

Market Entry of Betafuel in the Kingdom of Bhutan

A Research
by
Khushi Agrawal
Prakriti Srivastava
Anushka Raj Bagun

Introduction

- Betafuel is a start-up, based in India looking to make a market entry in Bhutan.
- It aims to provide fuel security and overcome health issues by manufacturing and distributing renewable fuel cookies to rural and urban households.
- It's biggest concern is to raise the 7.5 million dollar funds to start it's project and make a successful market entry in Bhutan.
- We, as consultants, have tried to provide a solution to two major challenges the firm might face: Market Entry and Fundraising.

Economic Aspect

- GDP of Bhutan has increased considerably with an average rate of 7.5%.
- Inflation rates has decreased over the years with an average rate of 6.9%. The rate has went down to 2.72% in the last two years which is much less than the average rate.
- Talking about the unemployment rates, it has increased by 1% over the last 30 years.
- The firms in Bhutan has to pay the tax of 35.3% of it's profit to the government.
- 91% of the population still uses fuelwood for cooking. Remaing 9% uses LPG, electricity, etc.

Impacts

- The economic conditions have improved over the years which shows a decrease in poverty.
- A drop in the inflation rate reflects a stability in the economy of the country thus the risk of increase in prices of products would reduce. People would thus be able to afford services.
- The firm will have more number of people to hire as the unemployment rate has increased.
- The firm would have to pay high taxes which may result in a drop in their revenue.
- There would be a high demand of the firm's product. In the initial stages the demand and supply both will be less. The firm will take some time to gain people's trust with their product

Social Ideologies

- 41% of the population lives in the urban area.
- 43.73% of the population lies between the age of 25 to 54.
- People in Bhutan are adhere to their culture.
- Health is their highest priority in their small steps towards modernization.

Impacts

- The revenue would be generated from the urban population thus a good amount of money might add up.
- A firm always wants to hire people from the young generation. Majority population of Bhutan is young and middle aged.
- The firm no way is trying to supress the country's culture. It won't receive any kind of oppression from the locals.
- The firm's motive is a step towards modernization and a healthy population.

Geographical factors

- Depending on the altitude, the climate varies from semi-tropical to alpine.
- 70% of the country is forested.
- The new constitution mandates the forest cover to be 60% for all times to come.
- Bhutan's mountains and rivers make travelling around Bhutan difficult. The fact that country has no railroad and a limited number of highways creates a hindrance for transportation services.
- People still use firewood and animal dung for cooking causing indoor pollution and a threat to lives of women and children.

Impacts

- Government has set up plantations specially to provide fuelwood, This indicates that the industry will have sufficient supply of fuelwood for manufacturing fuel cookies.
- The problem of minimal transport services has to be tackled by maximum utilisation of existing transport facilities.
- Looking from the environmental aspect, Bhutanese are concerned about their environment. Hence, The firm must use sustainable resources to protect the environment thus building a better relation with the locals.
- Beta fuel would improve quality of life by providing fuel cookies thus would have a positive impact on environment and health of locals.

Industrialisation in Bhutan

- Bhutan is not industrialized. There are small scaled industries concentrating on food processing, wood products and cement manufacture.
- Industrial sector is 25% consumer of energy and largest consumer of electricity with 64.7%.

Impacts

- Considering the small number of industries it is a good time to setup the Beta fuel industry in Bhutan.
- This would be a right time for brand development at low cost looking at the present situation of industries.

Legal

Discrimination with Respect to Employment or Occupation

- The law prohibits employment discrimination for employees and job applicants.
- It also prescribes equal pay for equal work.

Competition policy

- The Constitution promotes private sector participation and prevent the creation of monopolies.
- It also ensures a market based economy where fair and healthy competition prevails and there are no entry barriers for new enterprises.

Consumer Protection Act

- This Act makes provision for the protection of consumers and for the safety of consumer goods and services.

Intellectual property

- There are four types of IP that can be protected in the country namely: Patent, Trademark, Industrial Designs and Copyright.
- Bhutan at the moment has two IP specific laws that have been enacted and are operational. These are:
 - a) The Copyright Act of the Kingdom of Bhutan, 2001 which provides protection for literary and artistic works.
 - b) The Industrial Property Act of the Kingdom of Bhutan, 2001 provides protection for patents, industrial designs, trademarks including collective marks, trade names and protection against acts of unfair competition.

