will be estimated at</p>
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around 1-2 crore per month. OYO rooms have to face the losses even after providing the hotel's rooms at such a great discount. Actually, OYO invests his money in market segments to attract the customers. OYO rooms use both mass media and digital marketing to engage their audience to retain their customers and to attract new. OYO room has strong social media presence on Facebook, Twitter, and other social media.

**Tata Nano:** Tata Nano remains a modern-day symbol of India's ingenuity. This was an outcome of a deep understanding of economic stimuli and customer needs, and the ability to translate them into customer-desired offerings through leading edge R&D. The seeds of this innovation were sowed in the mind of Ratan Tata, chairman of Tata Motors Ltd. when he saw a family of four crammed on a two-wheeler on wet roads of a rainy day. He felt a strong need to provide them with a secured and affordable vehicle- a people's car. Tata primarily aimed to serve the needs of those at the bottom of the pyramid who so far could afford a two-wheeler but not a car. This car was proposed to be less than half the price of the cheapest car available in India and, indeed, anywhere in the world. This way Tata envisioned to create a 'new market for cars which does not exist', making them accessible to India's middle classes growing at around 9 per cent a year. The idea was to develop an innovative, attractive and cost-effective means of transportation for the underprivileged while balancing the customer's expectations and meeting the regulatory requirements. In order to succeed with building a low-cost affordable car, Tata Motors began by studying and trying to understand the customer. What do the customers need? What do they really want? What can they afford? The customer was ever-present in the development of the Nano. Tata didn't set the price of the Nano by calculating the cost of production and then adding a margin. Rather it set \$2,500 as the price that it thought customers could pay and then worked backward, with the help of partners willing to take on a challenge, to build a \$2,500 car that would reward all involved with a small profit.

**Mahindra Satyam:** Raju had a fetish for acquiring land and the more land he acquired, the more he revelled. But Raju's story is not merely about his rapacious land acquisition, it is also about how he masterminded in siphoning funds off funds from his IT company Satyam and Construction company Maytas Infra by creating a fictitious revenue and profits to satiate his lust. He used every single cent earned to purchase real estate. Before 1999, land purchases by raju were funded by the dividends he earned from Satyam. But as Hyderabad started to develop further, he stepped up his land purchases. To finance the purchases, he started pledging and selling all of his shares and that of his families.

2	<p>What was their long-term strategy?</p> <p>➤ <b>OYO Rooms: <u>Blue Ocean Strategy</u>:</b> Value Innovation is a central concept in Blue Ocean Strategy. Through this concept organizations can unlock immense value to customers and simultaneously reduce the cost to the company. Value is usually attached to tangible things, but in reality, true value to customers need not be something path breaking. Oyo brings ‘predictability’ as a key value that is usually missing with budget hospitality sector. Most of us see in 3-star hotels such as fancy lobbies, elegant lounges, superior spa, etc. are often not the reason one chooses such hotels. Instead, basic hygiene, descent environment and predictable service drive customers to such branded hotels. The core to Oyo’s value innovation is to eliminate fancy aspects but retain aspects such as hygiene and predictability. Oyo is an evident case of Blue Ocean because in comparison to either the existing star hotels or non-star hotels, Oyo has chosen to differentiate themselves by Eliminating some existing features, reducing some features, raising some and simultaneously Creating few new features. Traditionally companies focus on out serving the competition but Blue Ocean advocates differentiation through Elimination, Reduction, Raising and Creating.</p> <p><b>Tata Nano:</b> their long-term strategy was to satisfy the needs of lower income groups of having an affordable yet safe car. They also aimed at making small modifications in the car year by year so that it is able to match the standards of other luxury cars.</p> <p><b>Mahindra Satyam:</b> The owner of the company aimed to finance his need for money to acquire more and more land through manipulating companies accounts</p>
3	<p>When and what was their first break through?</p> <p>➤ <b>OYO Rooms:</b> When OYO first came up, legacy hoteliers looked down their noses at the company, saying it was no competition. But when its valuation began to rise and its pricing strategy began to hurt them, legacy hoteliers banded together to criticize the young start-up’s practices. They whined about OYO’s business model at every forum and demanded regulations against it. Ritesh Agarwal carried on, tweaking the model here, acquiring a tech company there, and adding innovations bit by bit. By 2016, hoteliers were beginning to admit that OYO was competition. In August 2016, at the 115th annual general meeting of Indian Hotels Corporation Limited, the Tata Group’s then chairman Cyrus Mistry admitted to shareholders that they needed to keep an eye on Ritesh Agarwal’s OYO. This spoke volumes about the disruption the young upstart has caused. Venture capitalists and private equity funds—which had hitherto never looked at the hotel sector—began investing in droves into OYO, thereby infusing the industry with much-needed capital to grow. This was the time when OYO made a huge impact on the hospitality business.</p> <p><b>Tata Nano:</b> As of May 2009, Tata Motors had received 203,000 orders for its Nano, more than double the initial sales plan. The company accepted the bookings between April 9 and April 25, amounting to almost 25 billion rupees (\$501 million), according to Tata Motors release. Deliveries were planned to start in July of 2009 and were expected to be completed in the last quarter of 2010, according to the company. Surging demand from first-time buyers and</p>

