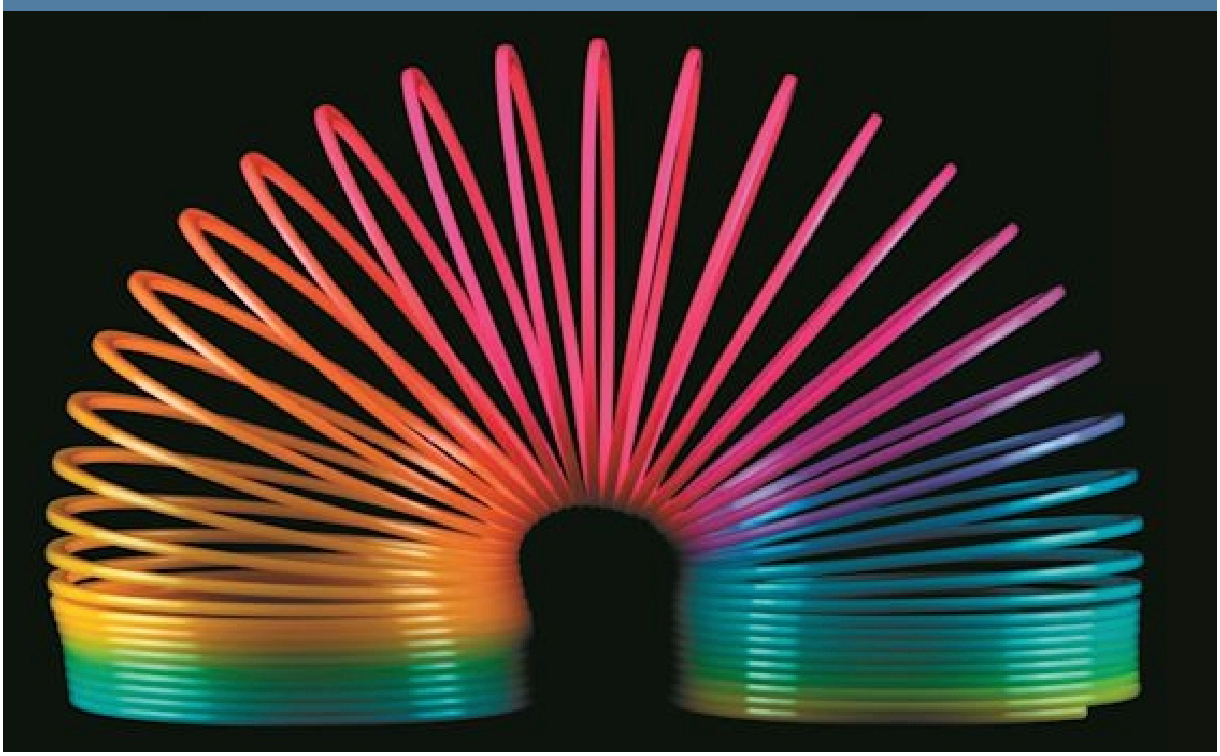
SHORT CASES
FOR MANAGING ORGANIZATIONAL CHANGE

Edited by: Dr. Sonali Narbariya



SVKM'S NMIMS Deemed to be UNIVERSITY

School of Business Management, Mumbai
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Short Cases For Managing Organizational Change

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ISBN: **978-93-91044-66-4**
Price Rs. 1550.00
US $ 125.00

Published By :
Imperial Publications
304 De Elmas Sonawala Cross Rd 2
Goregaon E Mumbai-400063, Maharashtra India
info@imperialpublications.com, www.imperialpublications.com

Designed, Layout, Typeset Printed by : **VPS DIGITAL PRINT**
A-1/18, Ambedkar Nagar, Baprola Vihar, New Delhi-110043

Cover Page Designed by : **VPS DIGITAL PRINT**

About Volume Editor

Dr. Sonali Narbariya is an Assistant Professor in the department of HR & Behavioral Sciences at the School of Business Management, NMIMS Mumbai. She has over nine years of experience including corporate and academia. She holds a full time PhD in Management from IBS Hyderabad, and is a recipient of the prestegious *'Mahesh-Ehsan recognition for Research Pursuits"*, awarded as the best Research Scholar at IFHE University. Her doctoral dissertation focuses on Change Readiness for Digital Transformation. Prior to her academic pursuits, she has worked with various Global Fortune 500 organizations like JP Morgan, TATA Consultancy Services and Thomson Reuters for over five years. Her work mainly focused on Talent acquisition, HR Automations, Change Management & Harmonization. As a scholar, Dr. Narbariya was involved in a Government of India project for designing/ adapting a psychometric tool for skill mobilization of backward classes in India with Indian Institute of Management Indore (A project by, National Backward Class Finance & Development Corporation (NBCFDC), under the Ministry of Social Justice and Empowerment). This project work has made a pivotal contribution to Pradhan Mantri-DAKSH Yojana. A number of conference (National/ International) and research paper publications count to her credit. Apart from teaching, her passion also includes facilitation for executive learning. Her recent engagements for mid-level management and senior leadership development have been with organizations like Bayer India, Glaxosmithkline PLC, Central Bank of India, VFS Global, Clover Infotech and Helath Prime Services. Her interest areas include Change Management, Leadership, Strategic Human Resource Management, Digital HRM and People Analytics.

Preface:

I welcome the readers to this compendium titled "Short Cases for Managing Organizational Change", a book curated to illuminate the everchanging landscape in the realm of businesses. This thoughtfully curated collection of cases delves into a tapestry of enticing case studies that cover the intricate path of organizational changeovers. Each narrative serves as a guiding light for readers through the intricacies of adaptation, innovation and resilience that define victorious change management. These stories are not just accounts of corporate evolution; they are blueprints for navigating the ever-shifting currents of change highlighting both success and failures of change initiatives.

As we embark on this profound journey of literature, I intent to seize the opportunity to extend my heartfelt acknowledgement to some individuals without whom this book would be an unfulfilled dream. Foremost, my gratitude goes to Prof. Ramesh Bhat, Vice Chancellor, SVKM's NMIMS Deemed to be University, whose belief in this project has been pivotal to publish students driven cases. Dr. Mayank Joshipura deserves special acknowledgment for his unwavering guidance throughout this intricate process. A sincere thank you to Ms. Disha Sirsalewala and Ms. Lavanya for their invaluable coordination and assistance in the editing phase. I am equally indebted to Mr. Sachin Bhosle and Ms. Sanika Nimje for their meticulous efforts in refining the formatting.

I now invite each reader to explore and glean insights from the strategic manoeuvres and transformative undertakings that have shaped the destinies of these organizations. The book opens with a riveting exploration of Amul's ingenious Covid-19 lockdown strategy, a testament to the power of agility and innovation in the face of unprecedented challenges. Google's battle strategy in the realm of Generative AI follows, providing a glimpse into the forefront of technological evolution and the strategic foresight required to stay ahead in a rapidly evolving landscape. The following caselets unfold like a series of narrative, taking us through the competitive battlegrounds of retail giants like Costco and the disruptive forces of the metaverse, digital transformation, and the future of storytelling. Change is inevitable, and as we traverse the prism of Grofers' metamorphosis to Blinkit. Elon Musk's audacious takeover of Twitter, and the saga of Hertz navigating bankruptcy amidst a pandemic, we witness how resilience, foresight, and transformative leadership play pivotal roles in organizational survival. The re-emergence of Jet Airways in the turbulent Indian airline industry, and RNEL's groundbreaking green hydrogen initiative reshaping India's energy outlook. In the crucible of change, even industry titans like Netflix and Honda face the imperative to adapt. Their stories reveal the nuanced strategies employed in perceiving and managing change, offering valuable lessons for leaders navigating the complexities of the modern business landscape.

As we immerse in these narrative stories, let us envision the myriad possibilities that emerge when change is not just managed but embraced and leveraged for growth. This anthology is an invitation to explore, learn, and draw inspiration from the resilience, vision, and adaptability exhibited by these organizations in their transformative journeys. The journey of organizational change is complex, challenging, and at times, tumultuous. May this anthology, serve as a compass, unveiling the path to successful change with insights that inspire minds.

Happy reading.
Volume Editor:
Dr. Sonali Narbariya

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AMUL'S COVID-19 LOCKDOWN STRATEGY TO BEAT ITS COMPETITORS

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Abstract

The case explores Amul's story, among the world's largest dairy enterprises, during the pandemic. Faced with severe challenges and economic losses due to lockdowns and supply chain disruptions, Amul weathered the storm and realised a 700% increase in revenue. The study delves into Turnaround strategies and actions deployed by Amul.Amul's success can be attributed to several key factors such as Supply Chain Management: Agile SCM enabling anticipation and adapting to change. Amul increased milk procurement, predicted and met increased demands. Digitalization: Procuring IBM's technology solutions for supply chain efficiency, transparency and inventory management enabling operations optimization and timely deliveries. Changing Consumption Behaviour: innovative product offerings and leveraging digital platforms towards customer-centric approach helping expansion and meet shifting demands beyond staples. Marketing Strategy: social media campaigns, celebrity endorsements, CSR activities, leveraging existing emotional connection, familiarity with legacy creatives and increased media presence. E-commerce Platforms: hyper delivery platforms to expand reach, digitize Cost Optimization, improve customer experience through behavioural Analytics.The case underscores how forward-thinking approaches help in managing crisis and turning adversities into opportunities setting new benchmarks for businesses.

Keywords: Crisis Management, Unplanned Change, COVID-19

Introduction

About the company

Amul is one of many leading enterprises for dairy in the world. Established in 1946, this Indian dairy cooperative has its headquarters in Anand, Gujarat. Managed by the Gujarat Co-operative Milk Marketing Federation (GCMMF), Amul is owned by dairy farmers in India; the ownership scaling in the millions. The company produces dairy goods, such as milk, butter, cheese, ice cream, and other items with a dairy foundation. The brand markets the company's goods exclusively to India. They are well-known for quality goods and creative marketing strategies, which result in an overtly positive brand image in the industry.

Amul also dabbles in other business areas, such as dairy research and development, training and education, and animal husbandry. They are motivated to improve the livelihood of their farmers via initiatives that support their rural communities.

All in all, they are a significant player in the dairy industry of India, widely regarded as a successful model of a farmer-owned cooperative. With its strong brand image, diversified product portfolio, and commitment to quality and sustainability, Amul is well-positioned to continue to grow and succeed in the future (Exhibit 1).

Case

Objective

Prime Minister of India, Mr Narendra Modi, announced a nationwide lockdown due to the onset of the COVID-19 outbreak in India on March 24, 2020. However, it brought a nightmare for which the country was unprepared. Millions of individuals lost their employment, particularly daily wagers and labourers. Around 10 lakh crores were lost because of the lockout on the Indian economy. Several billion-dollar industries encountered a problem. The dairy industry was one such sector. The effects were so severe that they cost India's milk farmers more than 112.3 crores of rupees daily.

The COVID-19 epidemic has had a conflicting effect on India's milk sector. On one hand, people's stockpiling of necessities during the epidemic increased the demand for dairy products. Several dairy firms saw a spike in sales because of this. On the other hand, the widespread lockdowns and travel restrictions produced supply chain disruptions, which resulted in decreased output and brief shortages of dairy products in some places.

Several dairy firms in India implemented efforts to lessen the effects of the pandemic, including tight cleanliness practices at their production facilities, the creation of online ordering and delivery services, and investments in digital technology to enhance their business processes.

Nevertheless, one renowned business that every Indian youth is familiar with managed the problem very wisely. Not only did they reduce their losses, but they also saw a nearly 700 per cent rise in income. We refer to Anand Milk Union Limited, or AMUL, as the brand in consideration.

Have you ever pondered how Amul managed to survive the lockdown while every other FMCG company was left in a panic? As bizarre as it may sound, Amul chose to improve its marketing approach when the country was under lockdown due to the epidemic rather than drown as the tide rose. So, how did Amul raise its marketing expenditures while everything else went south? The Amul team handled this difficulty extremely cleverly, turning it into an opportunity. Let us look at it now!

Company Strategy

Amul was able to control the issue by using an innovative business strategy. Not only did they reduce their losses, but they also saw a nearly 700 per cent rise in income. The firm was founded to help farmers, and through this process, it established itself as one of India's most popular brands. Amul performed amazingly well during Covid-19. When other businesses struggled to maintain their supply chains in 2020, AMUL created 33 new products and acquired 35 lakh litres of milk daily—further paying India's rural milk farmers Rs. 800 crores. Therefore, it was not particularly one strategy that led to success but a fusion of technology, tools and vision of the leaders in a different department that helped Amul to achieve its mission.

Firstly, AMUL's supply chain management was exceptional. Since milk is also a necessary food, the dairy sector could function with some restrictions when the lockdown was declared. However, as soon as the lockdown was announced, several enterprises either cut down their production or halted production. As a result, the dairy business experienced a decline in demand since the organised dairy sector's hotel, catering, and restaurant industries accounted for 20% of the industry's total income. Because of this, AMUL also saw a nearly 12% decline in demand. When the dairy industry noticed this sharp decline in demand, they immediately reduced milk procurement, scaled back their logistics, and significantly reduced output. (Interview, M. P., 2021)

Many farmers were thus rendered helpless as a result of this, and due to the reduction in milk production, which also affected factory operations and the delivery of milk, many individuals, including truck drivers and factory workers, lost their daily income. However, while most of the dairy business was geared up, expecting a decline in demand, AMUL was ready for an increase.

Amul's investment of 80 crores in IBM's technology during the COVID-19 pandemic for digitalising its supply chain has proven to be a key strategy for the company (Njomane et al., 2022). They optimised their operational cycle and delivered their products timely to their customers, all due to the digitalisation of their supply chain. Here are some ways in which this investment has benefited Amul:

- Improvement in Supply Chain Efficiency: Amul invested in technology from IBM, which has facilitated the improvement of the efficiency of its supply chain. They track product movement in real-time, from the point of origin to the final destination. This strategy has optimised Amul's logistics operations, aided cost reduction and ensured timely delivery of its products.

- Increase in Transparency: The digitalisation above of the supply chain in Amul has enabled the company to understand its operations better and seek improvement areas. With the power of real-time data, the company identifies supply chain bottlenecks and takes measured corrective actions.
- Improvement in Inventory Management: The company tracks its inventory levels in real-time, thanks to cutting-edge IBM technology. Ensuring the correct stock amount to meet customer demand has helped the company avoid stockouts and ensure customer availability.
- Improved Customer Experience: The company now provides real-time updates on orders to the customers, including expected delivery times and dates. This in itself has greatly enhanced customer satisfaction and loyalty.

Overall, by doing this, Amul optimised its supply chain and resources, which increased its productivity by 115% during COVID-19.

Secondly, the first brand to foresee the future of lockdown and see a shift in customer behaviour was Amul. Even though there was no demand from restaurants or hotels, the need for groceries and milk products increased as more and more people remained home, leading to a trend for homemade food. (Das, 2020)

It was evident from the craze for pizza, cupcakes, and Dalgona coffee, which were all part of the lockdown food fad. All these cuisines had milk and other dairy products as their primary ingredient. Amul was able to fulfil the rapid rise in demand for dairy products since it was running at total capacity. To defend against COVID-19, some customers started purchasing bagged milk rather than loose milk. Condensed milk sales increased by 100%, cheese sales increased by 80%, and cottage cheese sales increased by 40%. Except for ice cream, all plans were operating at total capacity during the lockdown since the demand was great. As a result, they had to employ more techniques from other businesses that were idle.

Together with it and due to the epidemic, people started purchasing packaged milk instead of loose milk as they became health conscious. With this growth in sales, they expanded their product line to include 33 new products, in addition to dominating the market with their current offerings. AMUL began collecting 35 lakh litres of milk daily to meet customer demand.

AMUL provided its rural milk producers with an additional 800 crores in incentives due to the rise in income. They also offered high-quality fodder to milk producers when they saw that the cattle did not have enough to eat. To prevent the frontline employees from becoming ill, they also arranged preparations for food and lodging and were affected by COVID-19.

Here are some ways in which Amul strategically adapted to the change in consumer behaviour during the pandemic:

- Increased Focus on Digitalization: Amul quickly adapted to the new reality by increasing its focus on digitalisation. The company introduced new digital platforms to allow customers to order products online and make payments electronically. This helped the company to continue its operations even during lockdowns and social distancing measures.

- Innovative Product Offerings: Amul also introduced new product offerings that were tailored to the changing needs of customers during the pandemic. For example, the company launched immunity-boosting products such as “haldi doodh” (turmeric milk) and other products like cheese and paneer (Indian cottage cheese), which had a longer shelf life.

- Communication Strategy: Amul's communication strategy during the pandemic was also very effective. The company used social media and other digital channels to communicate with its customers, providing updates on its operations and the safety measures it was taking to protect its employees and customers.

- Focus on Safety Measures: Amul also implemented various safety measures to protect its employees and customers during the pandemic. The company introduced temperature checks, mandatory mask-wearing, and social distancing measures in its stores and production facilities.
- Faster Transportation: They also realised that moving products through the country would be very difficult because of the labour shortage and the lockdown restrictions, and hence, they started using Railways for the transportation of products quickly throughout the country (Chakravarthi et al., 2021).

These strategies helped the company to continue to meet the changing needs of its customers and maintain its position as a market leader.

Thirdly, during the COVID-19 pandemic, the company has seen great success in terms of production and sales. In addition to the company's revenue, the emotional connection between the consumers and the brand was strengthened. This was mainly because of its simple yet effective media communication through television, newspaper and social platform advertising. Their topical content has engaged many consumers.

Statistics show that Amul's ad volumes climbed triple (316%) during April and May compared to the same period the previous year. Amul's ad volume has increased by about 21% from April to May. In addition to the channel's well-liked broadcasts of the "Ramayana" and "Mahabharat" every Sunday, the brand also re-released vintage commercials. According to N Chandramouli, CEO of TRA committed, Amul started dominating TV media advertising after announcing the lockdown. Amul is one of the few firms that can claim to have influenced the lives of the overwhelming majority of Indians. (Mishra et al., 2022) It started rolling out advertisements that were personalised and based on day-to-day events, which made the country unite. (Refer Exhibit 2)

Here are some other ways in which Amul's marketing strategy helped the company to succeed during the pandemic:

- Social Media Campaigns: Amul also used social media to connect with its customers and promote its products. The company launched various social media campaigns, such as #StayHomemade and #AmulHealthyBites, which encouraged customers to try new recipes and share their experiences on social media.

- Celebrity Endorsements: Amul also used celebrity endorsements to promote its products during the pandemic. The company partnered with celebrities such as Vidya Balan and Rajkummar Rao to promote its products on social media.

- CSR Activities: Amul also engaged in various corporate social responsibility (CSR) activities during the pandemic, such as donating funds and products to frontline workers and supporting multiple relief efforts. (Kerani, 2023; Handa et al., 2023)

Finally, everyone supported one another in the fight against COVID-19 by keeping each other healthy and robust. Similar to how Amul's growth is due to the cooperation of different businesses and platforms, such as independent e-commerce websites like Flipkart, Big Basket, and Dunzo, as well as partnerships with Swiggy and Zomato to offer butter, milkshakes, and paneer. Mr R.S. Sodhi, the managing director of Amul, claims that the company received more than 60,000 orders through Zomato, and word-of-mouth helped the product reach about 3,000,000,000 people in more than 200 places. Here are some ways in which Amul's partnership with e-commerce platforms helped the company during the pandemic:

- Expanded Reach: By partnering with e-commerce platforms such as Amazon, Flipkart, and Bigbasket, Amul expanded its reach to customers in areas where its physical stores were not present or inaccessible due to the pandemic. This helped the company to maintain its customer base and reach new customers who were increasingly turning to online shopping during the pandemic.