Occupational Health and Safety

- The Labour and Employment Act, 2007 makes it mandatory for enterprises or workplaces registered as a company under the Companies Act 2000 and enterprises/workplace employing 12 or more employees to have a health and safety policy.
- The Act and regulation provide some guidance to assist the employers to prepare such a policy.

Impacts

- The company should ensure that none of these laws are violated.
- The company needs to ensure that there is no discrimination of any kind in the workplace. It also has to focus on equal pay for equal work policy.
- It should provide for the protection of economic interest and safety of consumers and ensure better consumer products and services.
- It should practice healthy competition and not use any unfair means to grow the business. It should also avoid creating any kind of monopoly.
- It needs to follow labour and employee safety laws. It can establish health and safety committees and appoint safety officers to monitor the implementation of the policy and safety plans.
- It should ensure that none of the IP specific laws are violated.

Competitive rivalry

- One of the companies, Dazin manufactures and distributes cooking fuel - for free to rural households and below market prices to urban and commercial customers in Bhutan. Dazin collects free sustainably available biomass waste (forestry and agricultural waste) by people participation using extensive rural Collection Centres.
- Efficient stoves and fuel is provided in return to those giving free biomass. The revenue is generated by selling surplus fuel cookies to others mostly in cities for less than competitor's price.

Impacts

- Beta fuel five forces analysis, based on Porter's model, shows the following strengths or intensities of external factors in the industry environment:
 1. Competitive rivalry or competition (strong force)
 2. Bargaining power of buyers or customers (strong force)
 3. Bargaining power of suppliers (weak force)
 4. Threat of substitutes or substitution (moderate force)
 5. Threat of new entrants or new entry (moderate force)
- Competitive rivalry component of porter forces analysis shows that Beta fuel faces strong force of competition. We have to reduce switching cost because that would be the factor that would attract people to shift from Dazin to beta fuel.
- Beta fuel needs to maximize its ability to satisfy the preferences and expectations of customers, who also exert a strong force on the business.

Individual

Mr. Drup Sanam Dukpa

- Mr. Drup Sanam Dukpa is a prominent Bhutanese entrepreneur who owns a number of companies. Recently, he has rebuilt one of the major culvert embankments along the India-Bhutan border in Assam's Baksa district as a gesture of goodwill. He spent lakhs of rupees to rebuild the embankment with the help of Bhutanese workers. The rebuilt structure has benefitted at least 500 villagers of Assam.

Mr. Dasho Topgyal Dorji

- Mr. Dasho Tobgyal Dorji is one of the most successful entrepreneurs and the richest man in Bhutan. He currently owns Tashi Group of companies, which is the largest private ventures in Bhutan. Tashi Group has over 40 subsidiaries The Group continues in its mission of maintaining essence of Bhutan's tradition while embracing the change to meet the new challenges.

Public sector

Startup weekend(SW)

- The government provides cash prizes for the winners of the national start-up weekends every year.
- We can also search options from Indo-Bhutan trade.

Private sector

Bank loans

- Bank gives credit to private companies as percent of GDP.
- From 1983 to 2018 the average credit was 19.9% of GDP.
- In 2018 they gave 58.08% of GDP as credit.
- Well developed countries give more than 70% of GDP, more than 200% of GDP is given by advanced economic countries and less than 15% of GDP by under developed countries.

Angel investors

- They are high-net worth individuals who lends funds in exchange of ownership.
- They look for three things: current financial statement, business plans and a viable exit strategy.
- Jabchor is a platform for young entrepreneurs to nurture and grow their business.
- Some Indian angel investors are Sanjay Mehta, Sachin Bansal, Kunal Shah and many more who invest irrespective of the sector in which the start-up lies.

Venture Capitalists

- Similar to angel investors, they are a group or company of such individual investors.
- They have a strong record of revenue flow.
- Exit strategy is required for those who tend to go public or sell to another company in future.

