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# Thirst for Innovation in Niche Technology

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Innovation has become imperative rather than a choice for business survival. Organization's need to keep themselves abreast with the current trends & demands to stimulate creativity and to keep the innovation function afloat, but that is easier said than done. Embracing innovation to keep up with the pace of change in this dynamic world of business is difficult. Entrepreneurs are surging forward armed with a wealth of creative and innovative ideas transforming it into competitive products and services thus allowing entrepreneurs and their small business to acquire financial gains that, in turn, help improve the country's financial system. This case study is a classical example of first generation entrepreneur P N Mehta who left his cushy government service after bitten by the innovation bug. He later ventured in four sub-companies as a part of sequential innovation with the aid of three more co-founders catering to the need of customized information technology (Niche Technology) product and services for Indian cooperative dairy sector. The case also throws insights on the challenges of retaining monopoly considering the non patentable nature of IT software solutions & the flourishing IT industry.

**Keywords:** Entrepreneurship, Innovation, Monopoly.

## INTRODUCTION

Joseph Schumpeter, an Austrian economist, defined the term "innovation" for the first time. In his book "Theory of Economic Development," he stated that internal factors such as innovation play a main role in economic development, rather than external factors such as population growth and change of climate.<sup>1</sup> He also stated that innovation is to produce new things or produce existing things by new methods and that production is to combine things or powers. As examples of innovation, he pointed out (a) development of new products by creative activity, (b) introduction of new production methods, (c) cultivation of new markets, (d) acquirement of new (source of supply for resources, and (e) organizational reforms. In addition, he stated that destruction of existing value and creation of new value (creative destruction) by so-called entrepreneurs are the source of economic growth.

Mehta with a creative bent of thinking and a urge to improve work life standards of society was employed in a central government organization 'The National Sample Survey'. During his service period he realized that in India, power electronic products were very less compared to developed countries. Being creative in nature he recognized this opportunity for betterment of the society. In 1979, Mehta quit his cushy government job; to start his own business '*Prompt Electronic Power Tools*' (Prompt). He was then the 2nd manufacturer of Power Tools in India. Further in 1993 he ventured in to an electronic weighing scale company named '*Orbitron Enterprise*'.

Rising competition forced him to innovate further their product line; it was a clear example of survival of the fittest. Coincidentally one of the customers re-approached the company with a unique demand for weighing machines in measuring unit as a litre. Mehta could immediately smell the untapped and abundant opportunity in dairy sector giving him a hint to start his third venture '*Prompt Equipments Pvt. Ltd.*' in the same year.

This was followed by first milk collection system in the year 1995 and a fully automatic milk fat measuring machine during the year 1998. 'Prompt' was the first Indian company to benefit from patented products like Fat'omatic auto testers and Indiz Milk analysers.

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<sup>1</sup> <http://www.mext.go.jp/english/whitepaper/1302787.htm>

## **THE GLOBAL DAIRY OUTLOOK**

At its core, the dairy industry perpetual drivers lie in optimizing production led by willingness to adopt new technologies thus enabling more to be done with less. Farmers were producing more milk per cow and dairy processors were increasing output and reducing operating costs<sup>2</sup>. Due to this focus on efficiency, the dairy industry had shown steady growth despite a slow economy.

## **INDIAN SCENARIO**

In spite of the unprecedented rise in milk production during the last two decades in India, the modern dairy industry had not really taken-off the right way. Despite success like Operation Flood and the cooperative movement and with establishment of institutions like the National Dairy Development Board (NDDB), much of the dairy sector still remained in the hands of small, informal un-organized players. This had set considerable constraints on promotion of high-value added dairy products, technological innovation and up gradation, and most importantly quality management<sup>3</sup>.

## **THE DAIRY INDUSTRY**

Dairy activity had been traditionally integral to India's whole economy; the country being the world's largest producer of dairy products and also the largest consumer. The Indian dairy industry currently is pegged at \$ 70 billion and is expected to double by the year 2020<sup>4</sup>.

Increasing trend towards globalization, quality standards of milk and milk products could not stay at variance with the International market standards. Although milk produced by the farmer was reasonably clean, there was a lack of infrastructure for handling of milk in the rural areas. The Indian dairy industry was moving steadily towards self-reliance<sup>5</sup>. It lacked necessary cold chain facilities and appropriate infrastructure to procure quality milk from the producers. The quality of milk could be improved by developing chilling facilities at village level and an efficient collection system in addition some price incentives were needed to be provided for clean milk production<sup>6</sup>.

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<sup>2</sup> <http://www.pmmi.org/files/Research/ExecutiveSummaries/2013DairyExecSummary.pdf>

<sup>3</sup> <http://www.idfresearch.org/pdf/Policyen.pdf>

<sup>4</sup> [http://www.business-standard.com/article/economy-policy/indian-dairy-sector-set-to-touch-140-bn-by-2020-report-113102000379\\_1.html](http://www.business-standard.com/article/economy-policy/indian-dairy-sector-set-to-touch-140-bn-by-2020-report-113102000379_1.html)

<sup>5</sup> [http://www.asap.asn.au/livestocklibrary/2000/Mathur\\_0522.pdf](http://www.asap.asn.au/livestocklibrary/2000/Mathur_0522.pdf)

<sup>6</sup> <http://www.imarc.in/dairy-industry-in-india/>

Dairy Industry was one of those industries in India where lot of regular transactions took place between dairy company and its retailers/distributors on daily basis. Since milk was a perishable commodity, retailers kept bare minimum stock as per consumption. This was a routine and tedious process which was being done verbally by ordering over the phone. Retailers used to call the dairy company and placed orders for milk products, while the person at the company manually noted them down, many companies still used good old pen, paper and files. Many dairy companies took orders twice a day for the next day as supply of milk products used to take place twice a day i.e. morning and evening.