- Digitalization: Partnerships with e-commerce platforms to digitise operations and Supply chain has streamlined delivery operations and logistics. This was pivotal in Amul continuing its operations during lockdowns with social distancing measures in place.
- Improved Customer Experience: By providing customers with a user-friendly platform to order products online and make payments electronically. Introducing various discounts and offers incentivised customers to shop online, thus improving the customer experience.
- Data Analytics: Gathering valuable data on customer preferences and behaviour can be used to develop newer products and tailor innovative marketing strategies to meet the changing needs of customers as per market trends.

Conclusion

Great leaders always find the best alternatives and opportunities, even with threats, while competent leaders prepare for them. When faced with unique crises like the pandemic and the lockdown, Amul utilised this to enhance its capabilities and get ahead of market competitors.

- Agility: The pandemic highlighted the sheer importance of agility in business operations. Amul had to quickly adapt to the changing consumerism, customer behaviour and demand patterns during the pandemic. Shifting the focus to immunity-boosting products and expanding its digital footprint was a determinant to reach customers in new areas.
- Customer Centricity: Amul's marketing strategy put a magnifying glass over the changing needs of its customers and used varying platforms to connect with them. The company used curated celebrity

endorsements for innovative product offerings to promote its products.

- Digital Transformation: The need for digital transformation was highlighted with the onset of the pandemic. Amul had the vision to digitise its operations and supply chain while providing customers with a user-friendly platform to order products online and make payments electronically.

- Supply Chain Resilience: Amul's investment in IBM's technology aided the digitalisation of the supply chain to improve its logistics and delivery operations. This facilitated the maintenance of its operations even during lockdown and social distancing measures.

- Corporate Social Responsibility: Amul engaged in various CSR activities during the pandemic, such as donating funds and products to frontline workers and supporting relief efforts. All this helped build a positive brand image and strengthen its relationship with its customers and stakeholders.

Amul used COVID-19 as an absolute treasure trove of opportunities during times of crisis. They established a benchmark for brands and product companies across the world. Their example is a basis for learnings that may help businesses to adapt to the changing business environment and emerge stronger from an unprecedented situation.

Exhibit 1

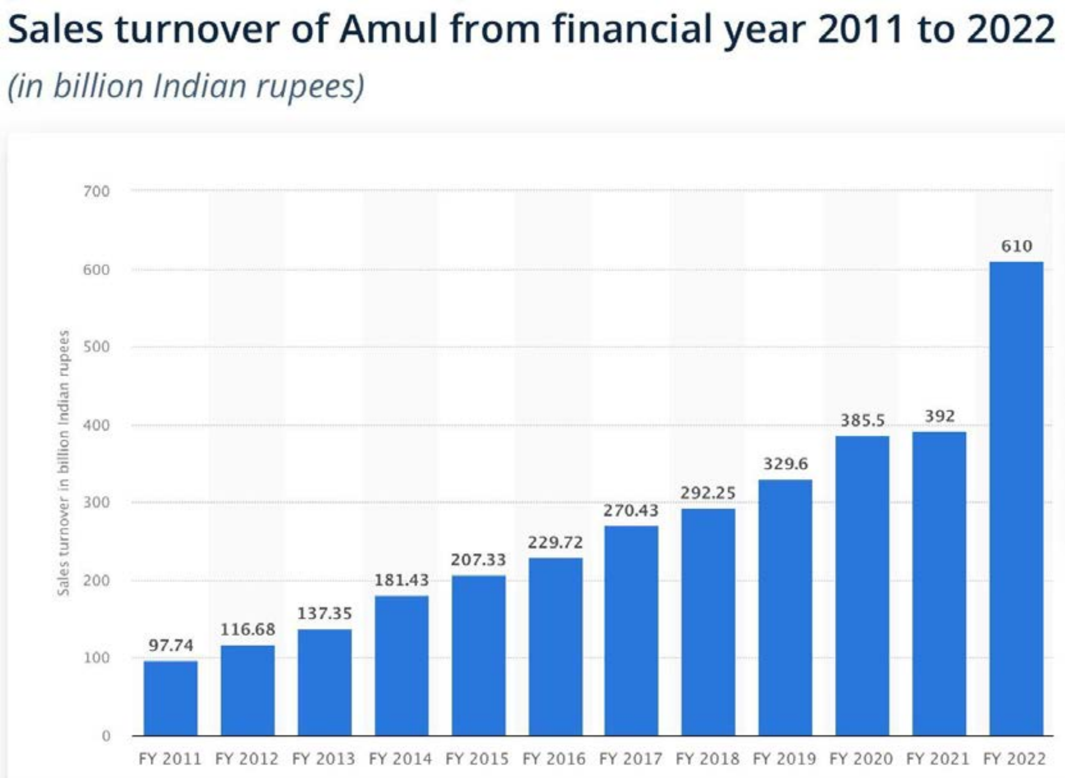
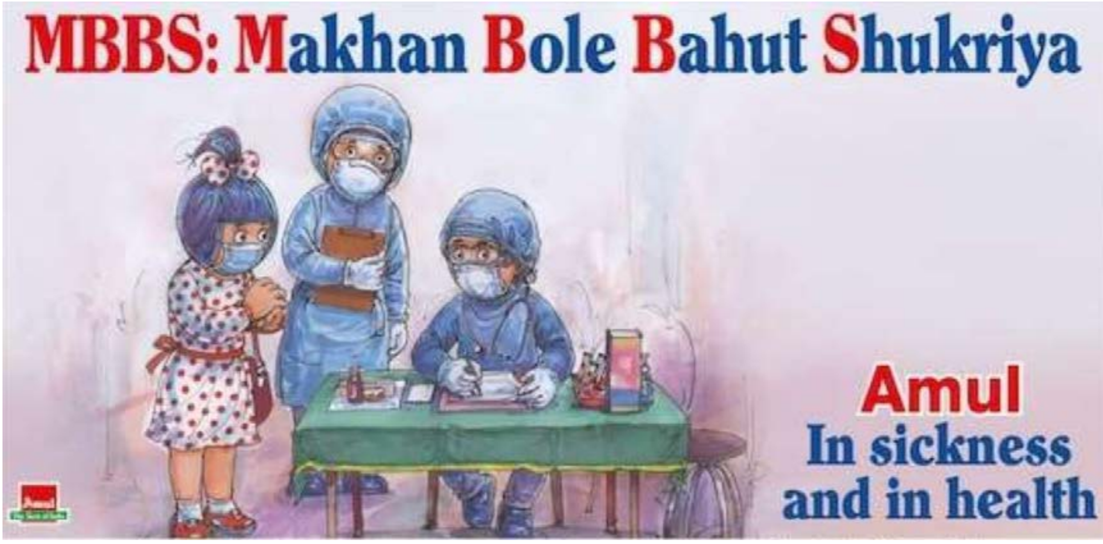


Exhibit 2

(Amul, n.d.)



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GOOGLE'S BATTLE STRATEGY WITH THE NEW WAVE OF GENERATIVE AI

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Abstract
The industry for online search and advertising has long been controlled by the technology behemoth Google. But the introduction of AI chatbots like ChatGPT by OpenAI has seriously undermined its dominance. Google CEO Sundar Pichai recognised the possible risk and introduced "Bard" in February 2023 to take on ChatGPT. Concerns regarding the veracity and bias of the information provided by chatbots are growing as they get better at producing content. Furthermore, it can be difficult to identify who owns the intellectual property rights to work produced by generative AI. If Google is able to adjust to this changing environment, it will be able to restore its footing and nullify competitors' first mover advantages. The study examines Google's tactical reaction and the challenges it encounters while navigating the emerging field of generative AI.

Keywords: AI Competition, Generative AI Challenges, Google's Comeback

Introduction

On November 30 2022, Sunder Pichai kept pacing the corridors of Google's headquarter in California, United States. He was not going to figure out what to do next just by staring at his computer screen. He believed that Google has been expanding consistently since Larry Page and Sergey Brin started the business in 1998. Additionally, its expansion had been built on a trustworthy, market-dominating product: a distinctive and effective search engine. Yet the introduction of chat GPT had left him dazed and confused.

Over the years, Google has unquestionably influenced how millions of people have used the internet. The business has expanded greatly since its establishment and currently manages more than 70% of all global internet search requests. From being a garage company to Googleplex, the journey was not plain sailing.

The launch of artificial intelligence chatbot ChatGPT, developed by Open AI became a major threat for google. Based on written prompts, ChatGPT intelligently and automatically generates text. It is even capable of carrying on a discussion that is quite like one you would have with a real person. Few employees felt undoubtedly alarmed by this prospect and questioned corporate leaders about whether ChatGPT, an AI-chatbot, was a "missed opportunity" for their business. In response, Google CEO Sundar Pichai and longtime AI division head Jeff Dean stated that while the business had comparable capabilities, the cost would be higher if something went wrong.

Case

Google it!

Google is an American multinational technology company that specializes in offering products and services for the Internet. According to Exhibit 1, Google is the market leader (Refer to exhibit 1) in both the supply of search engine services and online advertising applications. Google's position as the market leader worldwide has been solidified by several factors. To reach a larger audience of consumers worldwide, Google has progressively diversified its products and services. To further strengthen its position in the market, the business gradually broadened its offerings to include email clients, Google Maps and YouTube, online productivity tools, cloud storage, and a mobile operating system. (Refer to exhibit 2)

Google's success can be attributed to its sophisticated algorithms that provide accurate search results, as well as its focus on user experience and innovation. It has also expanded into new areas such as artificial intelligence, virtual reality, and autonomous vehicles. Its core company values are to put the user first and maximize their experience.

Today, Google is one of the most valuable companies in the world, with a market capitalization of over $1 trillion. It is also one of the largest employers, with over 135,000 employees worldwide.

Global Outlook of AI Industry

Generative AI is predicted to produce 10% of all data by 2025 (up from less than 1% today) and 20% of all test data for consumer-facing use cases. Initiatives for drug discovery and development will support it by 50%. Thirty percent of manufacturers will use it to increase the efficiency of their product development. The sector of generative AI has witnessed substantial growth and breakthroughs in recent years, spurred by developments in deep learning algorithms and the availability of massive amounts of data. In 2022, equity funding for generative AI start- ups exceeded $2.6B across 110 deals, setting a new high. (Refer to exhibit 3)

The field of generative AI is likewise expanding quickly, with new innovations and uses appearing frequently. Businesses like Open AI, NVIDIA, Google, and GPT-3 have been in the fore of this growth and are still leading the way. To create cutting-edge products and obtain a competitive advantage in the market, significant investments are being made in research and development (R&D). Since the market is being driven by innovation, disruption, and quick change, these players are forming alliances and merging with other companies.

Segmenting based on end-use, the market can be divided into BFSI, media & entertainment, IT & telecommunications, healthcare, automotive & transportation, and others.

AI’s Dominance in India

According to a PWC poll, compared to 62% last year, around 70% of firms have implemented AI in one or more functional areas of their organization. The organizations in India are adamant that AI will help them overcome the difficulties posed by the pandemic. With the government working with technology companies to develop solutions to challenges in the new normal, there is a spike in the industrial sector that is reconfiguring existing methods to promote automation. This creates a new pulse of tech in the nation. As compared to other major economies, India has the quickest rate of AI adoption (45%), which has been accelerated by the COVID-19 epidemic. (Refer to Exhibit 4)

The findings of a survey by the International Data Corporation (IDC) state that India's AI market is predicted to reach outstanding total revenues of US$7.8 billion by 2025, growing at a fast CAGR of 20.2%. This wave is being driven by several important factors, including rising government and corporate investment in AI, the creation of AI-based applications, and the acceptance of AI across numerous industries. According to NASSCOM data, this wave would increase India's overall AI employment, which is predicted to reach 416,000 professionals.

Roadblocks to Success

Generative AI has a lot of potential to transform various industries but it also faces several challenges that must be addressed in order to fully realize its benefits. The executives at Google are also wary of the fact that since these new chat bots develop their skills using the huge amounts of data present on the internet, they have a possibility to blend fiction with fact. They can deliver information with certain biases that are prevalent in society.

Additionally, Google also must prevent any damages to the corporate brand it has spent decades building. The ownership and intellectual property rights of the content generated by generative AI can be difficult to determine and may lead to legal challenges.

Shortly after taking over as Google CEO in 2016, Sundar Pichai declared categorically that the search engine giant, whose name had come to represent search, would now be a "AI-first" business. Alexa, Amazon's now-famous voice assistant, had previously taken Google by surprise, and Google was particularly displeased by this victory. Google is again in a similar situation, beaten to market in a field it should have dominated. But this time it is worse: This usurper is Open AI, a relatively small start-up from San Francisco, and not a wealthy giant like Amazon.

To get back in the race once again, on 7 February 2023, Google launched its AI technology ‘Bard’. It was announced primarily to compete with Open AI's well-known language model ChatGPT-3. In a blog post detailing Bard’s potential, Google CEO stated, “Bard will be an outlet for creativity, a launchpad to answer your questions and help clarify new things.” To handle things systematically, Bard has been introduced on a testing basis for only a few users. Sundar Pichai has instructed several departments within the firm to take action in response to the threat that ChatGPT poses. He has also been closely involved in a series of meetings to establish Google's A.I. strategy. Unlike ChatGPT which usually gives the data information till 2021 properly since it has been trained on data till 2021, Bard will inform users by finding the latest, high-quality answers.

The Next Big Win?

To take things into perspective, when Gmail was announced Google was very late to mail service as the algorithm. There were already players like Microsoft who had been on it for more than five years and most people thought Gmail was a joke as it came out on April Fool's Day and had absurd amounts of storage at the time. Jumping back to the present scenario, Gmail today has 1.5 billion users as opposed to Yahoo’s 20 million users a month.

Gmail literally took over. Over the years, Gmail successfully displaced incumbents like Hotmail. Gmail forever changed Google's trajectory and became an integral part of the Google’s legacy.

Years later the question arises again, whether Google will be able to turn this missed opportunity into a success like in the case of Gmail, or will it fall behind again as it did in the case of Alexa?

Can Google beat the first mover advantage and emerge as a winner again, and what are strategies it will have to undertake to turn the tables around?

Conclusion

The case study "Google's Battle Strategy with the New Wave of Generative AI" illustrates the significant difficulties Google faces in responding to the emergence of generative AI, particularly OpenAI's ChatGPT. The ubiquity of AI chatbots like ChatGPT raises issues with intellectual property rights, information bias, and problems associated to information authenticity. The launch of "Bard" by Google in February 2023 demonstrates the company's awareness of this danger from the competition and its resolve to reclaim its leadership in the industry. The outcome of Google's plan is still up in the air as it works to adapt to the shifting environment and potential disruptions brought on by generative AI. The situation makes us wonder if Google can duplicate prior achievements, like those with Gmail, by overcoming first mover advantages and putting in place efficient techniques to establish a dominant position in the generative AI market.

Exhibits

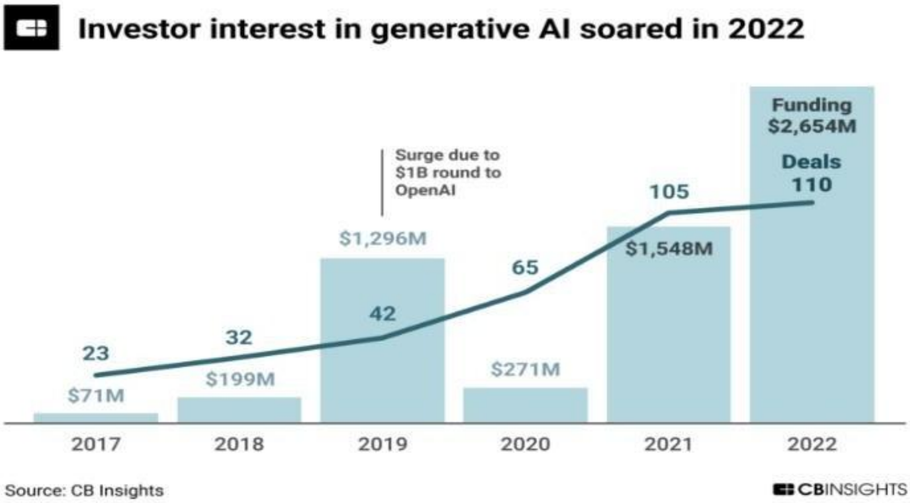
Exhibit 1 - Worldwide market share of Google & its competitors

Source: https://www.statista.com/topics/7644/search-engines-alternatives-to-google/#dossierKeyfigures

Exhibit 2 - Evolution of Google

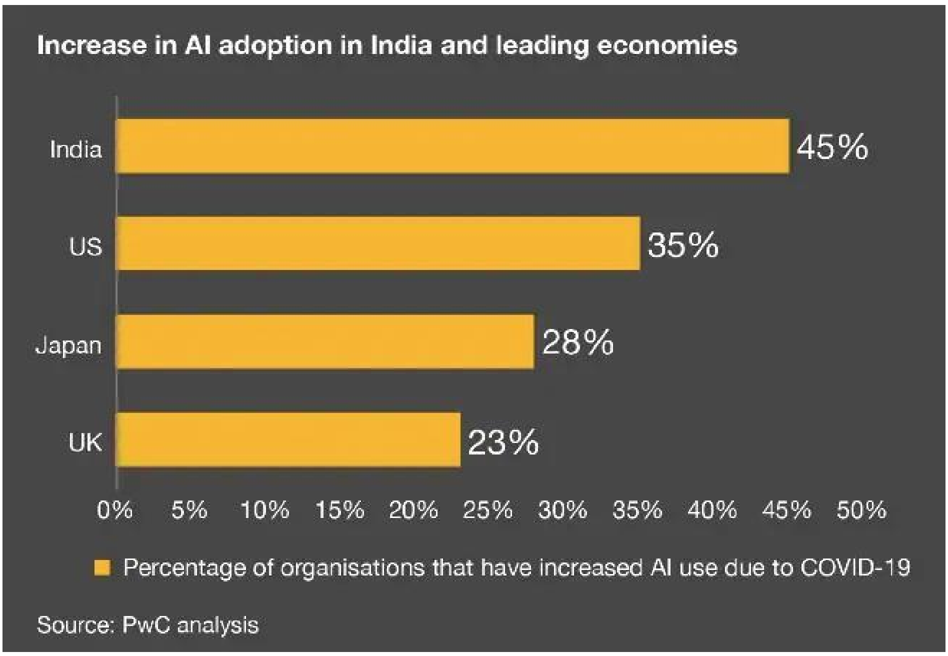
Source: https://www.officetimeline.com/blog/google-history-timeline

Exhibit 3 - Investors interest in Generative AI



Source: https://www.cbinsights.com/research/generative-ai-funding-top-startups-investors/

Exhibit 4 - India's accelerated growth in AI industry



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UNLEASHING COSTCO'S FULL POTENTIAL: THRIVING AMIDST THE INTENSE RETAIL BATTLE WITH WALMART AND AMAZON

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Abstract
Costco is a value driven retailer that operates on a membership-based model, in which customers pay an annual fee to gain access to its stores and purchase goods at reduced prices, with the aim of maintaining and enhancing its competitive strength and long-term market position through customer value. The company's key strategic goal is to establish a supply chain that balances cost reduction with high quality, in order to maintain and enhance its competition strength and competitive strength through customer loyalty. It is also facing challenges with Competition from local & Global players vying for Market share it also faces challenges with the supply chain Management & Culture Difference (Indian consumers are used to bargaining, which is not a part of its business model) and the Supply Chain Management Strategies (a game changer in the retail industry). Costco's "Final Mile" solution is an innovation that aims to increase the efficiency and speed of last-mile delivery in which goods are transported from a local distribution hub to the customer's door. It also partnered with local logistics companies to improve its delivery capabilities which leverage the existing network of local entrepreneurs and small businesses to improve delivery speed and reach.

