

## RAMSONS

In November 2021, Mr. Ram Prasad Goyal, a grains trader at Kanpur was staying in a hotel in Bangalore and noticed a breakfast cereal in the breakfast buffet. He tried the same with hot milk and relished the taste. He enquired about the recipe' of the same and the chef explained that it was a millet based cereal. The chef also told him that the product was available in a superstore nearby and he went there to see it. He found that the same was being sold in tins of 550 grams each , by a company named Ramoji Foods under the brand name Vijay.

Mr. Goyal had some idea about the health properties of millets but had not conceived that millets could form the basis of a healthy and tasty breakfast cereal. Having been in the grain business for over two decades, he knew that millets were a cheap grain if bought directly from the farmers. Cooking millet in lots of liquid turns it into a luscious, soft porridge that can be served for breakfast or used like polenta in savory dishes. Most millets have similar health benefits. However, Sorghum (Jowar), pearl millet (Bajra), foxtail millet (Kangni), finger millet (Ragi), Barnyard millet, Kodo millet, Little Millet, and Proso Millet are among the healthiest millet grains. Millets are a good source of protein, fiber, key vitamins, and minerals. The potential health benefits of millet include protecting cardiovascular health, preventing the onset of diabetes, helping people achieve and maintain a healthy weight, and managing inflammation in the gut. Millet is an adaptable grain. Pearl Millet (Bajra): Pearl millet is one of the most popular millets in India, particularly in the arid and semi-arid regions of Rajasthan, Gujarat, and Haryana. Finger Millet (Ragi): Finger millet is a staple in South India, particularly in Karnataka and Tamil Nadu.

An entrepreneur at heart, Mr. Goyal decided to enter this market and set up a manufacturing unit in Kanpur for processing and packaging millets and promoting the same as a breakfast cereal. The management meticulously refined the machinery and processing methods through trial and error. The initial product did not meet their quality standards, leading to its withdrawal from the market. However, they persisted until they were satisfied with both the product's quality and the processing equipment. This perfected system could produce 40 cases in an eight hour shift, with each case containing 35 tins of 600 grams each. He formed a company "Ramsons" for this business.

In 2019, Ramoji Foods introduced breakfast millets under the Vijay brand. After experimenting with local marketing for about three years, Ramoji expanded its distribution nationwide and engaged in moderate advertising efforts in Indian city markets.

Upon submission to consumers, the perfected product received favourable ratings, often being considered equal to or better than the other cereal alternative. Ramsons also applied for an ISI mark, with Mr. Goyal anticipating its timely arrival. This certification mark was seen as a valuable asset in establishing a reputation for the product's quality and purity. The comparative product, Vijay, already bore the ISI certification mark on its packages.

Breakfast millets offered not only high nutritive value but also a delightful taste, especially when consumed with milk and sugar or accompanied by butter and syrup. Their long cooking time, typically forty to fifty minutes, did not appeal to some housewives, however, another group recognized it's health value, both for children as well as grown-ups.

When entering the business, Mr. Goyal lacked concrete sales volume data. However, he was aware that millets as a breakfast cereal is a growing market, especially with the advent of increased awareness about diabetes. Millets are seen as a safeguard to diabetes. He perceived that it would get ready acceptance with families with upper-middle to high incomes. Additionally, its popularity was more pronounced in South India compared to other regions. Based on discussions with agents, Mr. Goyal identified the regional demand for breakfast millets, with Kerala, Mysore, Chennai, Mumbai, Kolkata, and the northern region (Delhi, UP, and Rajasthan) ranked in order of quantitative importance.

### **Trademark & Packaging**

Ramsons opted for a robust, round tin packaging design, closely resembling the one used for Vijay millets.. To distinguish their product, Ramsons introduced the trademark "Millethealth." The label was directly printed on the tin, which featured a vibrant green background. At the top of the can, the brand name "Millethealth" was prominently displayed in large red lettering.

Just below this branding, an illustration depicted several sheaves of millets and a cheerful girl. On the left side of the illustration, in bold white letters, the phrase "Health First" was inscribed, with the word "First" placed over the word "Health."

In contrast, Vijay oats featured a tin with a smiling young boy on its label. The Millethealth tin contained 600 grams of oats, which matched the quantity found in what was believed to be the

highest-selling packages of Vijay millets. Both the Millethealth and Vijay products were delivered to retailers in cases, each containing 35 tins.

### **Distribution Channels and Sales Terms**

In order to establish a robust distribution network for its product, Ramsons adopted a strategic approach. They appointed agents who specialized in selling non-competing food products and granted them exclusive regional rights. For example, for territories like Punjab, UP, Rajasthan, Jammu and Kashmir, and the Delhi region, Ramsons appointed Messers C. P. Rameshwar of New Delhi as their exclusive agents for selling the product through retailers. Notably, this firm also managed the products of a well-known and large packaged food manufacturing company.