	<p>motorcyclists in India contrasted with plunging automobile sales in the U.S. and Europe where job losses and economic recession were keeping consumers away from showrooms.</p> <p><b>Mahindra Satyam:</b> It experienced its first breakthrough after its merger with Tech Mahindra in 2009. Tech Mahindra gained on First Day of Trade after merger of Mahindra Satyam.</p>
4	<p>What were the reasons for its Success / Failure / Exposed?</p> <p>➤ <b>OYO Rooms:</b> “Oyo is successful because of its business model”. This is what I read and heard about OYO everywhere. The things that investors find most attractive are a clear vision, the ability to execute, and team-strength. OYO was conceptualized to solve a really big problem in the hospitality sector. It unlocked a massive opportunity that had existed but wasn’t available until it took the lead. Clearly, its business plan had long-term sustainability that was attractive to the investors. it also has extremely talented folks at the leadership level, and investors trust their abilities to execute their plans.</p> <p><b>Tata Nano:</b> The hatchback sounded good on paper, but a number of issues plagued the Nano before production even started. That is where things really went wrong, bringing about the Tata Nano’s failure. Reasons were aplenty but here are some of the major ones.</p> <p><b>Lack of Practicality</b></p> <p>Two-wheelers are a nimble little vehicle that let people navigate through traffic easily, while parking is rarely an issue. The same could not be said about the Nano. So, a major issue with it was that it was not a motorbike.</p> <p>While it was small, it simply was not small and convenient enough for people who were used to motorbikes. That was a major issue in the Nano’s marketability that the automaker had not even considered.</p> <p><b>Positioning as Cheap</b></p> <p>The automaker was under the misconception that the low price would be enough to motivate people to buy the Nano. They did not account for their positioning it as a cheap vehicle which, in India’s markets, translates to <i>low quality</i>. After all, who wants a daily driver that looks cheap and is poorly built?</p> <p>Simply put, those who could afford a higher end Nano did not want to drive it.</p> <p>Also, when people are status conscious, they look for things that make them look wealthier than their neighbours and colleagues.</p> <p><b>Emotionally Disconnected Advertising</b></p> <p>One of the most challenging aspects of marketing a vehicle like the Nano is advertising. A basic rule of advertising is to create an emotional connection or a bond with the audience that makes them want to experience the product. Tata failed to do so with their advertisements for the Nano. In a country where emotions play such a vital role in everything, this disconnect spelled doom for the Nano before it even hit the roads. Afterall, why buy an automobile if the car owner can’t relate to it?</p> <p><b>Production Issues</b></p> <p>Another major problem that contributed to the Tata Nano’s failure was the long wait time for delivery.</p>