Keywords: Retail Competition, Supply Chain Issues, Expansion Hurdles

Introduction

COSTCO'S MISSION: "TO CONTINUALLY PROVIDE OUR MEMBERS WITH QUALITY GOODS AND SERVICES AT THE LOWEST POSSIBLE PRICES."

Quality is a paramount focus for Costco, emphasized in its mission statement. This holds particular significance due to the multitude of businesses in the market competing primarily on the basis of low pricing, thereby underscoring the critical role of quality in Costco's strategy. In order to align with its mission and ensure sustainable revenue growth, Costco has set a significant strategic objective that drives its operations. This mission-centric approach is instrumental in guiding the company towards achieving its ultimate goal.

Costco, as a value-driven retailer operating on a membership-based model, places substantial emphasis on customer loyalty as a critical feature. The retail giant contends with formidable competition from both local and global players, all vying for a larger share of the market. Additionally, Costco confronts specific challenges in regions like India, where the business culture traditionally involves bargaining, differing from Costco's pricing model.

Costco's innovative "Final Mile" solution represents a game-changing approach within the retail industry, aimed at enhancing the efficiency and speed of the last-mile delivery process. This initiative involves strategic partnerships with local logistics firms to tap into their existing networks, which encompass local entrepreneurs and small businesses. This collaboration not only bolsters delivery speed but also extends the reach of Costco's services.

COSTCO'S VISION: "A PLACE WHERE EFFICIENT BUYING AND OPERATING PRACTICES GIVE MEMBERS ACCESS TO UNMATCHED SAVINGS."

Costco's vision statement underscores its commitment to maintaining optimal operational efficiency, a crucial aspect that directly impacts pricing. The emphasis on efficiency is driven by the aim to reduce operational costs, which, in turn, leads to the realization of unparalleled savings for its customers. Costco customers can anticipate cost savings through exclusive membership discounts and the utilization of Costco Cash Cards.

Furthermore, an essential element in Costco Wholesale's vision is its membership-based warehouse club model, which underpins its competitive low pricing strategy, rooted in the minimization of costs. This strategy is pivotal in ensuring that customers are consistently enticed by the value offered at Costco's warehouses.

In contrast to retailers like Walmart and others, Costco pursues a distinct market segment. While Walmart caters to a broad spectrum of customers spanning various socioeconomic backgrounds, including the middle, upper-middle, and upper classes, Costco's primary focus is on affluent consumers who constitute the majority of its customer base. Nevertheless, Costco also appeals to middle-class customers with its budget-friendly product offerings. Both Baby Boomers and Millennials find their way to Costco's doors, and to cater to the latter group, businesses have intensified their efforts to integrate technology into the shopping experience. Convenience, alongside competitive pricing, plays a pivotal role in the choices made by millennial shoppers when selecting retail brands. Given that millennials now represent the largest demographic in the United States, they have emerged as a critical market for American retailers.

Moreover, small businesses also constitute a significant consumer group that Costco targets, with many smaller companies leveraging the retailer's services and capitalizing on the substantial discounts available exclusively to Costco members.

CASE

INDUSTRY CONTEXT

Inside the Costco Empire: A Look at One of the Biggest Retailers in the US. It is also one of Walmart's main competitors. However, Walmart and Costco are taking different approaches to retail. While Walmart runs open retail, Costco is a members-only warehouse chain. You must be a member to shop at Costco. Costco aims to offer consumers lower prices than Walmart. However, this benefit is provided only to Costco members. In fiscal 2019, the company had 785 warehouses, 546 of which were in the United States, 100 in Canada, and 139 in other countries where Costco operates. Other important Costco markets include the UK, Japan, and Mexico. Starting at $141.The company's net revenue, which was $6 billion in 2018, increased to $152.7 billion in 2019.Recently, they are investing in technology to increase e-commerce sales and strengthen their current competitiveness. The brand's emphasis on quality, affordability, and excellent customer service has made it very popular. The high retention rate of company members is mainly due to these factors. After Canada, the US market is Costco's main source of revenue. It did not pursue a bold international expansion strategy that could increase revenue and accelerate the company's growth. Only a few major markets account for the majority of the global market.

CHALLENGES

- Intense Competition with the Other Retail chains like Walmart, Amazon and Target.
- Pressure to maintain the Low Prices to continually find ways to cut costs without sacrificing quality.
- Dependence on the Membership fees if the company fails to attract the new Members there would be an impact in the financial performance.
- Limited product selection Unlike other retailers that offer a wide range of products, Costco focuses on a limited selection of items in each category. While this helps to keep costs down, it can also be a

disadvantage for customers who are looking for a wider variety of products.

- Employee Management while its offer high wages and benefits compared to other companies it also adds additional labor cost to the company.

- Supply Chain Disruptions unlike other retails firms Disruptions in the supply chain due to factors like natural disasters, political instability, or transportation issues can

- impact the company's ability to maintain inventory levels and meet customer demand.

- Online Competition it faces growing competition from online retailers like Amazon. To stay competitive, it has had to invest in its own online sales platform and offer online-exclusive products and deals.

CRISIS -1

During the Pandemic (Covid-19) The pandemic led to lockdowns and restrictions on movement in many countries, which disrupted global trade and transportation. As a result, there were delays in shipping and receiving goods, and some products were in short supply. Many factories in East Asia were also shut down temporarily due to the pandemic, which affected the production of goods. Costco, like many other retailers, had to adjust its supply chain to cope with the disruptions caused by the pandemic. The company implemented measures such as reducing the variety of products it offered and limiting the quantity of certain items that customers could purchase to ensure that everyone had access to essential goods. Costco also worked closely with its suppliers to ensure that it had sufficient inventory to meet customer demand. Overall, the pandemic highlighted the importance of having resilient supply chains and the need for companies to be flexible and adaptable in the face of unexpected challenges.

Crisis-2

Pressure to maintain the Low Prices to continually find ways to cut costs without sacrificing quality it must work hard to Maintain its reputation as a value driven retailer Costco operates on a membership-based model, in which customers pay an annual fee to gain access to its stores and purchase goods at reduced prices. Membership fees make up a sizable portion of Costco's revenue., and the company relies on a steady stream of new members to maintain and grow its business If Costco fails to attract new members, its financial performance could be impacted. Without new members, Costco's revenue growth could slow, which could affect the company's ability to invest in new stores, technology, and other initiatives.

CRISIS-3

After a lot of deliberation, the acquisition went through. The leadership team of Innovel enterprise took positions on the board of directors and stepped down from the CEO and COO positions. The HR head, post the acquisition, stepped down and retired. These three people were the founding members of the Innovel solutions. The merged entity encashed all the ESOPs, issuing hefty transaction bonuses. That is where the problems first began. The leadership team of Costco Group took over the complete operations, and this was a disaster in brewing as they bit off more than they could chew. Innovel was a much larger firm in terms of employee strength. Costco issued transaction bonuses based on the employee's contribution in the acquisition and not on the performance appraisal cycle, leading to considerable differences in bonuses offered in the same team. This difference in payouts was observed for the first time in Innovel. Both the products had similar objectives, but they were built very differently The difference in technologies was a massive integration problem. As the COVID-19 grip continued, Costco group was now just a hollow company with directionless leadership and products that did not click together, which meant severe trouble for the parent and acquired entity combined.

In Jan 2021, when the world started to unlock and most businesses were getting back on track, the company had to lay off a significant number of employees. Most of the mid senior- level employees in Innovel for over a decade were asked to resign, and those who remained saw their teams halved overnight. Most of the people who were laid off were originally from Innovel. Costco leadership thought this course of action would keep things under control as planned, but most of the employees, mainly from Innovel, were disengaged, and most of them put down their papers. There were frequent complaints of burnout, and employees were dysfunctional. Employees' productivity was very low, and most of them felt insecure and uncertain.

CRISIS-4

While India is growing with lot of Potential Costco is facing main challenges entering India's Protectionist Policies and the Limits on Foreign Direct Investment in Retail and foreign companies can only own up to 51% of the equity in retail ventures it is also facing challenges with Competition from local & Global players vying for Market share it also facing challenges with the supply chain Management & Culture Difference (Indian consumers are used to bargaining, which is not a part of Costco's business model).

SOLUTIONS

To accomplish this objective, Costco has devised a range of strategies. The company directly procures products from manufacturers, bypassing intermediaries, a move that contributes to cost reduction. Furthermore, Costco's commitment to offering a limited selection of products enables them to negotiate more favorable terms with suppliers and streamline their overall operations. Additionally, the company has embraced efficient inventory management techniques to minimize waste and keep expenses at a minimum. Their use of a just-in-time inventory system ensures that products are ordered only when the demand arises, maintaining low inventory levels to prevent excess stock.

Costco also places a substantial emphasis on investing in its workforce. Their people are paid way above the average and industry standard standards, provide crucial benefits including various insurances as well as post-retirement benefits. This employee centric approach helps reduce the employee turnover and quit intention. It also guarantees a retention of experienced and valuable employees.

THE INNOVEL-COSTCO PARTNERSHIP: A GAME CHANGER IN THE RETAIL INDUSTRY

In March 2020, Costco made a significant acquisition by purchasing Innovel, a logistics company, for $1 billion from the parent company that owns Sears and KMart. In addition to inheriting approximately 15 million square feet of warehousing space across the United States, Costco also gained Innovel's workforce of 1,500 employees.

The company introduced a creative concept for logistics, named "Final Mile", invented to enhance the efficiency and accuracy of the last step of the delivery process. With this framework, Costco aligned with a web of 3PLs responsible for the actual delivery. Setting their own vehicles and delivery workforce to deliver products from the local distribution centers to all the consumers. Costco has developed a software platform to streamline this process, enabling 3PLs to access the inventory and order management system, simplifying their delivery management.

The "Final Mile" solution offers several advantages for both Costco and its customers. For Costco, it enables the company to expand its delivery capabilities without the need to invest in a dedicated fleet of delivery vehicles and personnel. This approach allows Costco to focus on its core business of selling products while entrusting the logistics aspect to experts in the field. Customers, on the other hand, benefit from enhanced convenience and expedited delivery times. By collaborating with 3PLs, Costco can ensure swifter and more efficient home deliveries. Customers also have the capability to track their deliveries in real-time and receive notifications as their goods make their way to their doorstep.

THE KIRKLAND SIGNATURE STORY: ACHIEVING BRAND RECOGNITION

Costco's formidable purchasing power enables them to negotiate reduced prices with suppliers, a cost-saving benefit that is subsequently passed on to customers through their exclusive private label, Kirkland Signature. Furthermore, many Kirkland Signature products are backed by Costco's satisfaction guarantee, ensuring that if a customer is dissatisfied with a Kirkland Signature item, they have the option to return it for a full refund.

INSTORE & ONLINE SYNERGIES

Costco has partnered with third-party delivery services such as Google Shopping and Instacart to deliver its products. Its acquisition of Innovel may have long-term consequences for that system. Click-and-collect reducing shipping costs and providing a more convenient shopping experience for customers. Online product expansion allows customers to access a wider range of products, while also increasing Costco's revenue potential. In-store pickup for online orders allows Customers can also choose to pick up their online orders at the store, creating an opportunity for in-store impulse purchases. Multi-channel promotions encourage customers to engage with the brand across all touchpoints. Shared inventory management: Costco's inventory management system is designed to ensure that products are available across all channels. This allows customers to purchase products online that may not be available in- store and vice versa.

SUBSIDIARY BUSINESSES

These businesses contribute to total sales for Costco. It includes both, household and edible products:

1. Optical Center Stores: Costco operates optical centers at many of its warehouse locations. These centers offer members discounted prices on eyeglasses, contact lenses, and eye exams.

2. Gas Stations at various places: gas stations are operated at many of its warehouse locations. These stations offer members discounted prices on fuel and can help to attract and retain customers.

3. Pharma: Costco operates pharmacies at many of its warehouse locations. These pharmacies offer members discounted prices on prescription drugs and over-the-counter medications.

4. Travelling: Costco operates a travel business that offers members discounted prices on vacation packages, cruises, rental cars, and other travel-related services.

5. Photo Places: Costco operates photo centers at many of its warehouse locations. These centers offer members discounted prices on photo prints, custom photo gifts, and other photo-related products.

6. Hearing Aid: Costco operates hearing aid centers at many of its warehouse locations. These centers offer members discounted prices on hearing aids and hearing aid services.

Co-Branded Credit Cards: The Secret Weapon for Building Customer Loyalty

Costco signed a co-branding credit card agreement with Citibank. The card offers cashback rewards on purchases made at Costco, gas stations, restaurants, and other eligible merchants. Cardholders can earn up to 4% cashback on eligible gas purchases, 3% cashback on eligible restaurant and travel purchases, 2% cashback on eligible Costco and Costco.com purchases, and 1% cashback on all other purchases. According to the research the Financial Bonds are the weakest Bonds although the company is providing the Financial Bonds Existing Customers are switching between the Brands Instead of focusing on financial bonds the company have to focus on Customization Bonds, Social Bonds & Structural Bonds where Existing Customers will stick to the brand.

REVAMPING COMPENSATION STRATEGIES: ENHANCING EMPLOYEE SATISFACTION AND ATTRACTING TOP TALENT

Costco Used Equity-based compensation includes offering employees stock options, restricted stock units, or other forms of equity. By offering employees a stake in the company, they are incentivized to work hard and help the company succeed.it also offered Benefit-based compensation involves offering employees additional benefits, such as healthcare, retirement plans, or other perks. By offering these benefits, it has attracted and retain top talent and create a more positive work environment.

An outline has been created wherein the CHRO had created SMART goals by aligning the personal and organizational goals towards the same direction. Setting team goals and key milestones, giving employees something tangible to strive for. It is critical to create opportunities for career advancement. Created levels 1-3 or senior- and entry-level roles that had an impact on the compensation matrix but also provided opportunities for advancement for employees. Costco publicly recognized outstanding achievements on a regular basis and to take the time to comment on the small contributions made by employees on a regular basis. Taking care of the employee's needs showed that the company values them.

UNBIASED LEADERSHIP

Successful integrators have programs for groups of senior leaders who need acquisition- specific leadership development to effectively execute their integration roles. Because these roles have varying responsibilities, the leadership cohorts require tailored capability development. Building leadership capability is critical during acquisitions. Acquisitions are high-profile and high-risk transactions. This made the former Innovel employees hard to communicate their feelings and discuss the hardships being faced while the transition. After identifying the problem in the leadership level, Innovel involved at the top-level management and experienced employees have been promoted from Innovel to higher positions such as decision making and to instill sense of belief in former Innovel family. It implemented strategies in place to successfully merge each group's cultures, resulting in the adoption of a set of shared values and practices. Leaders understood the consequences of working in 'VUCA' environments. (Abbreviation stands for volatile, uncertain, complex, and ambiguous), four key characteristics of working environments. Open communication channel is created by both the Innovel & Costco group. CHRO since acquisition provides opportunity to employees to upskill and move to higher position of work. This motivated the employees to move up and down the hierarchy in the organization itself rather than leaving the organization in search of better prospective.

ADDRESSING CHALLENGES IN FOREIGN DIRECT INVESTMENT (FDI) AND ENHANCING SUPPLY CHAIN MANAGEMENT STRATEGIES

To bypass the FDI Problem Costco worked to operate has a market place which means it does not own the Inventory it sells. Instead provided a platform for third-party sellers to sells their products to customers. It had tried to make significant investments in Indian companies to expand its presence in the Indian market. These investments allowed to leverage the expertise of local companies to better understand the Indian market and improve its offerings. Partnership with the Indian companies to expand its offerings in the country where customers can experience products before buying them online has also adapted its business practices to comply with Indian regulations it tried to launch a separate marketplace for selling goods to Indian businesses, which is compliant with Indian regulations on B2B e-commerce.

Invested in Robust Logistics' network which focus on last-mile delivery It tried to set up multiple fulfillment centers across the country and partnered with local logistics companies to improve its delivery capabilities which leverage the existing network of local entrepreneurs and small businesses to improve delivery speed and reach. also adapted its supply chain processes to meet the unique needs of the Indian market. India has several regulations that apply to the e-commerce sector, such as restrictions on the sale of certain products and requirements for displaying product information. It tried to work closely with local regulatory authorities to ensure that it is compliant with these regulations.

Conclusion

Conclusively Costco's phenomenal success can undoubtedly be attributed to its exceptional change management strategies, providing high quality product at extremely affordable prices. This successfully addresses the market issues through creative ideas and adaptation. Changes in leadership and cultural integration brought about by the Innovel acquisition have improved the company's prospects. Remarkable tactics, such the launch of co-branded credit cards and the reorganization of compensation, have strengthened employee satisfaction and customer loyalty further. The story of Costco is a demonstration of the importance of adaptability, creativity, and intelligent leadership in navigating the brutally competitive retail industry while forging profitable and long-lasting customer connections.

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THE METAVERSE, DIGITAL TRANSFORMATION AND THE FUTURE OF STORYTELLING TENTATIVE

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Abstract

Under the leadership transition from Bob Iger to Bob Chapek at Walt Disney, a strategic vision emerged, emphasizing the company's foray into the metaverse. Chapek's commitment to integrating real-world experiences with digital storytelling highlighted a shift in Disney's narrative exploration. Amidst Disney's growth during Iger's tenure and the disruptive impact of COVID-19, Chapek's adept crisis management and innovative approaches steered the company, though concerns arose regarding behavior moderation in the emerging metaverse. Following financial challenges and strategic setbacks under Chapek, Bob Iger's return as CEO symbolizes stability and a renewed direction for the company. Integrating NFTs, like the Golden Moments series, and venturing into the metaverse present promising avenues for Disney's growth. Navigating user behavior moderation, strategic restructuring, and visionary leadership, Disney is poised for innovative adaptations and diverse revenue streams, potentially extending beyond the Media & Entertainment sector.

Keywords: Restructuring, Metaverse, Leadership Transition

Introduction

LEADERSHIP TRANSITION IN DISNEY

"Today, we have an opportunity to connect those universes and create an entirely new paradigm for how audiences experience and engage with our stories," – Bob Chapek, CEO of Disney articulated key strategic priorities for the company in an internal memo in January 2022 to their employees.

From the reign of widely admired Bob Iger for 15 years, Bob Chapek became the CEO of Walt Disney in 2020. Last November, Chapek had given a statement stating Disney is on its way to entering the metaverse. He believes that it would facilitate state-of-the-art narration by mixing both the real and digital worlds. He made the announcement of Mike White as the Sr. VP of change in next-generation storytelling who would be spearheading metaverse strategy at Walt Disney Studios.

During Bob Iger's term at Disney, they acquired Pixar, Marvel which houses the entire MCU and had the biggest fictional fan base, Lucasfilm which is home to cult classics like Star Wars and Indiana Jones franchise, and 21st Century Fox over his 15 years tenure. Disney had continued to flourish and steadily advance into the media and entertainment industry giving other contemporaries a run for their money before Covid-19 disrupted operations in 2020 (refer to Figure 1).