Cost benefit analysis

Individual

- Mr. Drup Sanam Dukpa has no experience investing in start-ups.
- Both of them are from Bhutan. They may hesitate to invest in an Indian company.
- After certain amount of time, rewards of the investment should be shared with investors.
- If returns do not meet the intended level, it could reduce the willingness of investors to further invest their money into the funds.

Public sector

Pros

- Government funding can come as a grant, which you don't have to repay, or tax incentives, which are a deduction to help encourage spending and investment.
- Receiving government funding is a good thing to have on your business resume

Cons

- Most government grants have very specific criteria. So while there may be a lot of them out there to choose from, your start up may not qualify either because of where you're based or your product or services.
- It can involve lot of paperwork and interviews . Depends on how much time you'll spend on the process.
- You're bound legally to use it under the terms of the grant, or otherwise you may be asked to repay it.

Private sector

Pros

- Outside investors understand and accept the risk that if your business plan fails, they can lose their money. If their investment goes south, you're not responsible for repayment.
- Partnering with capable outside investors could enable you to learn from their expertise and leverage it to improve your chances of success.

Cons

- In exchange for their investment, most investors expect a share of your profits. This limits your upside potential if your business is successful.
- In exchange for taking on additional risk, they generally have higher performance requirements that can create a lot of pressure, especially if you're not meeting them.

Strategies to raise funds

- After analyzing each fund raising option available we would suggest the firm should start off being private in Bhutan.
- It doesn't have many options to raise funds from the government.
- Neither there are enough well off individuals willing to give away large funds to start ups.
- Bank credits given can be a kick start for the firm.
- The angel investors or the venture capitalists need not be from Bhutan thus keeping both the ends open for the firm to raise funds from Indian or foreign investors.
- The machines used in their industry in Bhutan would be imported from overseas. They won't harm the environment in any way thus reducing their risk in the country.
- The firm's collaboration with Philips ensures that not only they provide fuel cookies but also Philips stoves for free to the rural population creating a better environmental condition for living.
- We can use slogans to put a better impact on the people
 - a) Eliminate smoke today for a better future tomorrow.
 - b) We know that environment matters so we brought 100% sustainable fuel. Let the environment know that WE CARE.
 - c) Let's change our cooking style together.

Marketing strategy

- To raise public awareness and educate the public about the danger of smoke emitted from the burning of biomass fuels using traditional biomass stoves.
 - a) Mobilizing local government officials to introduce CSI program.
 - b) Engaging local health workers in awareness-raising and educational campaigns.
 - c) Conducting cooking demonstration and road shows in communities and markets.
 - d) Mass media(TV, radio and newspaper including talk shows, interviews, news and advertisement.
 - e) Billboards and posters.
- Workshops to educate local health officials and meetings with village officials to raise awareness.
- Cooking demonstrations in selected villages and local markets.
- Empowering women's decision-making ability to purchase clean stoves.
- To ensure the effectiveness of our marketing and promotion activities, the planned engagement with consumers and stakeholders consists of implementing various activities based on empirical evidence and behavioral-change frameworks.
- The usual messages will be:
 - a) Along with fuel cookies we are also providing Philips stove, for free, which saves money.
 - b) Cooking will be quick and will reduce indoor pollution.
 - c) The stove is clean, elegant and shiny and will be much better and safer to use than the traditional open gas fire cooking.

Conclusion

- Betafuel must follow all the mandatory legal procedures of the Bhutanese government.
- It should look into economic factors such as accessibility, affordability, should offer job opportunities, as promised with the implementation of equal pay for equal work policy.
- Socio-cultural factors should also be considered for the target population.
- Among geographical factors, limited transportation and maintaining environment balance are our major concerns, we have suggested solutions regarding the issue.
- A good business plan and proper marketing strategy is needed which we have already provided in detail after our detailed analysis of all the risks and constraints.
- Awareness of risks is another important component. Betafuel's main risks involve: fundraising, convincing rural households to use their products and competition from a rival company Dazin.
- According to our research, Private funding is the most appropriate, and realistic source of funding considering our constraints.
- Beta fuel must ensure effective measures to prioritize competitive rivalry.