

A Case Study of URO Enterprises

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Abstract

Often Entrepreneurs recognise opportunities considering their prior experience and networking as investment capability. Mr Vijay, a technocrat entrepreneur, having over 20 years of design and manufacturing experience started a new venture of URO Enterprises for manufacture of quality disposables for Urological applications in hospitals. Though products were of high quality, the price was higher than the competitors, mainly from abroad.

The initial marketing plan, through all India distributors, did not fetch benefits. The unit also faced problem of key raw materials procurement due to low batch production and inability to scale up due to slow sales growth. He used internet and networking with suppliers from abroad. He also developed a good working team. But his design and product development overshadowed the marketing planning and efforts required.

After four years the unit was at the breakeven level. Vijay wants to grow, increase his production and sales, as well as improve the market share. His present subjective performance and satisfaction levels were gathered. The course of further action has to be recommended to Vijay to reach a growth stage of URO Enterprises

Key words: Opportunity recognition, Technocrat entrepreneur, UROlogical applications, Consulting, Management.

Introduction

URO Enterprises, a small enterprise engaged in designing and manufacturing specialised medical disposables for Urology applications, is facing a problem of slow market penetration and growth. It faces competition from imported items, which are 20 - 30% cheaper to the products of URO Enterprises. Mr Vijay the Owner-manager has indigenously developed these special products, but is worried about slow sales growth, though it was four years of his concentrated and dedicated work on product development, manufacture and marketing.

The details of the enterprise are given below:

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|------|-----------------------|---|--------------------------------------|
| i. | Products manufactured | : | Disposables for Urology applications |
| ii. | Year of establishment | : | 1995 |
| iii. | Capacity / sales | : | Approximately Rs 6 lakhs per month |
| iv. | Capital investment | : | Rs 10 lakhs (Rs 1 million) |

Promoter's Background

Mr. Vijay initially set up URO Enterprises, a small enterprise in the year 1995. Vijay was a technical person. He had a Diploma in Mechanical Engineering way back in the year 1970. Initially he had technical training and workshop teaching experience of 10 years. He later worked in electric clock manufacturing unit in design and production department. He was also later employed at Gulf for seven years in a construction company. A mixed experience of over 20 years indeed. After returning from Gulf, he decided to become an entrepreneur. His initial search for an opportunity led him to medical supplies / disposables considering his engineering design experience and skills of workshop practices.

He commenced initially by attending to certain medical equipment repairs at a major, well known hospital in Udupi district, Karnataka, During this time the doctors in the Urology department suggested him to design and develop good quality disposables for Urology applications. These disposals were imported at that time. Certain modifications were also suggested in product design and for cost effectiveness. This was the starting point for Vijay. He started the design and

development work for the disposable items by establishing a unit, URO Enterprises. Initially items manufactured were supplied and tested at the hospitals and were found to be acceptable, and of good quality compared with imported items. He used internet for researching the product development status globally, and for more information on medical technology and testing. He took help of USA based firms for development and testing. The products developed were also sent abroad to USA for testing and certification / approval.

To start this venture, he had one more partner to support him, who was also working previously at Gulf. His family supported him in this new venture idea and also doctors extended support and encouraged him. Thus right opportunity recognition and assessment was the key to the start-up. Financial support was available from his partner. Initially at URO the operations were focussed on new product development activities, manufacture of required dies and a few semi finished items. Some of these semi finished items were supplied to a firm in Bangalore, which finished these items, assembled and marketed them as medical disposable items. Therefore these initial operations helped to develop the product specifications.

Later in 1995, the unit was fully established at Industrial estate in Udipi district with in-house manufacturing facilities. The unit stabilised its operations and manufactured a range of disposable products for UROlogy such as kidney baskets, J hooks, vacuum pumps and other items.

Production Facilities

The main facilities required for manufacture of the disposables are die making set up, machine tools and other assembly facilities. The initial capital investment was around Rs. 10.00 lakhs. URO had these facilities established in-house. Vijay with his vast experience in tool, die design and manufacture was able to take up the basic design and development work for the components of the products. However he faced certain problems peculiar to his unit such as procurement of fine size stainless steel tubes and wires, and nylon / Teflon materials. He had some known source of vendors for outsourcing the components from abroad. He often sent the finished dies and got the extruded components and other parts from abroad. He used Internet and e-mail for sourcing raw materials from abroad. He wanted to get ISO standards for his unit and initiated the process. Vijay had the prime objective to design, manufacture and offer high quality disposables to the Healthcare sector and become a reputed manufacturer. On the production front, the unit faced the issue of low production due to procurement problem faced in raw materials and supplies. It used to be constrained by small batch production. To be more cost effective, ordering level for procurement has to be higher, but commensurate sales level as expected did not grow. The selling price of URO was 20-30% higher compared to imported items from competitors.