Mr. Bob Chapek set foot into the role of CEO in Feb 2020 and marched the organization through the global pandemic with ease while ensuring damage control. He had been associated with Disney for almost three decades and we can see a tremendous change in a good way. He had handled problems with his vision and by implementing innovation to facilitate diversification and provide better customer experience, laid the foundation for exceptional business models, and recognized different avenues for revenue to meet organization goals and continue growth.

EARLY THOUGHTS:

With baby steps being taken into Metaverse by Disney, they are on their way to creating their VR world and providing their magical experience through Metaverse. With Golden Moments NFT and signing off on the world virtual simulator patent, Disney had sent a crystal-clear message to its competitors that it is serious about change and is quickly adopting new technological innovations in the media and entertainment industry to disrupt the market and become the early innovators. Bob Iger expressed his concerns over behaviour moderation, he suspected that it is going to be one of the most difficult challenges that Disney Studios will face with the advent of the Metaverse. Iger gave a hint that Disney was developing a virtual experience that would be very close to a real-life human experience.

Iger conveyed his concerns over the moderation of user behaviour. The main concern for him is the abusive behaviour that has occurred in Internet 2.0, namely on Twitter and Facebook. He feels that there would not be one metaverse but multiples of it which would result in more avatars, and the scale at which bullying and abuse could happen would be beyond expectations.

Disney has been in the people business for 65 years and has practiced moderation in all of its endeavors.

Now, with the mixture of the real and virtual worlds, it would be a challenge for Disney to implement restrictions and monitor interactions in Metaverse.

Case

COVID IMPACT:
COVID effect on Walt Disney in early 2020 was misinterpreted by wall street. Investors came down heavy on Disney's stock foreseeing empty multiplexes and theme parks around the globe. Disney stocks took a hit of 40% in a few weeks, eliminating years of profit. Financial backers understood that while they were correct about theatres and amusement parks, they had completely ignored the power with which lockdowns would increase the Disney+ web-based feature. As many populations crouched at home, memberships soared.

Drastic crisis changes observed in pre-COVID and post-COVID period comparison in different segments. It observed that in the area of media network there was approx. 14% increase in revenue in 2020 from 2019. Parks, experiences and products, and studio entertainment experienced a -37%, -13% dip in revenue respectively due to the digital presence of Walt Disney in the market (Refer to Figure 2).

During this point in time, the major strategic challenge Chapek faced was acting as a Northern star to the planet's most valuable brands through a disruptive technology revolution.

RESTRUCTURING OF DISNEY

Since the Disney wall street fiasco due to COVID, Chapek realized that restructuring is required, a combination of the distribution wing (parks, theme parks, collectibles, cruise experiences) and content wing (movies, shows, live sports, etc.). Bob aims at gaining an upper hand over other streamers like Amazon Prime Video, Netflix, and YouTube. Bob justifies restructuring stating that three years ago the biggest concern was the date of movie release or the time slot for a particular show, now with restructuring in effect the decision of distribution falls into the hands of those people who are working in that craft day in and day out. This would further lead to talented individuals giving out their best and keep innovating. Hence, Chapek's vision of future storytelling starts from this point with the restructuring in effect he believes that it would be the best way forward.

Chapek envisioned Disney's storytelling capabilities which the investors also realized. Future predictions suggest that Disney+ will have an almost 99.4% increase in the OTT landscape. Disney Studios (Disney+ and Hulu) combined share would lead to a quarter of market capture (Refer to Figure 3).

FUTURE OF STORYTELLING VISION:

"*What business are you in*?" Peter Drucker, the great management writer asked.

To which Chapek replied "*We're in the business of making magical memories that last a lifetime through storytelling, and then distributing those stories in a way that is as accessible and as personalized as possible for a global audience. It's all about storytelling.*"

Adding and visualizing to that point in a conversation with Fortune, Chapek describes his vision of Metaverse- combining Disney content with data, which rightly drives him. When asked about his excitement for the Disney metaverse he says, "*If you can't have fun making magic, then you can't have fun*."
In India, for media outlets explicitly, the metaverse gives a novel chance to envision new types of cooperative substance. "India's M&E industry will be worth Rs 4.3 lakh crore by 2026, as per a report by PwC. In December of 2021, Bloomberg examination said that metaverse incomes could reach $800 billion by 2024.

JOURNEY EMBARKED:
Disney announced its intentions to build a theme park metaverse in 2020, and at the 2021 Q4 earnings call, the company's CEO said that they are preparing to realize this vision. Walt Disney documented a patent for a "virtual world simulator" in December 2021. Bob Chapek affirmed that Disney+ would relate to the metaverse. He further said that both will coexist. The question of whether a project on Disney+ or Hulu or any other Disney outlet is more vital, whether a movie will have only theatre release or on Disney+ only or in both, filmmakers won't decide. "It just seemed to me that if we were going to put our eggs in the direct-to-consumer basket, we needed an organizational structure that feeds that in a way that holds no deference necessarily to the legacy businesses, but objectively assesses what [content's] true potential is, not only for today but also for tomorrow. We had to have everybody rowing in the same direction inside the Walt Disney Company."

When the Walt Disney Company set out to create its game world, or "metaverse," it had some very specific goals in mind. The Disney Metaverse would be a place where players could explore beloved Disney characters and worlds in an immersive and interactive way. It would be a safe place for families to play together, and it would be a platform for Disney to promote its brand and connect with its fans.

After years of development, the Disney Metaverse was launched in 2013. The game world is built on the Unity engine, and it features a variety of Disney-themed environments, including classic Disney parks like Disneyland and Walt Disney World. Players can create their avatars, or "toys," and explore the world with friends. There are a variety of activities to do in the game, including playing minigames, solving puzzles, and collecting Disney-themed items.

The game had been very successful, and it had won several awards, including the "Best Family Game" award at the 2015 Game Developers Conference. Disney has plans to continue expanding the game world, and it was already released some updates, including new environments based on the film Frozen.

It is important to moderate one's behavior on virtual platforms like Metaverse to maintain a respectful and civil user environment. Some areas where Disney would want to intervene would include refraining from engaging in personal attacks, using profanity, or otherwise being disruptive. Additionally, Disney Studios has to make sure that it is important to be mindful of the way one presents oneself online, as first impressions are often made based on one's avatar or profile. Ultimately, the goal is to create a positive and welcoming space for all users, regardless of their real- life identity. Only time will tell how Disney Studios will enforce regulations to maintain harmony and keep toxicity at bay on such virtual platforms.

CURRENT SCENARIO:

After Chapek took over as the CEO of Disney he had a lot on his plate: proving to the board that he could take out Disney from the losses suffered during Covid, increase profits, etc. but to his misery, he kept on making things difficult for himself. In the race to rule the streaming service, Disney reported a $1.5B loss in its streaming division in the quarter to October 1, Netflix snapped about 2.4 million customer losses that added to the unrest among the investors. Moreover, Iger and Chapek did not see eye to eye in Chapek's new method of streaming prices for Disney+, Hulu, and ESPN+. All in all Chapek’s ambitious project of disrupting the media and entertainment industry backfired on him. Disney has spent over $9B on Disney+ which is failing to make its mark

Walt Disney studios recovered around $12.73B in the 4th quarter of 2022 in revenue when it was $13.1B last year. Parks, products, and experiences section had seen the highest growth contributing to the recovery after Covid-19 (Refer to Figure 4).

When Chapek started in 2020 he decided to cut costs by planning a freeze in hiring, cost cuts, and layoffs across the company. During his short stint as the CEO of Disney Chapek was involved in a lot of controversies like his silence on the “Don’t Say Gay” law in Florida and backlash from Florida Governor Ron DeSantis for neglecting it.

Bob Chapek was also condemned for handling the issue of payment of Scarlett Johannson for her role in Black Widow.

Conclusion

RETURN OF BOB IGER:

In conclusion, Chapek’s actions and decisions led to his removal as the CEO of Disney. The board unanimously decided to bring back Iger on a two-year contract so he could train the new successor. Iger was favored in Disney for several reasons some of them being: the acquisitions of Marvel, Lucasfilms, and Pixar which are now billion-dollar mammoths in themselves, he was the people's favorite and kept his employee well-being in mind. In 2022, Bob Iger will return to Disney as the company's CEO. Iger's return is a sign of confidence in the company's future. Iger is a proven leader and his return will bring stability to the company. Iger is a great communicator and he has a clear vision for the company. He is also a great motivator and he will inspire the company's employees to achieve great things. Iger is a very talented CEO and under his leadership, Disney will continue to be a successful company.

REIMAGINE METAVERSE: AROUND THE WORLD

Disney's competitors in the entertainment industry have been approaching the metaverse with diverse strategies and levels of involvement. Warner Bros. and WarnerMedia had expressed interest in potential metaverse endeavors, although specific projects or initiatives haven't been widely publicized. On the other hand, while not actively engaged in metaverse projects, Netflix has hinted at exploring the potential for interactive storytelling within this digital realm. Amazon Studios, known for its innovative approach to technology and content, is speculated to be exploring immersive content, suggesting a potential future interest in metaverse-related ventures. Similarly, Sony Pictures has shown interest in integrating technology with entertainment but has not made explicit announcements about metaverse involvement. Universal Studios, while part of the trend towards immersive experiences, hasn’t disclosed concrete plans for metaverse initiatives. This varied approach among Disney's competitors demonstrates diverse levels of interest and exploration within the metaverse, with some displaying more active engagement or hinting at future involvement, while others have maintained a more discreet stance or not yet revealed specific metaverse plans. Please note that developments may have occurred since then, potentially altering these companies' strategies or involvement in the metaverse.

FUTURE PRODUCT OUTLOOK:

Golden Moments is a series of short films produced by Walt Disney Studios in the 1950s. The films were designed to be shown in theatres before the feature film. They were also shown on television and released on home video. The Golden Moments series was created to showcase the talents of Disney studio artists and to promote the Disney brand. The films were successful in both theatres and on television. The Golden Moments series is a collection of classic Disney animation. The films in the series are Cinderella, Sleeping Beauty, Alice in Wonderland, Peter Pan, The Jungle Book, The

Aristocrats, and The Rescuers. The Golden Moments series is a must-see for any fan of Disney animation. The films celebrate the talents of the Disney studio artists and the Disney brand.

The Golden Moments NFT on Disney+ is among the most popular NFTs on the VeVe marketplace. Disney launches their NFTs on VeVe regularly for fans to purchase these collectible items. VeVe started in New Zealand in 2018. It is one of the prime applications made by Ecomi.

Non-Fungible Tokens (NFTs) are digital belonging exclusive to the owner which are built on blockchain. Sports collectibles, art pieces, or even a tweet can be an NFT. VeVe and Disney have collaborated to launch high- quality NFT items showcasing some of the famous characters in Disney's mammoth collection in 3D gold.

A new series of collectible NFTs is set to be released to celebrate Disney+ Day. Disney has teamed up with NFT marketplace VeVe to make its “Golden Moments” collection available to fans of the House of Mouse.

Post Iger step down as CEO of Disney in 2020, he joined Genesis as one of the directors which is a metaverse-related company. Iger has always been a continuous supporter and invested in the field of the metaverse, NFT and Web3. Keeping in mind Iger’s leadership and communication skills to connect with the employees along with having the vision to see the future in the world of Metaverse, we can hope for more creative collectibles under digital assets and a better pricing model.

Considering all the cases, we can hope to bet on better user experience and more interesting advancements in Disney collectibles to increase revenue. Will Media & Entertainment be the only segment Disney should focus on for revenue generation?

Images

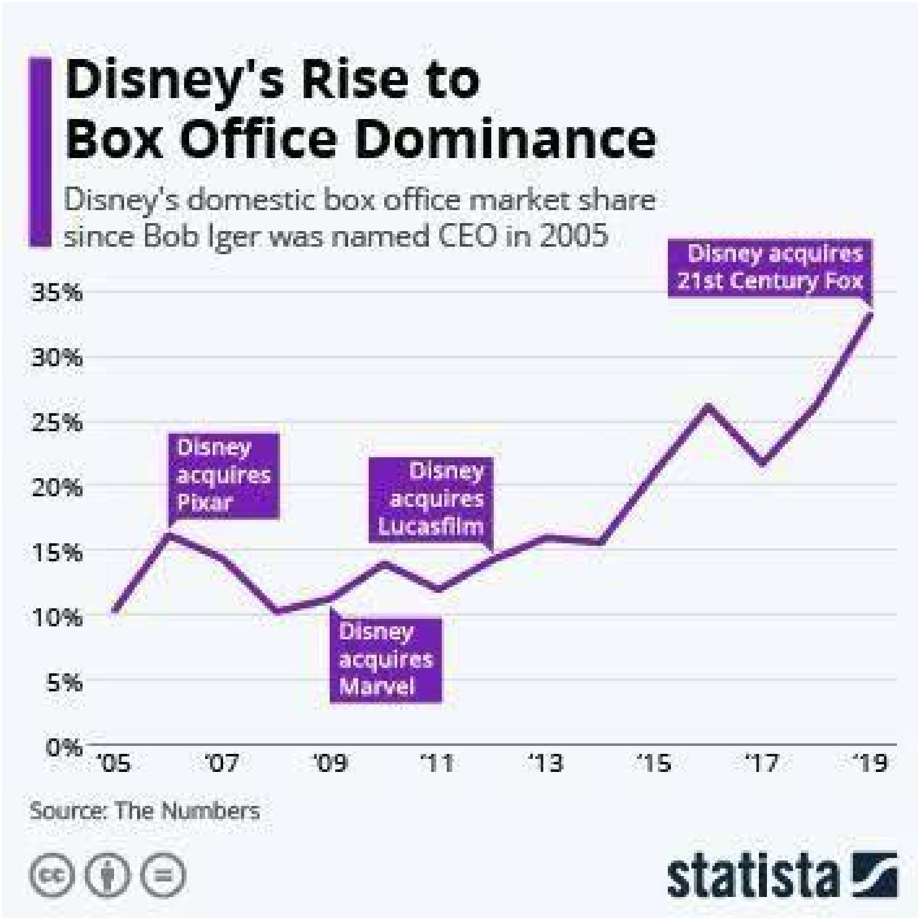


Figure 1: Disney's rise to Box Office Dominance

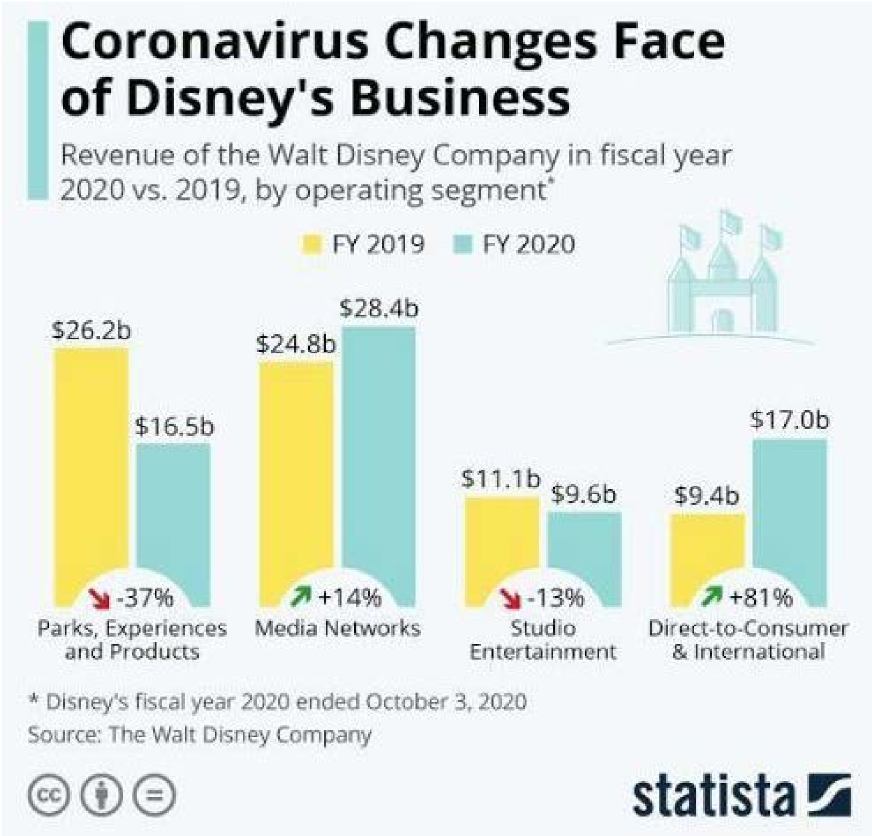


Figure 2: Effects of Coronavirus on Disney's business

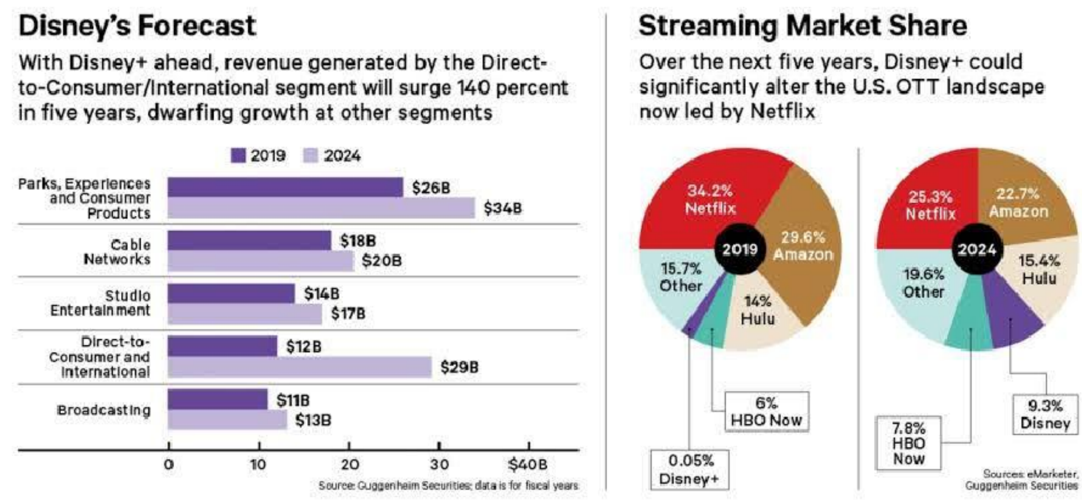
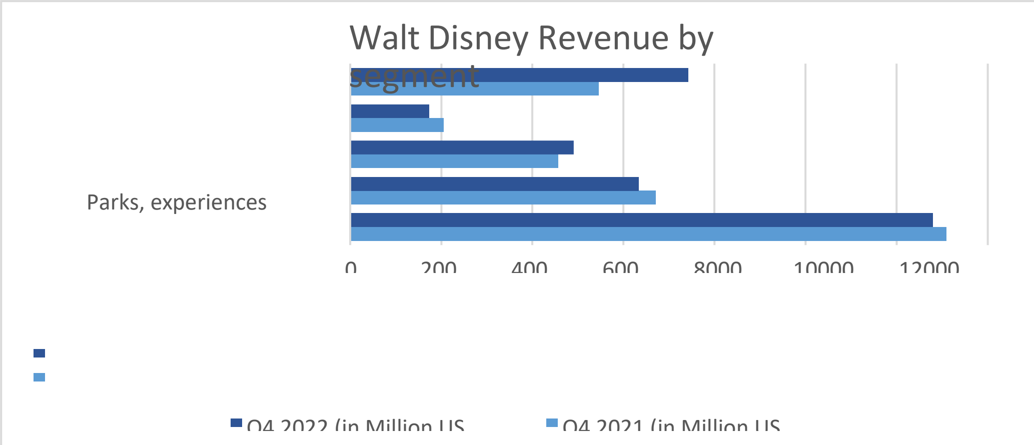


Figure 3: Disney's rise to Box Office Dominance



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	Media & Entertainment	Linear Network	Direct-to-Customer	Content Sales or Licensing and others	Parks, experiences and products
Q4 2022 (in Million US dollars)	12785	6335	4907	1736	7425
Q4 2021 (in Million US dollars)	13084	6698	4560	2047	5450

Figure 4: Walt Disney revenue by segment

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GROFERS TO BLINKIT: CHANGE MANAGEMENT

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Abstract

This case study examines how Grofers became Blinkit, a market leader in India's quick commerce industry. Zomato bought Blinkit for $568 million in 2022, signaling a calculated entry into the quick-commerce market. The purchase was made in an effort to increase consumer wallet share, capitalize on the expansion of quick commerce, and lower delivery costs through fleet sharing. The volume of order and monthly negotiating consumers have grown significantly, according to the post-acquisition data. A flawless transition was made possible by Blinkit's change management methodology, which placed a strong emphasis on role modifications, communication, training, and planning before going live. This substitute puts Blinkit in a good position in India's e-commerce business, where it is expected that the quick-commerce market would grow to $5 billion by 2025, despite difficulties including narrow profit margins and fierce competition.