### **PROMPT GROUP (PROMPT) – SERVING THE NICHE MARKET WITH SPECIAL PROJECTS AND PLATFORM**

‘Prompt’ was a forward thinking, cutting edge company. The company took pride in being a step ahead of current trends in the market place. The backgrounds of founders were as diverse as their skill-set. The team included doyens of the industry Mehta PN who served as a government employee for 15 years and is also the 2nd manufacturer of power tools in India <sup>7</sup>. Mehta Shreyas the co-founder and Chief Operating Officer (COO) had over 26 years of experience in electronics and was also a CIPET certified expert, Mehta Shridhar the co founder and the Chief Executive Officer (CEO) had over 20 years of experience in sales and marketing, Sutaria Ritesh the co founder and Chief Technical Officer (CTO) had over 16 years of experience in building enterprise architecture, product design and development under his belt.

They strived to act as a professional resource for their clients. At ‘Prompt’ they were never done with learning. Adapting to their client needs and placing them as a priority something that had set them apart from the pack. Enhancing relationships with their clients was their utmost priority. The major backbone of their innovative products and services was their work force and their self motivation.

The company had a regular client in ‘Surat District Co-operative Milk Union Ltd.’ (Sumul) acting as manufacturing unit of dairy products for Gujarat Co-operative Milk Marketing Federation (GCMMF) Ltd, the marketers of Amul brand of products<sup>8</sup>. ‘Viral’ a Service Engineer with ‘Prompt group’ on his routine maintenance visit found a unique problem that was lying un-attended, he saw agents placing

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<sup>7</sup> <http://www.promptsoftech.com/>

<sup>8</sup> <http://www.sumul.com/>

manual orders and were gathering information in bits of paper. He felt this was causing an increase in the order cycle time coupled with tedious time consuming process along with problem of information retrieval.

Agents and co-operative sector workers both burned mid-night oil to bridge the gap between the consumer demand and the supply. This manual process used to consume lot of time and energy leading to increased order transmittal time, apart from other concerns like operational inefficiency, lack of transparency and chaos. After observing the above 'Viral' had a ray of hope and could sense a business opportunity.

'Viral' approached the top echelons of management and discussed the probability of arriving at a conclusion to this peculiar problem. 'Prompt' being a people centric organization, each month used to conduct a brain storming activity leading to employee empowerment. Following the same they conducted a brainstorming session and the rest was business opportunity for the company. They derived a solution in Real time order booking system through mobile technology on a secured state of the art APN and VPN network over GPRS

### ***Real Time Order Booking System***

The mundane process of daily order booking could be completely automated by using a simple Web application. Through automation dairy companies not only reduced cost of human resources, but also were able to increase efficiency and could augment service to its retail network.

### **The Benefits of using Mobile Application for order booking**

Retailers operating in villages had no access to computer or were computer illiterate, but mobile phone connectivity was available everywhere in India, Hence mobile order booking was the only option to automate milk product order booking. The other problems were milk or dairy product retailer their comfort level as most of the software phones used English as main language. In mobile application, local languages could be used to announce dairy product lists, order quantity etc. making it much easier for retailers.

‘Prompt’ with this solution in sight during the year 2011 ventured into ‘Prompt Softech’ catering to Logistics, Industrial Automation, Cooperative Societies, Dairy Industry sectors etc. To provide a solution they had put mobile technology in use by partnering with both Airtel and Vodafone. The company entered in a real time order booking system ‘Mobile Order booking system’.

They executed the real time order booking system by provisioning a unique identification number for the agents. The problem with this execution was resistance to adaptation of technology as literacy was the major factor. This was also addressed by ‘Prompt’ in a diverse style by engaging young children of farmers. Since children were more attuned to the usage of cell phones the company could easily involve them to train and help their parents for placing orders.

The system was less tedious as the usage of local language helped farmers to understand and interact easily, as all placed orders were auto pushed to Sumul Enterprise Resource Planning (ERP) that helped in smoothening of the supply chain, effective production planning as demands were generated in real time leading to considerable reduction in order cycle time and cost of reverse logistics.

### ***The way ahead for prompt with the entry of International players***

The Indian dairy sector is now in a phase of consolidation and dairy- owners are looking for acquisitions for which it is also scouting for private equity and venture capital infusions. The penetrations of international players like Elbit India Agricultural Ventures and Carlyle group, to name a few have made the level playing field more competitive. Looking in to the innovative but replicable technology solutions offered by Prompt, the challenges posed by the dynamic nature of the IT Industry and associated issues of non-patentable nature of IT Software solutions may not allow to sustain the monopoly benefit for long period which they are currently enjoying.

## **QUESTIONS**

- 1) What are the key factors for success of prompt group?
- 2) As IT solutions are generally not patentable, what strategies can be framed and executed for sustained competitive advantage?

## **TEACHING NOTES**

1. What are the objectives behind teaching this case?
  - To study the importance of innovation in entrepreneurship.
  - To study the importance of sustained competitive advantage.
  - To study the basic characteristics of a successful entrepreneur.
  
2. What are the major issues involved in the case?
  - How the Company become pioneer in dairy technology?
  - Sequential technical innovation.
  - Intellectual Property Right
  - Sustained Competitive Advantage
  
3. How much time each issue should be given for discussion?

Each issues needs to be discussed for at least 10 minutes.
  
4. Whether the case should be discussed at individual level or group level?

The case should be analyzed at the individual level first, and then at group level.
  
5. What should be the number of students in the group?

Each group may have 3 to 5 students.