	<p>The Nano was supposed to be manufactured in the new plant in West Bengal. Unfortunately, the company could not acquire land for the facility and instead had to start manufacturing from their Sanand facility in Gujarat.</p> <p>Moreover, the lower production capacity could not keep up with the initial demand and many people simply did not buy a Nano early on because there were not any available.</p> <p><b>Mahindra Satyam:</b> The company would not have landed in this position if it hadn't been for the recessionary forces that hit the Indian shores in 2008. Recession threw Raju (CEO) off guard and closed all his options. The market was rife with rumours of Satyam been plagued by hostile takeover threats and in order to stave away such threats, he falsely increased the turnover so that the companies wanting to acquire the company wouldn't as it would be a costly affair for the company making the bid for acquisition. Also, he transferred the funds from Satyam by cooking the books to purchase lands, so now there was a big hole in the balance sheet. He gave himself up when he had to abort the merger of Satyam with Maytas Infra since the shareholders weren't consenting and the rumours had spread a lot.</p>
5	<p>What is the managerial learning you got from this case?</p> <p>➤ <b>OYO Rooms:</b> There will be times when you have to make big decisions that will decide the future of the company. Make a decision based on your inner guts. Stand strong when many hurdles will force you to push you down. Be positive and solve these hurdles happily.</p> <p><b>Tata Nano:</b> Setting (or encouraging) high pre-launch expectations limits your ability to perfect your business model post-launch. But this flexibility is essential to emerging-market innovation and product strategy. You have to get a lot of things right to successfully bring a product as novel as the Nano to market. First, you have to conceive of something people will actually want. (That's really three steps — thinking up something that's wanted, identifying who actually wants it, and working out the details of how and under what circumstances they will use the product.) You have to devise a way to produce it reliably and profitably at the price those people will pay. And you need to communicate a clear, targeted value proposition, differentiated from competing offerings.</p> <p><b>Mahindra Satyam:</b> if your accounts aren't balancing or if something seems inaccurate, even just a tiny bit, it's worth investigating.</p>
6	<p>What other learning you concluded from this case?</p> <p>➤ <b>OYO Rooms:</b> "Develop A Brand People Trust". I think this statement by Ritesh justifies everything. To make this happen, one should do an ample of research on the subject before working on the actual business model. Whether it would be working staff or strategies, invest in the best. Investing in the best resources such as skilled people, the latest technology, best strategies will lead to a fruitful result.</p> <p><b>Consistently put Efforts</b></p> <p>The main mantra to be successful is to be productive. Rushing after completing tasks can be dangerous for the company. Believe in building the perfect product or service rather than building it rapidly. Invest in building perfect strategies and processes that matter.</p>

	<p><b>Tata Nano:</b> Never ever market a product in India as cheap/ for the masses (perceived as poor). No matter you have the best product in the world, if not marketed properly it will definitely fail.</p> <p><b>Mahindra Satyam: Corporate Governance Needs to be Stronger</b></p> <p>The Satyam case is just another example supporting the need for stronger corporate governance. Companies must be careful when selecting executives and top-level managers. These are the people who set the tone for the company – if there's corruption at the top, it's bound to trickle down.</p>
8	<p>What is scam and how is it different from failure?</p> <p>➤ A <b>scam</b> is a term used to describe any fraudulent business or scheme that takes money or other goods from an unsuspecting person. Failure is the state or condition of not meeting a desirable or intended objective. Failure is something which cannot be controlled, but a scam is a deliberate attempt for failure of business.</p>
9.	<p>Make a list of 10 eminent personalities of the corporate world, who inspires you and why?</p> <p>➤</p> <ol style="list-style-type: none"> <li>1. <b>Bill gates</b> (founder of Microsoft)- He undoubtedly changed the outlook of technology in an amazing way.</li> <li>2. <b>Reshma Saujani</b> founder of Girls Who Code: she is Promoting technology training to girls. She also intended to fill the gender gap in technology and has been successful in her attempt.</li> <li>3. <b>Ritesh Aggarwal</b> CEO of OYO ROOMS: He proved that age is just a number to prove your capabilities.</li> <li>4. <b>Reed Hastings</b> co-founder and CEO of the most trending media service provider, Netflix: Revolutionizing the entertainment industry, Reed surely brought about a creative twist to the mundane system of keeping the world entertained.</li> <li>5. <b>Sundar Pichai</b> CEO of Google: "Wear your failure as a badge of honour and start again," is one of his famous quotes that inspires me every day because failure is something, we all face once or more than once in lifetime.</li> <li>6. <b>Jeff Bezos</b> CEO of Amazon: He always have the ability to think out of box and that is what is necessary to survive in this generation. He inspires me to try everything and never have regrets.</li> </ol>
	<p>REFERENCES: CA Prashant Sarda you tube channel</p> <p>Wikipedia</p> <p><a href="https://qz.com/india/379877/the-satyam-scandal-how-indias-biggest-corporate-fraud-unfolded/">https://qz.com/india/379877/the-satyam-scandal-how-indias-biggest-corporate-fraud-unfolded/</a></p> <p><a href="https://ourownstartup.com/ritesh-agarwal-the-man-behind-oyo-rooms/">https://ourownstartup.com/ritesh-agarwal-the-man-behind-oyo-rooms/</a></p> <p><a href="http://mba.teipir.gr/files/Tata_Motors.pdf">http://mba.teipir.gr/files/Tata Motors.pdf</a></p>