Keywords: Quick Commerce, Dark Stores, Market Growth

Introduction

Born in the year 2013 Grofers is an Indian e-commerce company. Its modus operand is to deliver grocery and other necessities. It is headquartered in Gurgaon, in the north of India. The Grofers platform provides consumers with a platform to order the requirements online. These necessities are delivered at the doorstep. Customers are presented with an array of choices. The Grofers app and allows customers to find the products and amenities with utmost swiftness. It has support from the local stores and supermarkets with whom the company partners. The company utilizes a web of local warehouses and delivery workforce to manage the inventory and making timely delivery. The company has been successful in raising a considerable amount of funds from investors like SoftBank and Sequoia Capital. This has led it to become one of the biggest players in the country.

Using the app, customers can place online orders for groceries and other necessities. The Blinkit staff then retrieves the items from their warehouse and delivers them to the customer within 10 minutes. By November 2021, the organisation was fulfilling 1,250,000 orders daily. Blinkit is currently available in over 30 cities in India. Investors such as SoftBank, Tiger Global, and Sequoia Capital have contributed approximately $630 million to the company as of 2021.

Zomato announced on June 24, 2022 that it has acquired Blinkit in an all-stock transaction for $568 million. The transaction was finalised on the 10th of August, 2022. In December 2013, Albinder Dhindsa and Saurabh Kumar founded Blinkit as Grofers. In the late 2000s, they formed a partnership to enter the supermarket delivery market after becoming acquainted at Cambridge Systematics. Their goal was to find solutions to the problems caused by the unorganised nature of the industry (both on the client and merchant ends). Prior to expanding to other cities in India, the company conducted a trial run in Delhi NCR. After seven years as an online grocery delivery service, Blinkit is now offering speedy grocery delivery in India by constructing dark storefronts throughout the country's urban areas. In July 2021, the company claimed to have delivered over 7,000 items in Gurgaon within 15 minutes. After completing more than 20,000 deliveries per day within 15 minutes in 10 cities, the company offered 10-minute delivery in the top 12 cities one month later, in August 2021

Case

The BlinkIt Acquisition:

Zomato announced the purchase of fast-growing e-commerce company Blinkit in August, 2022. The list of compelling reasons for acquisition are as follwos:

- Larger share of customer wallet: Blinkit's monthly revenue surged by 162% to Rs 58 crore in May compared to January 2022 indicating that Blinkit has effectively increased its commissions from third-party retailers and distributors per unit of sales as its sales volumes rose. So, this stood as an opportunity for Zomato to grab better commissions in quick business.

- Signs of quick commerce market growth: Zomato's CEO, Deepinder Goyal, revealed that Blinkit's Gross Order Value (GOV) is rapidly approaching Zomato's GOV in certain key markets, indicating the significant potential of quick commerce for their business in the long term.

- Decreasing delivery cost: Zomato saves on its delivery cost where Blinkit shares its fleet with Hyperpure. The demand peaks for food delivery and quick commerce are complementary, as they occur at different times. Additionally, last-mile delivery costs are projected to be lower in quick commerce due to shorter delivery times and higher order delivery rates per hour compared to food delivery.

It was a **successful strategy** as can be seen in the financial data pre and pose acquisition as well –

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Order Volume(million)	22.2	26.1	31.6	39.2
Average monthly transacting customers(million)	2.2	2.6	3.1	3.9

Q1FY23 data is from Blink it before acquisition and Q2 data as from 10th Aug,2022. Average monthly transacting customers grew 80% from Q1FY23 to Q4FY23 and order volumes scaled to 39.2 million in Q4FY23.

In keeping with its goal to promote quick-commerce, Grofers changed its brand name to Blinkit on December 13, 2021. The company's rebranding, like Facebook's in late October, shows a shift in emphasis as it seeks to capture a piece of India's quickly expanding fast commerce industry. It happens a few months after the business started offering 10-minute or faster supermarket delivery. Now, Blinkit asserts that it fulfills a million such requests weekly across 12 cities.

"A new business": the firm stated that "all our learnings, our employees, and our infrastructure are being repurposed to pivot to something with astounding product-market fit" – fast commerce. "As a new business, we are moving very quickly today, and our new goal statement is 'instant commerce indistinguishable from magic. And we'll be doing it as Blinkit instead of as Grofers from now on. Zomato's co-founder and CEO, Deepinder Goyal, expressed his support for the decision in a tweet. After co-leading a $120-million investment round in June that made Grofers a unicorn, his business was reportedly in discussions to invest

$500 million in the online grocery network, according to a report we published last month. India's swift commercial expansion Redseer estimates that the market for rapid commerce in India will be worth $300 million this year and $5 billion by the year 2025. In this market, Grofers faces competition from Swiggy's Instamart, Mumbai-based Zepto, and Google-backed Dunzo.

India’s quick commerce boom

In India, Blinkit/Grofers is involved in the e-commerce and online grocery delivery industries. With an expanding number of users turning to online shopping for its convenience and wider product selection, India's e-commerce business is one of the world's fastest-growing.

In the online grocery delivery sector, Grofers competes with other e-commerce companies, such as BigBasket, Amazon, Flipkart, and newbies like Zepto and Dunzo as well as traditional grocery stores and supermarkets. The online grocery delivery market in India is highly competitive, with companies vying for market share and customers through aggressive pricing strategies, marketing campaigns, and technological innovations.

India's rapid commerce sector is expected to rise to $5 billion in size by 2025, according to a Redseer analysis, from an estimated $300 million this year. In this market, Grofers faces competition from Swiggy's Instamart, Mumbai-based Zepto, and Google-backed Dunzo.

- According to a blog post published by the firm in November, Grofers, which is anticipated to get $500 million from Zomato, now runs a network of 200 dark stores and wants to expand that network by another 100.
- By the end of the year, Zepto, a pure-play rapid commerce platform that just received $60 million, plans to have 100 dark storefronts.
- BigBasket, which is owned by Tata, said in late November that it will begin offering BB Now in December. According to CEO Hari Menon, the business will also include all of its grocery items on its primary BigBasket app, also known as the "BB Super App" internally.
- Swiggy plans to invest $700 million in Instamart at the beginning of December. With 150 dark storefronts spread over 18 cities, the firm claimed to be processing more than a million food orders per week. During the next months, it intended to install 100 more of these 'black

shops'.

- To support their rapid commerce effort, Flipkart and its parent company Walmart revealed they were investing $145 million into fresh produce supply chain startup Ninjacart.

To reduce burn rate, Blinkit let off 1,600 people on March 10, 2022, accounting for 5% of its whole staff. In response, Zomato loaned Blinkit US$150 million, and at the same time, Zomato and Blinkit discussed an acquisition through share swap. The year before, Zomato bought a 10% share in the business. Zomato announced the acquisition of Blinkit for US$568 million in an all-stock deal on June 24, 2022, after extensive negotiations. August 10th, 2022 marked the completion of the transaction.

Grofers has focused on building a strong brand, enhancing the convenience and efficiency of its delivery service, and providing a vast selection of products at competitive prices in order to succeed in this market. The company has also made significant investments in technology, utilising data analytics, machine learning algorithms, and other cutting-edge technologies to enhance its operations and deliver an exceptional customer experience.

Grofers operates in a dynamic and rapidly-evolving market, facing both opportunities and challenges as it seeks to expand its market share and build a sustainable business. The company's success will depend on its ability to continue to innovate, respond to changing customer needs, and stay ahead of its competitors.

Only when the costs are less expensive than the MRP of the items can people in India purchase groceries online. They would not mind traveling to their neighborhood grocery shop to buy the identical thing, though, if the pricing were higher. Therefore, finance is the essential factor in rapid commerce.

Zomato can stay in the market since it spent $700M in Blinkit. Most people think that Grofers' successful rebranding as Blinkit, a rapid commerce business, was a tremendous risk or error because quick commerce was introduced to India after becoming successful in western nations. The dynamics between the West and India, however, diverge greatly.Will Blinkit be able to continue existing on the market in such a scenario keeping in mind the booming sector with other equivalent competitors? Time will only tell. Blinkit might not be able to do the same here for a long time, however, unless it has a sizeable amount of money pouring in through investors, just as Zomato is doing for it now, given the Indian market scenario, which is very different from that of western countries, which have very successful grocery delivery businesses.

Grofers realized Blinkit would be a major change for the company and its employees. To ensure a smooth transition, the company implemented a comprehensive change management process. Change management involved these steps:

- Communication: Communication is a crucial aspect of any change management process. Grofers understood the importance of communication and began by informing its employees and customers of upcoming changes. The company held meetings and distributed newsletters to keep everyone apprised of the Blinkit transition.

- Culture: Effective change management process ensured that people were well informed and prepared for the transition. This helped to maintain trust and confidence in the company and its leadership.

- Job Roles and Responsibilities: The transition to Blinkit also impacted job roles and responsibilities. Some employees had to take on new responsibilities or learn new skills to get familiar with the new platform. However, Grofers ensured that employees were well-informed about any changes to their roles and responsibilities and provided training to them.

- Training: To ensure a seamless transition, Grofers provided its employees with extensive Blinkit training. The training included comprehensive instructions on using the new technology infrastructure, processes, and customer service protocols. To ensure that all employees were adequately prepared for the transition, the training lasted several weeks. Grofers was able to minimise operational disruptions and ensure employee comfort with the new platform by investing time and resources in training. The transition to Blinkit had a substantial impact on Grofers' employees, as it required modifications to the business model, operations, and technology infrastructure of the company. However, Grofers' comprehensive change management process mitigated any negative effects on employees.

Grofers' change management strategy is a testament of comprehensive training, effective communication, and a well-designed training plan. These initiatives have ensured smooth and successful transition to the new ‘Blinkit’. This has ultimately led the company to improve its operations and facilitate enhanced services. This planned change approach employed by Grofers has proven to be instrumental in facilitating a swift transition. The company was reportedly successful in rolling out the new platform to all cities without any significant disruptions. It appears that the company's employees were well-prepared and adequately trained to use Blinkit, which likely contributed to minimizing any potential operational issues. Grofers also appears to have proactively communicated with its customers, helping to build and maintain trust throughout the transition process.

Strategies of the company

Dark Stores - Blinkit's key operational strategy is the use of "Dark Stores," which serve as micro-fulfillment facilities for online orders. Contrary to conventional stores, Blinkit does not operate retail establishments; instead, it purchases food and other necessities in bulk from wholesalers and keeps them in these Dark Stores. You must place your order using the Blinkit app, and a delivery person will then pick up your things from the Dark Store and deliver them to your door. In the part that follows, the specifics of their effective delivery procedure will be discussed.

10 Minute Delivery - For quick commerce, especially for Blinkit, dark storefronts are essential. With over 200 in Delhi NCR alone and more than 400 worldwide, they deliberately place these dark businesses close to customers to achieve 10-minute deliveries. Delivery times are quicker the closer the dark business is, which is advantageous strategically.

Effective Technology Use - Blinkit invests in technology to streamline their supply chain and improve user experience. They estimate demand, manage inventory, and optimise delivery routes using data analytics, machine learning, and AI, which reduces costs and improves the customer experience.

Innovative Marketing – Blinkit's marketing strategy comprises several key elements:

<u>Outdoor Advertising:</u> In 2023, establishing viral trends would involve using catchy subtitles on billboards that are influenced by well-known Bollywood tunes. (Refer Exhibit 3)

<u>Discounts and cashback offer</u>: To draw in and keep customers, businesses frequently provide alluring discounts and money rewards.

<u>Collaborations & Partnerships</u>: Partnering with well-known companies like Paytm and Netflix to broaden its consumer base and provide them with special offers.

Conclusion

Blinkit, a Zomato affiliate, is positioned to overtake its rivals as the industry leader in online delivery in the fiercely competitive Indian e-commerce market. It was previously the third-largest competitor in the online grocery delivery business, after Bigbasket (37%), which maintained a commanding lead, and Amazon (15%). Blinkit, which has raised almost $800 million from illustrious investors including Zomato, Tiger Global, and Softbank, has now become a unicorn with a $1 billion value. While the quick commerce business model concentrates on bringing in clients and changing their purchasing habits, sustainability is still a concern because of the razor-thin profit margins, aggressive pricing, discounts, and the requirement for significant long-term financing in a market where unorganised retail accounts for more than 80% of sales. However, by making a strategic shift to Blinkit, the company will be able to overcome these difficulties as it seizes opportunities in the developing quick commerce market, improves supply chain effectiveness, fosters customer loyalty, and forges strategic alliances, charting a positive course for growth and success in India's dynamic e-commerce environment.

Exhibits

Exhibit 1 – Tweet by CEO on Grofers to Blinkit Transition

Exhibit 2 – Quick commerce boom

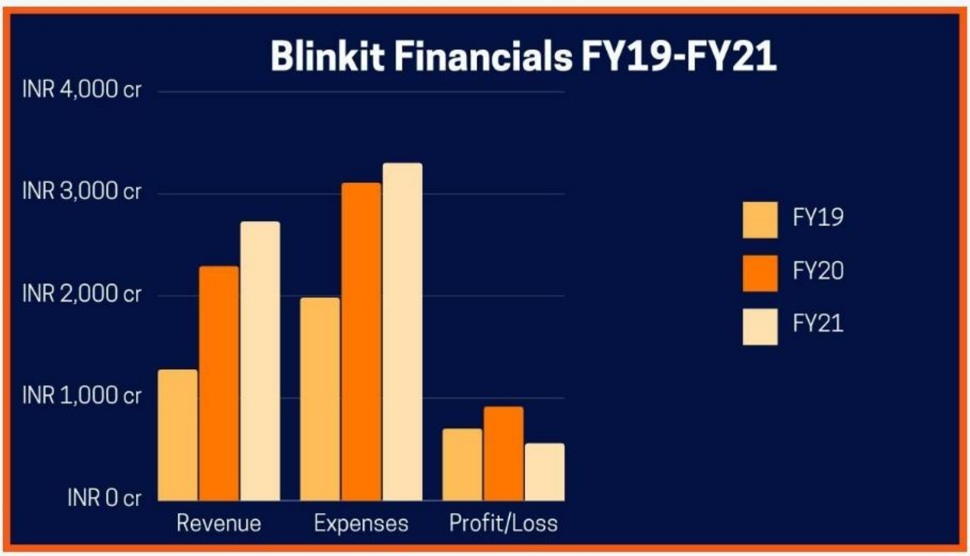
Source: ET Research

Exhibit 3 – Marketing Strategy

Exhibit 4 – Company Highlights

Grofers - Company Highlights

Startup Name	Grofers
Headquarters	Gurugram, India
Sector	Online Shopping/Ecommerce/Grocery Delivery
Founders	Saurabh Kumar, Albinder Dhindsa
Founded	December 2013
Valuation	$1.01 billion (September 2021)
Revenue/Turnover	$345 mn (Rs 2725 crores in FY21)
Total Funding	$1 billion (March 2022)
Area Served	India
Parent Organization	Grofers International Pvt Ltd
Website	blinkit.in / grofers.com



Blinkit Financials FY19-FY21

Exhibit 5 – Financials

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THE ELON MUSK - TWITTER TAKEOVER SAGA

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ABSTRACT:
This case explores the fascinating tale of Elon Musk's takeover of Twitter and the subsequent change in management difficulties. Originally designed to be used as a messaging app, Twitter has grown into a worldwide phenomenon that has been associated with significant historical events like the Arab Spring and political campaigns. But it had to deal with issues like false information spread during the COVID-19 outbreak. The well-known businessman Elon Musk created a stir in 2022 when he bought Twitter, a transaction that was finalized in October. The path to this acquisition started with public backlash and Twitter surveys, which resulted in large funding and, ultimately, an unsolicited offer to buy the business. Legal disagreements and security concerns were among the challenges encountered throughout the purchasing process. Following his acquisition of Twitter, New leadership made a number of significant changes, such as terminating benefits, mass firings, and tweeting policy updates. Soon after the acquisition, advertisers stopped investing on the site, it was observed that there was a significant increase in online abuse which led to significant turnover in staff. In New leadership's vision, Twitter was to become a one stop solution and a platform for free speech. This case describes a distinct response to new leadership's ownership, concentrating on worries about disinformation and the weakening of content regulation, and it emphasizes the effects of these changes, particularly on Twitter India.

Keywords: Cultural Integration, Vision, Leadership, Planned change model

Introduction

The narrative surrounding New leadership's acquisition of Twitter serves a testament of unforeseen twists and turns much enjoyed by the witnesses around the last few years. However, before embarking on this enticing journey, it's crucial to recognize and discuss the origin of this enchanting business concept by Twitter.

Incepted in the March of 2006, from four creative minds of Jack Dorsey, Evan Williams, Biz Stone, and Noah Glass, 'Twitter', was envisioned as a messaging concept. A system that could be manageable by a smaller team. However, Twitter's user-friendly interface and its capability to expiate the quick spread of information drove the platform to mainstream adoption, which culminated in its public offering, ahead of it's time.

An important event occurred in the year of 2011 at the Arab Spring, where Twitter played a transformative role. Activists and ordinary citizens leveraged the platform to encourage and coordinate the protests, to amplify awareness of the events unfolding across Syria, Egypt, and Tunisia. Since then, the social media landscape experienced a paradigm shift in the year 2012 when the erstwhile President of the USA, Mr.Barack Obama utilized the Twitter platform to announce his victory in the presidential election. This was a momentous occasion that marked a turning point which proved the potential for platforms like Twitter to be instrumental in the realm of large-scale political campaigns as well. Even though the success of Twitter was quite evident, it witnessed difficulties in the following years. Although no concrete deal materialized, rumours in 2016 hinted at the platform's potential acquisition. Additionally, it also had to face criticism for encouraging the spread of false information by many prominent users, specifically during the presidential election in the United States.

COVID-19 pandemic presented Twitter with additional difficulties beginning from the year of 2020. Online and virtual discussions were dominated by untrue information regarding the virus and the vaccine, and the platform battled to expand its user base while simultaneously handling a high-profile hack that exposed the accounts of multiple prominent users.