Messers C. P. Rameshwar, as exclusive agents, were entitled to a commission of 10% of the list price. They efficiently covered their designated territory with the help of three permanent salesmen. Additionally, they further expanded their reach by appointing sub-distributors in significant towns or cities, including locations like Delhi, Agra, Gwalior, and Mussoorie. These sub-distributors received a 2.5% commission based on the list price from the agents.

To incentivize retailers, Ramsons offered a trade discount of 10% off the list price for their products. Consequently, the company's revenue from sales was calculated as the list price minus a 20% discount.

For the remaining states, Ramsons followed the same terms when appointing agents. It's important to note that these agents and sub-agents did not function as full-fledged wholesale distributors who typically buy, stock, and distribute products in their territories. Instead, they acted primarily as indenting agents, responsible for taking orders in case lots from retailers. These orders were then shipped by Ramsons from their base in Kanpur. The agents played a crucial role in ensuring the acceptance of delivery and the timely payment of orders. Ramsons facilitated the shipment process by providing invoices, and the release of shipments for delivery occurred once payment was made through a bank transaction.

Mr. Goyal reported that in South India, in Chennai, Kerala and Mysore, which were the largest consumers of millets, sales had been very disappointing. The agent appointed for these states was new to the sale of food products. The agency firm had for some time no salesman of its own calling on retailers and the sub-distributors appointed with selling rights for various areas had produced very little business for Millethealth. In the light of sluggishness of the sub-agents, the agent had recently reported the employment of a salesman to push the sale. Mr. Goyal had

not made a practice of visiting his selling agents, but communicated with them by mail and phone.

### **Pricing**

The pricing strategy for Millethealth, as of December 2021, was tailored to different regions within the country. In North India, the list price stood at Rs. 6,500 per case, which contained 35 tins. In Bombay and South India, the price was set at Rs. 6,700 per case. Similar to previous practices, the product was sold Free On Rail (FOR) at the destination point. The commission granted to agents was 10% off the list price, while sub-agents received a 2.5% discount off the list price, courtesy of the 10% commission granted to the agents. The retailers were also given a commission of 10%. As a result, Ramsons received the following amounts from the sale of each case:

- In Northern India: Rs. 5,200 (Rs. 6,500 less 20%)
- In Bombay and South India: Rs. 5,360 (Rs. 6,700 less 20%)

Mr. Goyal reported that trade reports indicated the list price of Vijay millets in North India was Rs. 7,200 per case. Additionally, he was informed that the agent for Vijay received a 7.5% commission off the list price, while the trade benefited from a 2.5% discount. It was noted that Ramoji also offered larger size tins at a list price of Rs. 8,200 for a case containing 35 tins. These agents maintained stocks of Vijay millets in their warehouses for delivery to retailers.

### **Sales Performance**

In the two years following the enhancements in the processing of Millethealth oats, the sales performance had been characterized by irregularity, falling significantly below the plant's production capacity. During the six-month period from June to November 2021, the monthly sales average stood at a mere 87cases.

### **Advertising Strategy**

Upon commencing the national distribution of Millethealth, Mr. Goyal's selling agents strongly recommended investing in advertising. He heeded their advice and initiated advertising campaigns in several major cities where the product was represented. However, after spending a substantial sum of Rs. 4,800,000, no discernible increase in sales was observed. Consequently, he decided to discontinue the advertising efforts.

Despite incurring significant losses since the inception of his venture, Mr. Goyal remained committed to achieving success and was willing to inject further capital into the business if proposed marketing changes held the promise of generating profitable sales.

### Cost Analysis

Mr. Goyal provided the following cost breakdown for each case based on accounting data from the period of June to November (refer to Appendix 1 for detailed figures):

### Questions:

1. Evaluate Mr. Goyal's choice to venture into the packaged millet business. What marketing competencies are essential for achieving success in this type of enterprise?
2. Identify the significant issues within Mr. Goyal's marketing approach.
3. Do you believe he has the potential to turn this project into a success, or would you suggest considering exiting the business?

### Appendix 1

#### 1. Direct Costs per case of 35 tins of 600 gms each

Material	Rs.1956/-
Packing tins	Rs.1748/-
Other packing material, wooden case waterproof paper box	Rs.340/-
Direct Labor	Rs.452/-
Railway Freight	Rs.404/-
<b>Total</b>	<b>Rs. 4936/-</b>

#### 2. Overheads costs

Monthly overhead costs were stated to be as follows:

Salaries	Rs.45,000/-
Rent	Rs.35,000/-
Electricity and water	Rs. 9,000/-
Coal	Rs. 9,000/-
Depreciation on plant and machinery	Rs. 50000/-
Interest on working capital	Rs. 50,000/-
<b>Total</b>	<b>Rs.198,000/-</b>

