

Piyush Marketing At Cross Roads

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Functional Area: Operations and Entrepreneurship.

The case pertains to a small-scale enterprise established and run by a first generation entrepreneur. The protagonist, Pawan Agrawal, the promoter of the firm – PiyushMarketing was at crossroads about the downturn he was experiencing in the business. Piyush Marketing was into manufacturing of plastic granules from the waste product generated by woven sack industry. They made two kinds of product out of this raw material – HDPE – high density polypropylene and PP – polypropylene. The plant came into being in the year 2000 and was located in MIDC, Gondia – one of the border districts of Vidarbha region, Maharashtra. The capacity of the plant was around 50 metric tonnes of finished product per month, but during the last few months, output was way below the designed capacity. This was more due to the procurement problem pertaining to the raw material from the woven sack industry, as the traditional sources were drying up.

The issue in front of the promoter of Piyush Marketing was to address the issue of raw material procurement and processes there-in, which not only affects the production planning, scheduling but also capacity utilization. In the light of the subject matter, the brief was to study, analyze and propose a comprehensive procurement plan based on capacity needs. The other question, which the management in confronting is - what are the short term and long-term implications of these quantitative decisions on the company's immediate future.

Keywords: Procurement process, capacity utilization, profit margins, supply chain management.

I. The Wake Up Call

Pawan was sitting in the conference room of Hotel Heritage at Nagpur, Maharashtra witnessing “Neev” a prize distribution ceremony organized by a premier consultancy firm for felicitating budding entrepreneurs. “Neev” was started in the year 2001 and PawanAgrawalwas the first to win this award. Today, Pawan was remembering the moment of pride sitting on the dais waiting for the name of the winner to be announced. He knew that he would be asked to give advice to the budding entrepreneurs especially the first generation ones who depended heavily on the experience of the successful businessmen. He tried to recollect his thoughts and prepare himself mentally for the speech but his recent setback in his own business was shaking his confidence. He called Reena who was conducting the event and requested to leave immediately stating that he wished to join another important meeting. Reena consulted Mr.Narang who personally escorted Pawan out of the room. Pawan could not understand his own behavior. He got into his car and took the highway to spend some time with himself as he wanted to find an answer to his own questions.

II. The Protagonist

Son of an IPS (Indian Police Services) Officer, discipline was paramount in Pawan's life. Studying in a Central School, he had always been on top of everything be it academics or sports, be it art or literature. Pawan was known for his good behavior and sincerity. All the teachers adored him as he was always ready to take up any new task assigned to the students. Difficulty never dissuaded him. He carried the same attitude in his college where he was a student of Polymer Engineering. He was always found experimenting with waste products to generate new products. His project on Polypropylene had won him the award on the “Most Innovative Idea” in his final year of graduation. Pawan was keen to start his own business since he joined college. He would always participate in simulations on business ideas and development of these ideas. His smile was a heart winner. His confidence was contagious and all his friends found themselves speaking his words in every discussion. He was a born leader. As soon as he finished college, he applied for a loan to start his own enterprise. His proposal was accepted and the making of “Piyush Marketing” started. Pawan was slowly making his dream come true.

III. The Company

The plant of “Piyush Marketing” was established in the year 2000. It was started in MIDC, Gondia – one of the border districts of Vidarbha region, Maharashtra. Piyush Marketing manufactured plastic granules

from the waste product generated by woven sack industry. Two kinds of product were made out of the raw material, one being – HDPE – high density polypropylene and the other one was PP – polypropylene. The capacity of the plant was around 50 metric tonnes of finished product per month. The enterprise though a small scale one, had a huge growth potential as the demand of both HDPE and PP was high enough. The plant had a developed customer base. The monthly orders for the products were enough to utilize the optimum capacity of the plant. The majority of product was consumed by two clients Avinash Agencies and Rituparna Machineries. Piyush Marketing had its hands full.

IV. The Meeting

Pawan called Avinash Agencies personally and informed them that he would not be able to supply the complete order of 25 metric tonnes this month as there was shortage of raw material. He was sure that they would understand as this had never happened earlier. He promised them that the remaining order would be added to the next month's supply. His request was taken in with peace. He also communicated the same to Rituparna Machineries and was happy to get a positive reply.

V. The Issue Facing The Company

It was now almost a decade since Piyush Marketing had delivered its first parcel of HDPE to Avinash Agencies. Nothing had changed, the team was the same, the mission was the same, the enthusiasm was the same and even the suppliers and customers were the same. The ability to deliver the best quality was helping Piyush Marketing in nurturing and maintaining its customers. As per his habit, Pawan entered his cabin at the stroke of the tenth hour in the morning. He was smiling his most charismatic smile when Riya entered his cabin. She was as always mesmerized to see him and wished to give him a compliment but his strict nature kept her from doing that. It was now five years since she had known him. She was an ardent fan of his expertise and technical knowledge. His way of maintaining relationships with his suppliers and customers was a lesson to many. Riya suddenly remembered her reason of being in his cabin. She was happy to find that Pawan had not noticed her presence. She composed herself and spoke up, "Sir, Mr. Raheja is here to meet you. He says it's important." Pawan asked her to send him in. Mr. Raheja was the biggest supplier of raw material for Piyush Marketing. Pawan stood up to greet him but his smile faded away on seeing a worried look on Mr. Raheja's face. Pawan knew that there must be something utterly serious otherwise Mr. Raheja would not have come personally and that too without prior intimation. Pawan offered him a chair. Mr. Raheja immediately came to the point and told Pawan that he could no longer supply him the raw material as the source of the waste material itself had dried down. It took Pawan almost ten minutes to gulp down what he had just heard. He was not at all prepared for this situation. No supply? Then what? How would the production take place? How will I answer my customers? What would happen to my enterprise? His head started spinning.