With about 328 million active users, Twitter is an extremely popular platform despite facing the difficulties (Exhibit 1). Both individuals and companies use it extensively to highlight their content, interact with customers, and keep up with emerging trends. For journalists, activists, and politicians who use Twitter as a platform to communicate with their audience and spread their message, it has also become an indispensable tool.

Case

The well-known investor and entrepreneur Elon Musk gained notoriety in 2022 when he started the process of buying Twitter, Inc., a significant US social media company. As stated in Exhibit-1, the transaction was completed on October 27, 2022, and was anticipated to have a major effect on the platform's future.

Musk's vocal critique of Twitter’s network in March 2022 marked the beginning of his acquisition adventure. To get a sense of public opinion, he organized 2 Twitter surveys, which indicated that many users were not happy with features and functionality of the site. After investing $44 billion to Twitter by April, New leadership surpassed all other shareholders in the company's shares.

Musk initially consented to become a member of Twitter's board of directors, where he worked closely with the leadership group to improve the network's user experience. But in the end, he decided to submit an unsolicited proposal to purchase the company, which was met with a mixture of excitement and cynicism.

Throughout the acquisition process, Musk encountered several difficulties, including tweets threatening him to back out of the agreement, legal action from Twitter, and a whistleblower complaint claiming security breaches. He persevered in the agreement and put in a lot of effort to make sure it was successful despite the challenges. Finally, Musk sealed the transaction, formally taking over Twitter as its new owner, on the final day of the timeframe imposed by the judge.

After acquiring Twitter, Elon Musk made several changes in the organization which raised concerns. After gaining control of Twitter in October, he **immediately terminated all employee benefits and fired almost fifty percent of the staff including the key executives** (about 3700 employees) (Exhibit 3 and Exhibit 4). When they were no longer able to access their computers, several employees realized that they had been fired. **He also issued an ultimatum that personnel promise dedication to a "very hardcore" Twitter**, which meant that only strenuous labor with outstanding performance would be acceptable. He also **tweeted the wrong information, and announced policy changes**.

Employees were given 24 hours to decide do they want to work for this transformed “hardcore Twitter” or leave. This caused many employees to depart from their positions. He also revoked the company's remote work policy, requiring employees to work on-site, then walked back on this decision. Some staff have voiced their disapproval of **Musk's management style**, notably the way he **communicated through Twitter**.

In less than a month, the company had already lost more than half of its workers, which presented a serious risk to the organization. The departure of numerous employees had also caused a rise in racist and antisemitic online harassment, which had prompted marketers to either reduce or temporarily suspend their advertising spending on the platform. The former head of trust and safety at Twitter, Yoel Roth, emphasized that employees wield more influence than advertisers and can significantly impact public opinion.

The acquisition received mixed reactions, with some applauding Musk's vision for the firm, while others raised concerns about an increase in misinformation, disinformation, harassment, and hate speech on the platform.

Musk had expressed his desire to make Twitter a beacon of free speech while also making it more tech-driven, leading him to sack the entire leadership team (Exhibit 5). He had also proposed Twitter's acquisition as the first step towards realizing his dream of creating an all-in-one app that offers social networking, payment solutions, online buying and selling, and personal messaging, much like China's WeChat.

Moreover, Twitter recently introduced a verification program that allows users to **pay $8 per month to become verified and receive benefits such as the coveted blue tick**. This move was aimed at reducing the number of bots on the platform and improving the quality of information by reducing the spread of fake news and misinformation. However, the move **limited access to social media**, especially for those who cannot afford the fees. Moreover**,it could affect the reach and traction of verified users from certain regions, leading to quality.**

With over 23.6 million users, India accounted for only a small percentage of Twitter's global revenue (Exhibit 6). While Twitter India's revenue in FY21 was Rs 86.39 crore, this was just 0.23% of the company's total revenue. Even when the revenue jumped by 82% to Rs 156.75 crore in FY22, **Twitter India posted a net loss of Rs 31.84 crore** (Exhibit 7). In response to which Musk pushed for paid verification on Twitter, prompting Indian users to pay Rs 719 per month for Twitter Blue access. In response to the company's losses, **Musk laid off 180 of the 230 employees in Twitter India, raising concerns about the loss of local flavors and potential impacts on user growth.**

Additionally, **advertisers suspended paid advertising on the platform** due to Musk's pursuit of free speech and reducing content moderation filters. As a result, **many Indian users turned to alternative platforms such as Koo, ShareChat, and Mastodon**. On the other hand, some were of the opinion that Twitter might actually benefit from Musk's ownership and centralized leadership to overcome the these difficulties it has been dealing with for some time.

Twitter's users and the platform both benefited greatly from Musk's acquisition of the social media site. As an accomplished businessman with a sizable social media following, Musk's engagement on Twitter was anticipated to infuse the platform with fresh perspectives and vitality while also drawing attention to the platform's potential as a useful resource for investors and companies.

In recent years, Twitter has had difficulty competing with its rivals. Would a transfer of ownership be the means of introducing new insight? Some view the new owner's financial support and influence as a means of bringing life to the stagnant platform, while others criticize him for being abrupt and confrontational in his approach. Could a centralized leadership structure free from managerial barriers hold the secret to Twitter's full potential? Does the platform finally have the resources and motivation to undergo the much-needed overhaul that it has been in dire need of for some time now that it is under new ownership?

Elon Musk's acquisition of Twitter serves as a clear testament to the enduring importance and growth potential of the platform. As the globe's largest social media networking sight, Twitter enjoys to be a critical resource for people and businesses that aim to communicate and engage with a diverse world.

The future course of Twitter hinges on Musk's strategic decisions, ultimately shaping whether the platform evolves into an online centre for civil discourse and democracy or takes a path that involves the dissemination of fear and misinformation.

Conclusion

Following Elon Musk's acquisition of Twitter, the company faced various hurdles, including substantial employee turnover rate. The dismissal of nearly 50% of its employees, raised concerns regarding the change in leadership. As an outcome of employee resignation, there was a surge in antisemitic and racist harassment online. This led advertisers to reduce or even stop their spending on the platform. Communication issues rose among the staff members regarding the new CEO's management style, specifically his use of Twitter for any communication. Layoffs and the lack of localization raised serious concerns regarding the growth of users in markets like India. Some advertisers went to the extent of boycotting the Twitter because of the new CEO's interest in free speech and less content filters and moderators. These conditions indicate towards the need of applying a planned change approach at Twitter.

A possible solution lies in applying the celebrated "Kotter's Model of Planned Change". The acquisition of Twitter by Musk in the year 2022 has brought about a number of drastic revisions. These changes include mass layoffs of the employees and announcement of renewed policies. This led to a considerable employee turnover. Increasing instances of mis confirmation also increased. These situations indicate a strong need for effective change management planning and execution.

The eight stages of Kotter's change management model are as follows: defining a sense of urgency; building a coalition to guide efforts; formulating a vision and strategy; conveying the change vision; enabling others to carry it out; achieving immediate successes; securing progress and bringing about additional change; and ingraining new methods into the organization's culture. Kotter's Model of Planned Change.

Twitter is now moving towards handling the difficulties under the direction of the new leadership. The issues to be addressed are vast, including the problem of employee turnover, restructuring, weakening of content filtering, disinformation, employee empowerment, cultural integration is especially important. Elon New leadership moved quickly and abruptly, rescinding employee perks, sacking half of Twitter's workforce, and changing corporate policies all without sufficiently outlining his plans for the organization. Due to a lack of faith in Musk's leadership, a large number of workers left the company.

To address these issues a planned change approach is required. Therefore, the application of Kotter's 8 steps of planned change may serve a guiding force:

1. *Create urgency:* In order to solve the issues that the firm has been facing, such as the dissemination of false information, harassment, and hate speech, Twitter must create a feeling of urgency. The business must convey to its stakeholders the gravity of the issue and the reasons that adjustments are required to secure its long-term existence.

2. *Form a guiding coalition/team:* To generate a common vision for Twitter, New leadership must assemble a group of important players. Senior executives, important staff members, and other stakeholders including users and advertisers should be on the team.

3. *Create a vision:* Musk wants to build a tech-driven platform that encourages free expression and curbs the spread of hate speech, harassment, and false information. The steering coalition should design a plan for Twitter that supports this goal. All parties involved should be informed of the vision, which should be brief and unambiguous.

4. *Communicate the vision:* New leadership must successfully explain his plans for Twitter to all relevant parties. Rather than just tweeting about the changes, this entails explaining why the changes are required and how they will help the business, its workers, and its users. Continuous and open communication is required.

5. *Remove the obstacles:* The company has been facing issues such as the dissemination of false information and therefore Twitter must create a sense of urgency. Make sure that the obstacles on the way are removed. Such as the image problems or the employer branding must be changed and concentrated on.

6. *Empower others with resources:* The leadership must look at empowering the employees to realize the new vision for Twitter. This includes

providing employees with the necessary resources, training, and support to implement changes effectively. On the other hand, Musk issued an ultimatum that personnel promise dedication to a "very hardcore" Twitter, which meant that only strenuous labor with outstanding performance would be acceptable. This caused many employees to depart from their positions.

7. *Celebrate short wins:* In order to gather support and show advancement towards the goal, New leadership must celebrate the short-term victories. This includes recognizing employees' contributions, celebrating small and short term victory little victories, and fostering a climate at work that prioritizes diversity, inclusivity, and employee well-being. This can entail reviewing perks for staff members, offering chances for professional growth, and encouraging an environment of openness and honesty.

8. *Embed change:* Anchor new approaches must be inculcated in the organization's culture. It is too early to determine whether the new CEO’s approaches will become part of Twitter's culture. However, Musk's pursuit of free speech and reducing content moderation filters has caused advertisers to suspend paid advertising on the platform, which could affect the company's culture and financial performance in the long run.

Exhibits

Exhibit 1 - Twitter Active Users (Millions) Year-Wise

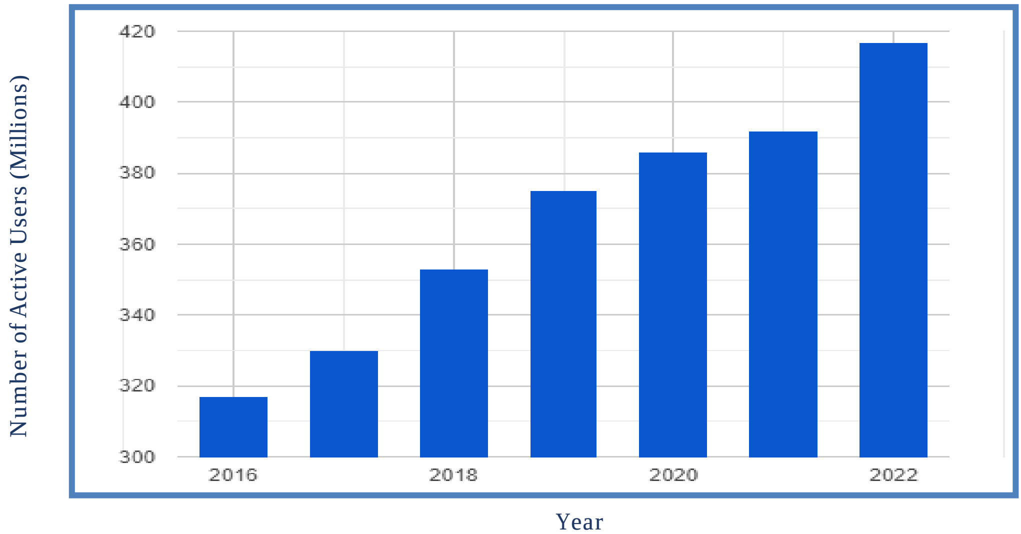

Image Source: Authors' own work.
Adapted from: https://www.statista.com/statistics/303681/twitter-users-worldwide/ [Accessed on: 2nd December 2023]

Exhibit 2 - Timeline of Twitter's Takeover by Elon Musk

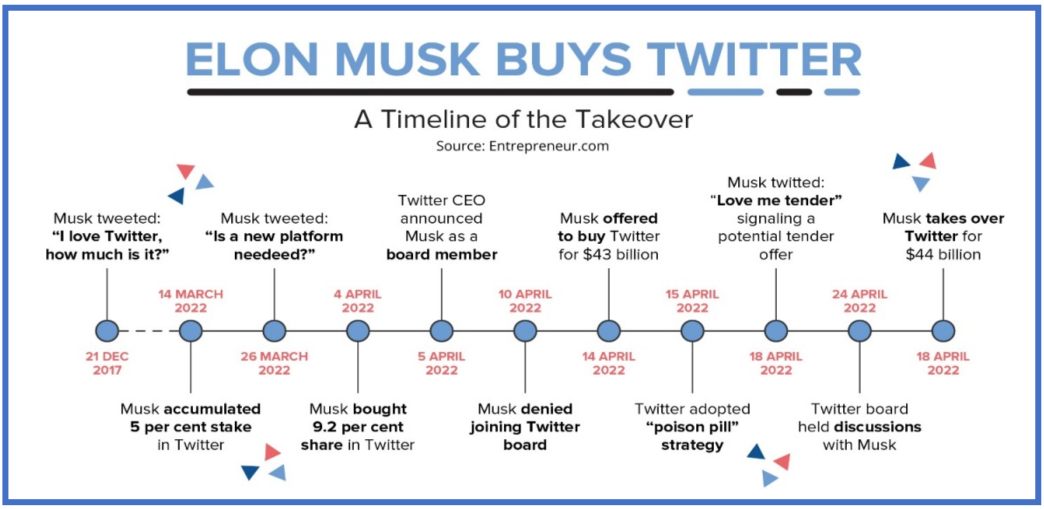

Image Source: https://www.entrepreneur.com/business-news/when-will-elon-musk-step-down-as-twitter-ceo/445122 [Accessed on 2nd November 2023]

Exhibit 3 - Twitter Full-Time Employee Count Pre-Acquisition and Post-Acquisition

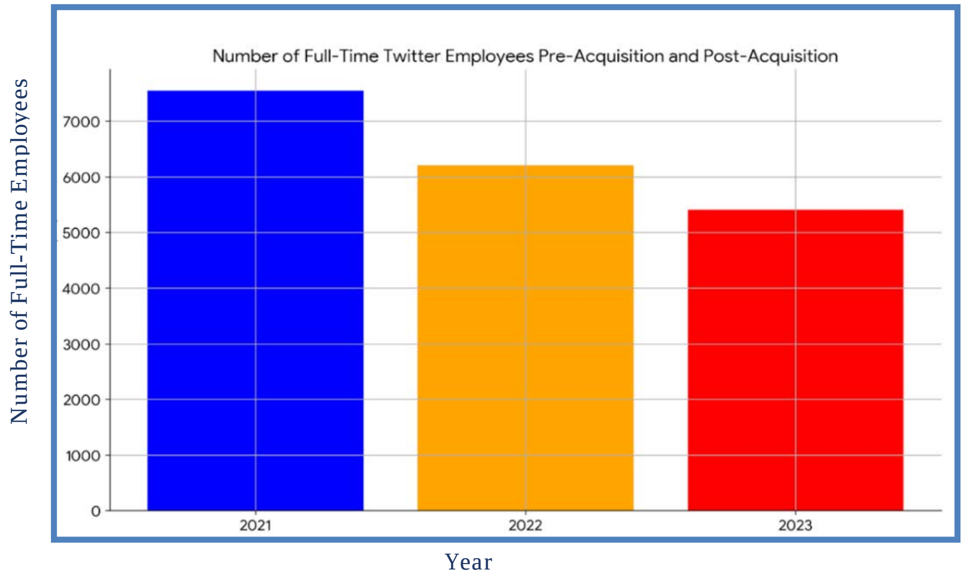

Image Source: Authors' own work.

Adapted from: https://www.statista.com/statistics/303681/twitter-users-worldwide/

[Accessed on: 2nd December 2023]

Exhibit 4 - Firing of Key Executives

Image Source: Screenshot from Twitter website https://twitter.com/

[Accessed2nd November2023]

Exhibit 5 – Musk's Will of transforming Twitter into a beacon of free speech

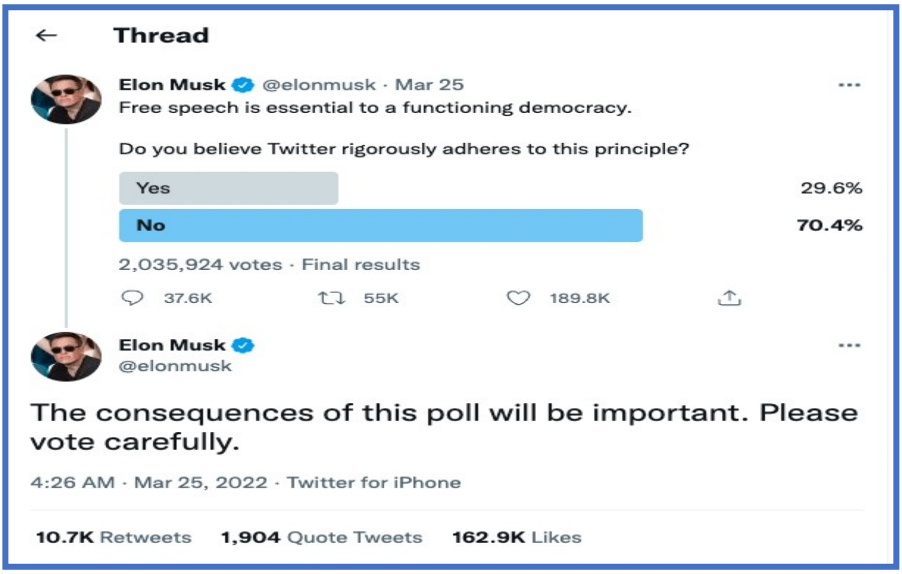

Image Source: Screenshot from Twitter website https://twitter.com/ *[Accessed2nd November2023]*

Exhibit 6 - Number of users per country

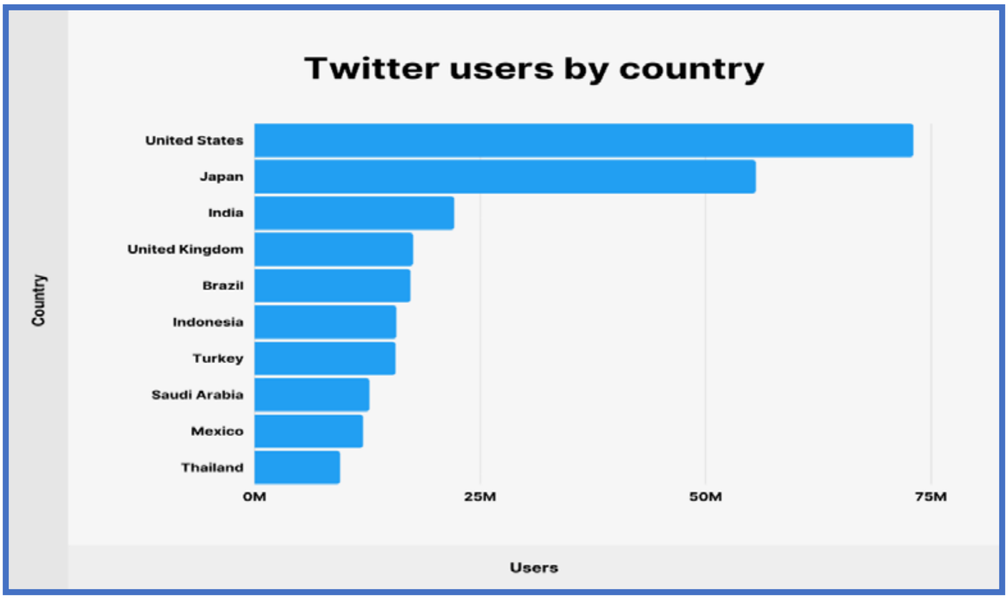

Image Source: Authors' own work.