Over the years, Vijay had developed new products for medical application. He developed a special vacuum pump also for Urology application. He was able to indigenise the products hitherto imported with improved design and features. Many of the products had to compete with the imported disposables from far Eastern countries. The unit had nine skilled and qualified employees. His interaction with his shop floor employees was extremely cordial and transparent. He motivated them and encouraged their product improvement efforts.

Marketing

During the initial years of the operation, the products were sold mostly to local hospitals. Later the unit entered into marketing tie-up with a distribution company to market the products on all India basis. But the distribution company did not effectively market the products, and URO suffered financial problems / working capital and receivable problems in sales front. URO then appointed direct sales distributors in selected locations of Mumbai, Chennai, Ahmedabad, and Mangalore and in Kerala. Efforts were initiated to export to a firm in South America also. He thought about the brighter prospects of medical insurance sector opening up in India and expected that hospitals would be able to purchase and use quality Urology disposables, and hence URO's sales growth would happen thereafter. Estimated turnover of the unit was around Rs 60-70 lakhs per annum with the present capacity base. However, the distributors have not been able to aggressively market the products in the country. Therefore Vijay started selling through other pharmaceutical outlets and directly to hospitals. The pricing was based on cost plus, as well as on competitive basis in case of large orders.. In the domestic market his products were priced 25-30% higher than the imported items because of the quality of URO's products. His main concern was to achieve increased sales level in the next 2-3 years and onwards

Consultancy Intervention

Vijay using his design skills, tool making capabilities and innovative thinking, developed most of the new products. Though, to begin with, he closely studied the imported products, he improved upon the design; materials used and developed the products to be cost effective to the extent possible. He often consulted and took advice and suggestions of the Urologists and other doctors. In this case, the external assistance taken from doctors was of great help and relevance to the success of the product development work. The open mind of the owner-manager, perseverance, networking, seeking outside help contributed to the overall initial performance of the unit.

After having operated the unit for four years, when asked to as how he rated his performance, Vijay replied that the present performance was just at breakeven level though he was able to use his vast technical experience for product development. In the face of several problems faced, he used his information seeking nature, networking and problem solving skills to resolve the crisis. He is quite optimistic about the market growth for the products.

Management

Vijay himself being a technocrat entrepreneur was a good owner -manager. He perceived customer' s needs precisely by close interaction with doctors, patients, and developed product specific designs after identifying product features required by users / buyers. He organised and motivated his team. He participated in medical seminars to promote the products of URO. His greatest strength was in organising resources, networking and coordinating various tasks. He also reasonably delegated the managerial functions to second level. But the product development efforts, over the years over shadowed necessary the marketing strategy and plans, because he did not have an experienced marketing executive, as URO being a small enterprise. His commitment and drive for success of unit was high. He was very persistent, though he agreed that there could emerge other competitors in the country and from abroad.

It may be noted that in case of Small Enterprises, the performance assessment based on sales and financials data are a little difficult to gather. Therefore based on open discussion with Vijay, the Owner- Manager, the subjective measures of performance of URO Enterprise were collected and are presented in Table 1 and Table 2.

Future initiatives and course of action

Though the products of URO Enterprises were of high quality and indigenously developed by a technocrat entrepreneur, the key issue faced was the slow market growth i.e. A quality product not able to get good market penetration. Against the estimated sales level of Rs. 60-70 lakhs per annum, the sales was stagnating at Rs. 25 lakhs per annum even after 4 years of start-up. The marketing strategy and marketing plan have to be drawn considering the needs of health care industry, its competition, pricing issues, and export potential, promotion and marketing channel decision etc.

Conclusion

Considering the above details and status of URO Enterprises, what initiatives and future course of action could be recommended to Mr Vijay to be more successful and to achieve the growth stage for the enterprise which would result in sales growth, market share, higher profitability and brand image?

References

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Table 1. Subjective Measures of Performance of URO enterprise

Criteria	No consideration 1	Slight consideration 2	Some emphasis 3	Substantial emphasis 4	Great level of emphasis 5
1. Sales growth				√	
2. Return on sales			√		
3. Cash flow			√		
4. Return on investment		√			
5. Net profits			√		
6. Return on assets		√			
7. Growth in market share				√	
8. Growth in net worth of enterprise			√		

However, Vijay's satisfaction levels, as Owner Manager ,with present performance are as follows:

Table 2. Satisfaction level Measures of Performance

Criteria	No consideration 1	Slight consideration 2	Some emphasis 3	Substantial emphasis 4	Great level of emphasis 5
1. Sales growth	√				
2. Return on sales		√			
3. Cash flow		√			
4. Return on investment		√			
5. Net profits			√		
6. Return on assets		√			
7. Growth in market share		√			
8. Growth in network of enterprise	√				

(Note: An Overall performance index could be worked out combining the scores of the above two matrices to assess the performance level of the unit)