Adapted from: https://www.statista.com/statistics/303681/twitter-users-

worldwide/
[Accessed on: 2nd November 2023]

Exhibit 7- Twitter India Financials

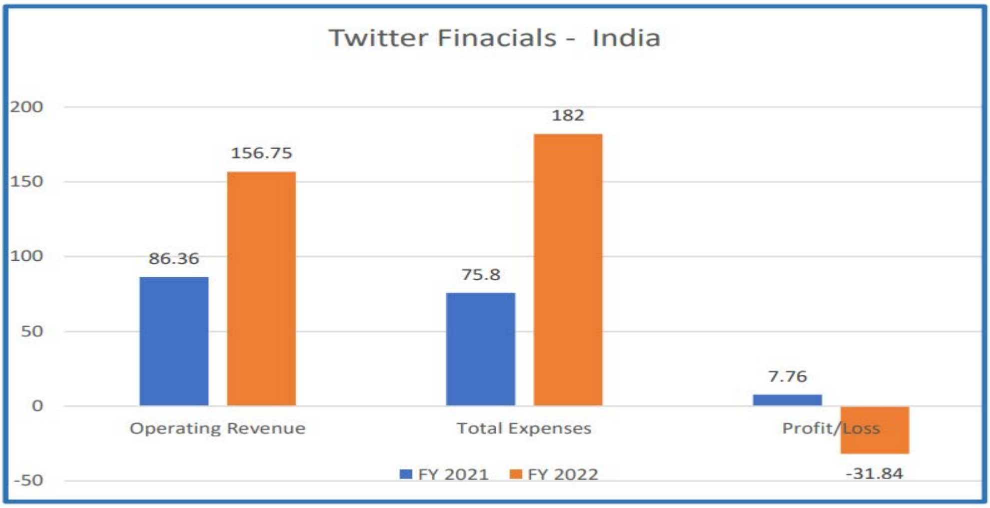

Image Source: Authors' own work.
Adapted from: https://twitter.com/finminindia?lang=en
[Accessed on: 2nd November 2023]

Exhibit 8- Twitter Major Events

Time period	Key developments at Twitter
March 2006 – March 2007	Twitter launches as a product
April 2007 – October 2008	Twitter grows rapidly under CEO Jack Dorsey.
October 2008 – October 2010	Evan Williams takes over as CEO. Twitter also announces that it will start allowing for advertising in the form of *promoted tweets*

October 2010 – October 2013	Evan Williams steps down as CEO, and Dick Costolo takes over.
November 2013	it has its initial public offering.
November 2014 – present	While You Were Away, Quality Filter, Curator, and Moments, Twitter diversifies beyond just being a reverse chronological stream of tweets by people you already follow.
July 2015 – present	Dick Costolo departs Twitter and Jack Dorsey assumes the role of interim CEO.
April 2022	Elon Musk and Twitter board reach a deal for Musk to acquire the company for $44 billion and take it private.[1][2]
July 2023	Elon Musk rebranded Twitter to X.[3]

Source: https://en.wikipedia.org/wiki/Timeline_of_Twitter

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REFORM TRANSFORM PERFORM ONLY WAY FORWARD FOR GE

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Abstract

General Electric (GE) embarked on a foray into the digital domain with optimistic aspirations of using the burgeoning Internet of Things (IoT) industry. Nevertheless, their overarching idea gave rise to a number of challenges. The Predix platform developed by GE Digital exhibited a deficiency in terms of its feature set when compared to other platforms, resulting in a sense of discontent among internal stakeholders. The presence of technical malfunctions and integration obstacles exacerbated the existing issues. The lack of persuasive ability of the external workforce to garner support from internal personnel led to suboptimal levels of platform adoption. GE made substantial investments without properly matching their objectives with the requirements of their business in their eagerness to establish themselves as pioneers in the digital realm. The primary emphasis on quarterly profit and loss (P&L) tends to restrict the implementation of long-term initiatives. The method employed by the organization was characterized by a lack of organization, absence of a coherent vision, and undefined objectives, resulting in the failure of its digital transformation efforts. As a reaction, General Electric (GE) made the strategic decision to establish a separation between GE Digital and its primary business operations, thereby enabling the former to function autonomously. Under the leadership of Patrick Byrne, GE Digital has placed significant emphasis on its role in facilitating digital transformation initiatives. This attempt highlights the criticality of aligning strategies, implementing changes in a phased manner, and establishing well-defined objectives in the pursuit of digital transformation.

Keywords: Industrial Internet of Things (IIoT), GE Digital and Predix, Digital Transformation Challenges

Introduction

H. Lawrence Culp assumed the position of Chief Executive Officer (CEO) following the departure of John Flannery in October 2018. According to Exhibit 1, there has been a significant decline in the share price of General Electric, down from $30 to approximately $10. GE's financial statements suffered a rating lowering even though Flannery has already downsized the staff by 30,000 due to worries about the organization's cost structure and cash flow production capacity.

Over the course of the previous ten-month period, a series of prominent departures occurred, encompassing the Chief Financial Officer (CFO) as well as other members of the Board of Directors (BODs).

The ex-CEO, Jeffrey Immelt, described GE Digital as the focal point of the highly acclaimed organizational change within the business. In February 2019, General Electric made a public declaration regarding its intention to optimize its operations, with a primary emphasis on core business domains, while simultaneously excluding GE Digital from its core activities. In the year 2019, GE Digital was slated to function autonomously and offer its services to other enterprises.

Industry Context

General Electric (GE) provides a diverse array of products, encompassing turbines and motors designed specifically for the aviation and aerospace sectors, as well as infrastructure solutions for power systems, oil and gas extraction, and medical equipment. The organization is commended for its strategic emphasis on cost leadership and exceptional product quality. General Electric's primary competitors are prominent multinational corporations such as Siemens, Hitachi, Honeywell, 3M, and Phillips.

The primary source of competitive advantage for General Electric (GE) lies in its robust and reliable brand image, which instills confidence and trust among its customer base. This perception is rooted in the understanding that GE consistently delivers goods characterized by reliability and superior quality. By strategically focusing on Research & Development efforts in these specific regions, the firm aims to penetrate emerging markets such as the Gulf States, the African continent, and other potential areas of growth.

The primary sources of competitive advantage for the organization are its extensive array of services and compelling appeal. Furthermore, General Electric's logistics operations exhibit a high level of optimization, leading to enhanced market penetration. Additional competitive advantages include high-quality products, strong client relationships, and unique points of uniqueness.

GE Digital has competition from several prominent companies in the industry, including IBM, Schneider Electric, Siemens, and Alstom. GE recruited GE Digital with the objective of transforming into a digital software company that facilitates the integration of industrial industries with applications, software, and analytics.

Company Background

General Electric (GE), often known as General Electric Company, is a prominent American corporation that holds a prominent position as one of the largest and most diversified companies worldwide. The company provides a range of services, including financial services, aviation engines, and electrical and electronic equipment. The company is headquartered in Boston.

The primary objective of General Electric enterprise is to revolutionize the industry through the implementation of software-defined machines and solutions that possess connectivity, responsiveness, and predictive capabilities. Additionally, the firm aims to establish itself as the leading digital industrial organization globally. Furthermore, GE emphasizes that these tools and solutions are designed to effectively achieve significant results for their clients, in alignment with their overarching corporate vision statement.

General Electric (GE), often known as General Electric Company, is a prominent American corporation that is recognized as one of the largest and most diversified companies worldwide. The company provides a range of services including financial services, aviation engines, and electrical and electronic equipment. The company is headquartered in Boston.

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General Electric (GE), often known as General Electric Company, is a prominent American corporation that is recognized as one of the largest and most diversified companies worldwide. The company provides a range of services including financial services, aviation engines, and electrical and electronic equipment. The company is headquartered in Boston.

The primary objective of General Electric enterprise is to revolutionize the industry through the implementation of software-defined machines and solutions that possess connectivity, responsiveness, and predictive capabilities. Additionally, the firm aims to establish itself as the leading digital industrial organization globally. General Electric (GE) further asserts that these tools and solutions serve the purpose of effectively achieving significant results for their clients, in alignment with their overarching corporate vision statement.

Ten years ago, firms mostly directed their attention towards activities such as data mining, search technology, and virtual collaboration. Presently, corporate leaders are devoting their attention to the domains of artificial intelligence, machine learning, and the Internet of Things. Corporate leaders are actively seeking digital projects as a means to augment their revenue and mitigate expenditures. Even projects with the most commendable intentions possess the capacity to yield unforeseen consequences on individuals. Consequently, it is imperative for firms to meticulously contemplate the impact of their digital endeavors on the experiences of both clients and employees.

The plan devised by GE Digital shown a lack of thorough consideration on its potential impact on both customers and staff, hence contributing to its failure.

In order to facilitate the digital initiatives of the corporation, GE Digital was founded as an independent entity to cater to the specific digital needs of various units, as opposed to the alternative approach. The establishment of GE Digital was driven by the objective of augmenting the organization's data analytics capabilities and establishing General Electric as a corporation with a stronger emphasis on technology.

The expeditious move from large-scale machinery to cloud-based software solutions ultimately had adverse consequences for the corporation, resulting in a significant economic setback for GE. The imposition of quarterly profit and loss (P&L) standards hindered GE Digital's ability to pursue long-term plans, so restricting their focus to short-term objectives that did not contribute much value to the broader business.

General Electric's overarching goal in the long run was commendable; but, its pursuit of simultaneous endeavors resulted in a loss of strategic focus. Attempting to spearhead the digital transformation at an organizational level within General Electric (GE) without a clearly defined plan is an endeavor fraught with significant risks and potential negative outcomes.

The digital initiatives had a lack of success despite substantial financial investments and the involvement of highly skilled professionals due to an inherent imbalance between the requirements of the business and the available capabilities.

Case

New Possibilities

The term "Internet of Things" was initially coined by computer scientist Kevin Ashton in the year 1999. This facilitated the connection of a significant quantity of previously disparate objects, such as microwaves, televisions, electric kettles, and several other electrical appliances. The use of these gadgets has introduced a novel business vertical within the realm of the internet.

It is widely acknowledged that the Internet of Things (IoT) ecosystem comprises a diverse range of intelligent devices that utilize data acquired and sent from the surrounding environment through integrated systems such as processors, communication hardware, and sensors. then, following its transmission to the cloud for processing, the data is then shared among the Internet of Things (IoT) devices through the linkage established with the edge devices and IoT gateway.

The manufacturing, shipping, healthcare, and retail industries stand to gain significant advantages from the implementation and utilization of the Industrial Internet of Things (IIoT). The beneficiaries of this unexplored market and their potential for maximum profitability remained uncertain due to its predominantly unrealized nature. In 2018, the global Internet of Things (IoT) market was valued at USD 164 billion. Projections indicate that between 2018 and 2025, the market is expected to experience a compound annual growth rate (CAGR) of 38.62%.

The manufacturing application industry is expected to be highly profitable. Manufacturing businesses are experiencing a growing trend in the adoption of digital technologies. The Internet of Things (IoT) plays a pivotal role in the implementation and functioning of many digital technologies. The Internet of Things (IoT) is a burgeoning market that is poised for significant expansion in the foreseeable future. The integration of Internet of Things (IoT) systems is expected to enhance visibility and optimize operational procedures.

The regions of North America and Asia Pacific are projected to exhibit the most potential for profitability. Within the North American region, there exist a number of market actors who are widely recognized and respected for their credibility and reliability. The group of individuals who will be included in the category of innovators will consist of those who are early adopters of this particular technology.

In an effort to penetrate an unexplored industry, GE Digital embarked on a venture in 2015 to provide a novel Internet of Things (IoT) solution. This involved offering a consistent software foundation, ensuring security measures, accommodating scalability, and delivering service features. The IoT solution, known as Predix, was given the moniker to reflect its creative nature. The objective of Predix was to serve as an operating system that would provide a cutting-edge platform for the development of software or applications. The utilization of this platform will empower individuals to develop apps specifically designed for the industrial internet.

The cutting-edge Internet of Things (IoT) solution is referred to as Predix. GE Digital aimed to deliver a distinctive Internet of Things solution by providing a shared software base that encompasses security, scalability, and service features.

Problem Statement

According to a study conducted by Bain & Company, a mere 8% of multinational corporations have effectively attained their intended business objectives through their investments in digital technology. In other words, a significant majority of approximately 90% of enterprises continue to encounter challenges in realizing the potential of a technology-driven business framework.

A significant majority of organizations, exceeding 90%, continue to face challenges in effectively implementing a technology-driven business strategy.

For an extended period, General Electric (GE) derived its revenue from the sale of hardware and maintenance contracts. The advent of the digital realm brought forth promising economic opportunities, however accompanied by significant risks.

The Predix platform developed by GE Digital faced criticism from other units within GE because to its perceived lack of desired functionalities, which were found in alternative platforms. The software developed by Predix had numerous defects, bugs, and technological issues. Initially designed for internal deployment, the Predix platform is currently hosted by the organization on either Amazon Web Services (AWS) or Microsoft Azure.

As a consequence of the integration issues encountered, there were subsequent disruptions that contributed to a further delay in the first launch.
Due to the composition of the GE Digital workforce consisting solely of external recruits, they faced challenges in establishing relationships with the broader organizational network. Consequently, this hindered their ability to effectively communicate and convince existing General Electric employees of the merits and value proposition of the new platform. Due to the limited extent of implementation of this platform, personnel persisted in utilizing the existing configuration. The uneven external expansion was generated as a consequence of the uneven internal expansion.

Given that the entirety of the GE Digital workforce consisted of external recruits, they faced a dearth of affiliations inside the broader organization, hence rendering it exceedingly arduous for them to convince existing General Electric personnel of the merits inherent in the novel platform. As a result of the limited extent of implementation of this platform, personnel members persisted in utilizing the existing configuration. The uneven exterior expansion occurred due to the unequal interior expansion.

GE's Downfall
Upon recognizing the continued sale of hardware by GE and the monopolistic influence exerted by IBM's collaboration with Microsoft inside

the sector, GE made a strategic choice to embark on the development of software. The objective of this software was to assist their clients' enterprises in effectively monitoring analytics, hence facilitating company expansion.

General Electric (GE) expressed a desire to establish sole dominion over the industrial internet. The American corporation allocated its resources extensively in this endeavour, hence contributing to the failure of its digital transformation plan. In 2015, General Electric (GE) launched a separate entity known as GE Digital with the aim of consolidating the organization's information technology operations. General Electric (GE) has made a substantial financial commitment towards digital initiatives, aiming to achieve a position among the leading ten software enterprises by the year 2020.

In contrast, GE Digital was founded with the objective of augmenting the organization's data analytics capacities and positioning GE as a firm with a strong technical orientation. The objectives of the unit were in opposition to the business's area of competence. The abrupt transition of the organization from utilizing huge machinery to adopting cloud-based software solutions resulted in adverse consequences, leading to a precarious financial predicament. As a consequence of the quarterly profit and loss requirements, GE Digital's allocation towards long-term initiatives was limited, resulting in suboptimal outcomes and negligible contributions to the overall performance of the organization.

The technique employed by the individuals in question exhibited inherent flaws. In order to achieve a successful digital transformation, it is imperative to commence with smaller initiatives rather than embarking on large-scale projects. Furthermore, it is important to note that GE Digital did not operate and align with all of GE's business groups simultaneously. The systematic execution of digital transformation commences with the selection of a certain industry and business unit, gradually gains momentum, and subsequently extends to encompass additional divisions.

General Electric exhibited commendable strategic initiatives; nevertheless, the execution of these plans was characterized by a lack of organization and an excessive concentration on specific areas.

The absence of a well-defined objective resulted in a comprehensive digital transformation across General Electric (GE) that ultimately proved to be a calamity at the company level. The failure of the project can be attributed to its limited scope and the absence of stable investors. The presence of skill was never a concern.

Major Dilemma

In order to achieve success, it was imperative for GE Digital to establish independence from its parent company, GE. The decision to establish GE Digital as a separate corporation would have been a beneficial strategic action. When the losses incurred by General Electric reached a substantial level and started to negatively impact the reputation and financial performance of GE's primary business operations, deliberations were initiated regarding the potential separation of GE Digital as an autonomous organization or the potential divestiture of GE Digital. In February 2019, General Electric (GE) made an announcement regarding its strategic plans to streamline its operations and focus on its core business sectors, excluding GE Digital. In 2019, GE Digital is anticipated to function as an autonomous entity, delivering its range of services to its existing clientele. To sustain its presence in the market, GE Digital will be reliant on its allocated resources amounting to $1.2 billion, without any supplementary financial support from General Electric.

Conclusion

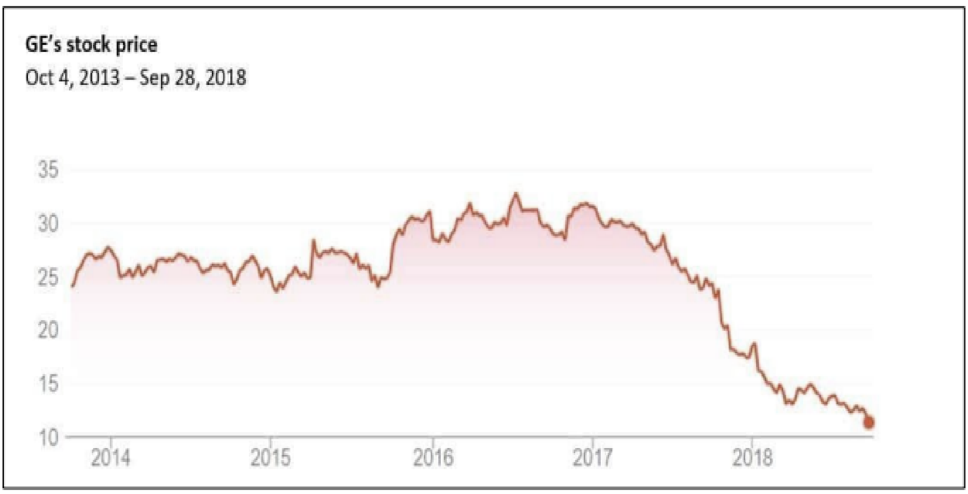
Patrick Byrne assumed the role of the new leader of GE Digital subsequent to its separation from the primary business division.

Patrick Byrne, the CEO of GE Digital, asserts that GE Digital is dedicated to supporting endeavors in digital transformation and provides solutions for effectively managing the substantial data and process demands of various industries.

Byrne (year) asserts that Predix plays a crucial role in providing support to our clients (personal communication). Our focus has shifted from pursuing a broad scope to prioritizing certain vertical markets in which we operate. Currently, a considerable number of consumers are utilizing Predix. The platform functions as a crucial tool in providing support to our clients in the field of asset performance management (APM). The effectiveness of Predix in managing the operations of a balance of plant and operating large gas turbines relies on its proficiency in handling extensive industrial datasets. Our commitment is in the utilization of the platform, namely in the facilitation of our critical business applications.

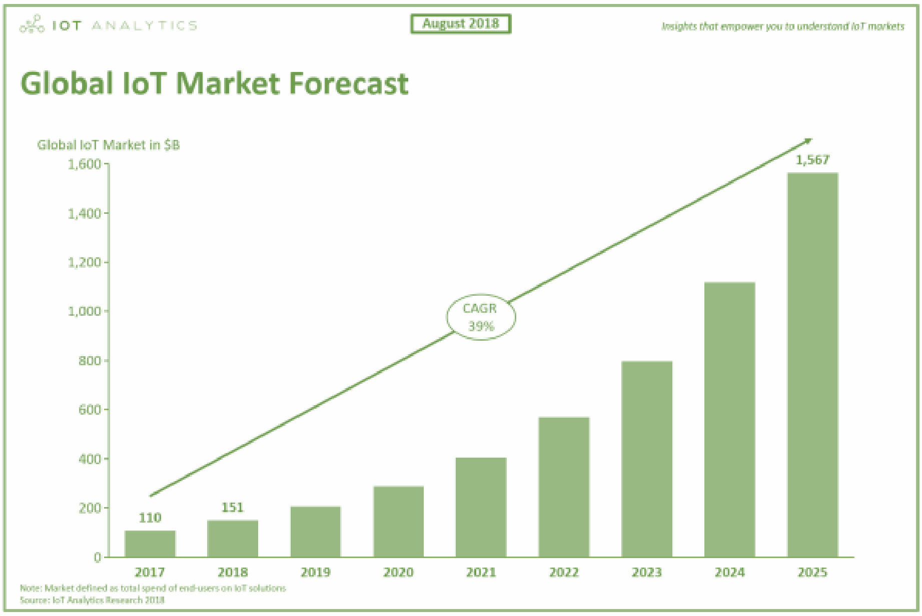
EXHIBITS

Exhibit 1: GE Stock Price from 2014 to 2018



Source: https://www.linkedin.com/pulse/ges-digital-transformation-really-disaster-amy-bedford-pmp-csm/

Exhibit 2: Global IoT Market Forecast



Source:https://iot-analytics.com/state-of-the-iot-update-q1-q2-2018-number-of-iot-devices-now-7b/

Exhibit 3: Timeline of GE

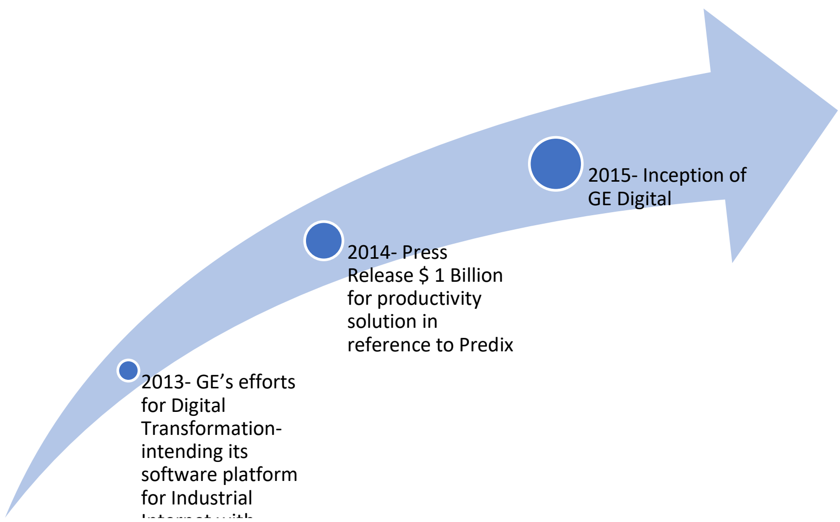


Exhibit 4: Problems Arising in GE Digital-

- The investment largely focused on technology and information technology (IT) across all business divisions, as determined by the CEO and executives of each respective unit. The focus was mostly on digital enablement rather than digital transformation. A significant portion of the money generated by GE Software originated from intra-organizational invoicing to other business units within the GE conglomerate, rather than from external client transactions.

- In order to provide greater autonomy to GE Software, the establishment of GE Digital as a separate business company was undertaken. GE Digital initiated the provision of its services for sale to other industrial firms, with the primary objective of assisting them in their digital transformation endeavours. GE Digital has recently diversified its operations by entering the consulting market. These endeavours purportedly exhibited a varied level of success. Establishing an internal development shop would let the organization to allocate additional resources towards the advancement of its intellectual property, specifically focusing on Predix.

- GE Digital was provided with a profit and loss statement (P&L) and was obligated to provide quarterly performance commitments. The revenue was directly influenced by the work conducted within GE business divisions and occasional cooperation with external software enterprises. The integration of Predix with a new partner often prioritized the generation of immediate money rather than the provision of long-term value to GE's end users.

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THE ROAD TO RECOVERY: NAVIGATING HERTZ THROUGH BANKRUPTCY IN THE PANDEMIC

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Abstract
The case delves into Hertz Corporation's arduous journey during the COVID-19 pandemic. In May 2020, Paul Stone assumed the CEO role amidst dire financial circumstances. Hertz carried a substantial debt of $18.75 billion, including $2.5 billion in vehicle debt on the verge of maturity. The pandemic's impact, including travel constraints and diminished demand, exacerbated the company's financial adversity. With creditor negotiations faltering, Stone made the audacious decision to file for Chapter 11 bankruptcy on May 22, 2020. He stressed that this move was crucial to safeguard Hertz's value, ensure uninterrupted operations, and establish a more robust financial foundation. Hertz, a longstanding multinational car rental giant with multiple brands, faced financial challenges due to heightened competition and pandemic-induced hardships. Despite these obstacles, it maintained its prominent global stature, employing thousands. Nonetheless, the pandemic necessitated Hertz's bankruptcy, a critical step to secure its long-term viability in an evolving industry landscape.
Keywords: Acquisition of Dollar Thrifty, Strategic Challenges, Competitive landscape

Introduction

On May 18, 2020, Paul Stone had an unexpected start to the week. The CEO of Hertz Corporation, Kathryn Marinello, had stepped down from her post, and the board of directors had decided to name Stone as the new CEO of Hertz. Stone and his performance were no strangers to the directors. He joined Hertz in 2018 as Executive Vice President and Chief Retails Operations Officer for Hertz Corporation's North American car rental operations. Most executives would welcome this news; however, Stone knew very well what was lying ahead for him and Hertz.

The car rental company from Florida, Hertz, had a total debt of $18.75 billion as of March 31, 2020[1], of which $2.5 billion vehicle debt was about to mature in a year. In a regulatory filing on May 11, Hertz had expressed concerns regarding its ability to pay its debt obligations and continue as a going concern within one year. This put severe pressure on the company's depressed shares and led the stock to as low as 80% of its previous high. This doubt was fueled by the Covid-19 pandemic's onslaught in the USA, as stay-at-home orders and travel bans had made rental cars obsolete.

With Marinello's resignation[2] on immediate notice, the responsibility was on Stone to navigate Hertz through the difficult economic conditions already existing within the organization and also added by the COVID-19 pandemic response. On taking command, he immediately started negotiating terms with the top lenders and creditors of Hertz as the company had missed significant payments in April, and the forbearance and waiver agreements were about to expire in a few days. Given the unstable business environment due to the pandemic, the creditors asked for upfront compensation in exchange for further extension. However, the two parties could not agree on terms, and talks broke down.

Paul Stone had few options but to make bold decisions to save Hertz. Four days after his appointment, on May 22, 2020, the company filed for bankruptcy. In his words, *"Today's action will protect the value of our business, allow us to continue our operations and serve our customers, and provide the time to put in place a new, stronger financial foundation to move successfully through this pandemic and to better position us for the future".*[3]

HERTZ BACKGROUND

Hertz had been a century organization. The firm that eventually became Hertz was founded in Chicago during the Spanish Influenza outbreak in 1918 by a young businessman in his early twenties, Walter Jacobs, and he named the company Rent-a-Car Inc'. Its operations began with twelve Model T Ford Cars, and within five years, the fleet had grown to 600 vehicles. It earned $1 million in revenue in 1923, a significant revenue in those days., a mammoth figure in 1923 nearly $15 billion in 2020, catching John D. Hertz's attention, a businessman operating Yellow Truck and Coach Manufacturing Company. John bought the company in 1923 and rebranded it as 'Hertz Drive-Ur-Self System.' With its growing success, General Motors purchased the company in 1926. General Motors expanded aggressively, primarily towards airports, such as the Chicago Midway Airport in 1932; they started operations in Canada in 1938 and France in 1950. By the mid-50s, it became the first vehicle rental with 1000 locations. John Hertz repurchased Hertz in 1953 and created the Hertz Corporation. He went on to purchase a truck leasing company with 4,000 trucks. Starting initially with only a dozen Ford Model Ts, Hertz Corporation had 15,500 trucks and 12,900 cars by 1954.

Hertz Corporation continued to witness regular changes in ownership (See **Exhibit 1** for Hertz Ownership Change Timeline). In 1967, Hertz was sold to the Radio Corporation of America, and then UAL Corporation purchased it for $588 million in 1985. Two years later, the company was purchased for $1.3 billion by Park Ridge, a subsidiary of Ford. Hertz worked great for Ford; the rental contributed 10% of Ford's PBT. Hertz kept on growing exponentially under Ford. In 2002, Hertz entered China, which was considered a flourishing market, becoming the first international vehicle rental company to do so. However, Ford decided to focus just on its core car manufacturing business and sold Hertz in 2005 to a private equity investors group for $15 billion.

Case

In 2012, under the new ownership, Hertz won the bid to purchase Dollar Thrifty Automotive Group[5], which operated Dollar and Thrifty discount vehicle rental companies. This deal gave Hertz access to over 10,000 locations and a presence in 150 countries. After the acquisition, Hertz Corporation operated Dollar and Thrifty as separate brands, focusing on value-conscious customers, while the Hertz brand continued as a premium brand. From the customer's point of view, the three brands were separate and operated independently. However, costs were reduced for the organization with shared services across the brands like payroll, cleaning, repairs and maintenance, fleet management, and more.

Hertz was a market leader and constantly innovated its offerings to stay ahead of its competitors. Their early success was attributable to many strategic decisions like creating membership programs, on-the-spot delivery, introducing the Sirius XM radio in 2000, car sharing in 2008, and photographic testing in 2009. Photographic testing ensured customers clicked pictures of the car before renting the car. After returning it, it was introduced to combat the average annual loss of $170 million in damages to its cars. Hertz also introduced Express Rent kiosks in 2011[6], where a live agent would assist in renting vehicles through video chat.

Since the sixties, Hertz continued to maintain a strong culture of providing exceptional service to customers, for which it made strategic alliances with several luxury and sports car brands to provide specialty cars, including the Corvettes, Jaguar XK-Es, and modified Shelby Mustangs. They also launched a "green" collection in 2006 with fuel-efficient vehicles, including hybrids such as Prius and Camry, making Hertz an early mover into this segment. Hertz Corporation was on the mountain's peak in 2019, with a fleet of 772,000 cars and trucks globally[7], with 76% of them in the USA. It had 8,200 company-owned and franchised rental facilities in over 160 countries, out of which 2,000 were near airports, which were generating 65% of the company's revenue.

COMPETITION

The rented vehicles market in the USA was highly competitive, where these companies were competing on pricing, service, quality, availability etc. As of June 2020, Hertz was among the three major players that dominated the vehicle rental business in the USA, along with Avis and Enterprise. These three players controlled 95% of the USA car rental market. Enterprise, a privately held organization, had a fleet of 1 million cars; Hertz, until its bankruptcy, had 500,000 cars, and Avis had 400,000 cars (See **Exhibit 2** for Competitor Wise Vehicle Count in 2020 (USA)). Apart from these big players, Hertz also competed with smaller and local regional companies as well as ride-sharing companies like Uber and Lyft, which were disrupting the existing market structure.

MILESTONES ON THE JOURNEY TO BANKRUPTCY

Hertz began to struggle to adapt to changing times in an industry that is already highly competitive. For financing its business operations and working capital requirements, Hertz leveraged its car fleet to acquire credit for maintaining them, putting more than half a million vehicles on collateral for $11 billion in debt. For this debt, Hertz had to pay monthly lease payments of depreciation, interest, and fees.

Losing Ford as an owner, too, had a significant impact on a core part of Hertz's business. Under Ford's ownership, Hertz could buy cars from its parent company, Ford, at a discount. These cars were called program cars, where Ford would agree to repurchase them at a specific depreciation rate, usually with a higher than market resale value. However, after Hertz was sold off, Ford would demand high prices for each vehicle. This also took away from Hertz, a guaranteed used car buyer, and Hertz had to struggle to find good deals to sell off their used fleet. Hertz's fleet management had to choose and buy cars carefully, even concerning the car's color, because they also had to remember what they could realize from that car when it came out of service.

Even though it was claimed that the pandemic led to a fatal blow to Hertz, many of its wounds were self-inflicted. Hertz's financial challenges can be traced back to its acquisition of Dollar Thrifty in 2012, with a drift in the company’s strategy to expand its discount leisure travel business. To secure the bid against Avis, Hertz had to shell out $2.3 billion. Hertz had to take significant debt to finance this deal, leading to a total debt of $20.2 billion for the company by the end of 2012. Hertz also faced several costs with the integration of the two companies and faced delays, especially in integrating both the organization’s computer systems. The merger was forecasted to save Hertz $100 million a year but cost them $70 million in the maiden year[8].

In 2013, Hertz declared to shift its headquarters base to Florida from New Jersey[9]. This significant change led to a drastic loss of 85% of the talented and experienced corporate executives and staff in the organization who did not move to Florida, and Hertz had to rehire a considerable portion of its workforce.

A few more strategic miscalculations by Hertz included not adopting new technology as quickly as its competitors, purchasing cheaper sedans when consumers preferred popular SUVs that were being offered in large numbers by competitors, and operating older Hertz vehicles for longer durations and increasing car rental prices, thus diverting customers to Avis and Enterprise.

With Covid-19’s emergence in the USA in early 2020, the car rental industry was affected negatively. Air travel restrictions led to severe consequences for the car rental industry, as 67% of their revenue came from airports. Hertz faced the heat with a 34% decline in consolidated revenues compared to the previous year (See **Exhibit 3** for 1Q:20 Monthly Consolidated Revenue Growth) and a consolidated adjusted EBITDA of negative $243 million in the first quarter. In contrast, in the previous year, it was negative $4 million. (See **Exhibit 4** for 1Q:19-20 Consolidated Results) Additional pressure mounted on as demand for used cars fell and prices declined. Amid this chaos, Hertz had an upcoming lease payment of $389 million on April 27.

To meet this lease payment, Hertz laid off 10,000 employees[10] and reduced new purchase commitments by $4 billion. These efforts were futile as they still defaulted on this payment. This was the primary trigger for Marinello to step down to make way for Paul Stone, the Chief Retails Operations Officer for North America, to take over as CEO. Hertz attempted to negotiate with lenders but failed to agree with most.

On May 22, 2020, Hertz filed for Chapter 11 Bankruptcy Protection[11], with a total outstanding debt of $24.4 billion and only $1 billion cash on hand.

CONCLUSION

LEVERAGING BANKRUPTCY AS A SURVIVAL STRATEGY

Hertz, led by Stone, undertook various steps to preserve and increase its liquidity initially in the bankruptcy. It moved its cash-on-hand balance of $1 billion immediately into accounts that lenders would not be able to claim. Hertz was further able to build upon its liquidity as the bankruptcy code allowed Hertz to defer rent and lease payments for up to 60 days. With this window, Stone could buy valuable time, which he used to find favorable financing options.

Hertz took adequate advantage of Section 365 of the bankruptcy code to reject leases and renegotiate airport concession payments, saving $300 million in 2020. Stone also took many other steps under the protection of the bankruptcy code, which led to an overall $3 billion in cost savings in 2020.

Meanwhile, Hertz had caught the attention of retail investors. These new retail traders on platforms like Robinhood showed interest in distressed companies like JC Penny and Chesapeake Energy. Hertz was one of them[12]. In a few weeks after announcing bankruptcy, these traders had spiked up the share price of Hertz, leaving Wall Street excerpts puzzled as to why investors were buying shares of an organization that could not meet its debt obligation.

These investors were trading in stocks for the first time, primarily due to the boredom of staying home during the lockdown. Most were active on Subreddits like Wall Street Bets, where Keith Gill, a.k.a. Roaring Kitty, a financial analyst and investor, influenced participants to put their money in Hertz shares. Ignoring the fundamentals, they went all in into buying Hertz stock, hoping to ride on a post-pandemic rebound. This unjustified interest in Hertz led to it being declared a 'meme' stock in the market. The stock price of Hertz rallied 1400% from a low of $0.40 on May 26 to a high of $6.25 on June [13] (See **Exhibit 5** for Hertz Stock Price Movement).

Paul Stone spotted an exciting and unique opportunity in this situation. He knew that in 2019, Hertz had made a public equity offering and had an active registration to issue an additional 250 million shares. He did not waste much time, and on June 11, Hertz moved quickly to file an emergency motion in the bankruptcy court to issue these shares, as Stone hoped it would raise to $1 billion and pay off most of the debt[14]. The motion was approved the next day, and Hertz started selling shares on June 17. However, the SEC[d] intervened[15] soon that afternoon as it had doubts regarding the financing amid the company's bankruptcy proceedings and whether it would be in the best interest of retail investors. Therefore, Hertz had to suspend the sale, but they had successfully managed to sell 13.9 million shares to raise $29 million.

Stone's success continued, as on October 15, Hertz announced that it had negotiated a $1.65 billion 'Debtor-in-Possession' facility with a group of lenders, including Cross Ocean Partners, Apollo, and Bracebridge, after an intense bidding process[16]. On November 5, Hertz secured $4 billion for fleet financing from Athene USA. With this fresh capital injection, Hertz now had access to up to $5 billion for supporting its fleet financing needs[17].

Another blessing in disguise for Hertz came when Stone identified the perfect window to sell used cars at higher valuations. The onslaught of the COVID-19 pandemic brought supply chain bottlenecks and semiconductor shortages, which hampered many industries globally, including the automotive industry. This led to a decrease in the supply of new vehicles, and the prices of used cars increased (See **Exhibit 6** for Used Car Prices). This opportunity of a lifetime served as a vital lifeline for Hertz. It enabled them to sell 198,000 vehicles in the USA and 132,000 vehicles internationally by the end of 2020 at great valuations, much above their expectations. Stone diverted these funds to pay off existing asset-backed liabilities on their fleet, bringing it down to $4.6 billion from $10.8 billion.

THE ROAD TO RECOVERY

During his appointment as CEO, Paul Stone was told by one of his close associates that,

"In the last few days of the titan, you're the man who has just been called in to watch it burn."

However, Stone was adamant that he would not spectate but do everything in his means and even beyond to drive Hertz out of its current situation. Stone's strategic decisions helped Hertz succeed in preserving liquidity, reducing costs, rejecting and renegotiating leases, and obtaining new financing. These decisions helped to stabilize the business and not just survive during the bankruptcy and pandemic. Still, the task was far from over for Stone. He knew this was just the first milestone on the road to recovery. It was January 2021, and he had an upcoming meeting with the advisors and directors of Hertz. The agenda was to discuss future steps and devise further solutions to keep the company afloat in an uncertain business environment with a bleak future. However, the silver lining was that financial markets were heating up, discussions of vaccines were more prominent, and optimism of travel improvement in the future was doing the rounds.

Stone knew the financial numbers would not look good in the upcoming meeting. However, he wanted to look beyond them. He, too, was optimistic about Hertz and was willing to bet on a brighter tomorrow. Before entering the board room the next day, he decided to understand what could have been the major turning points, the big ups and downs of Hertz in these last few decades. He wanted to get to the very roots to figure out what went wrong and what Hertz could have done instead, including his own recent strategic decisions. Could the bankruptcy filing have been avoided? Was the pandemic a significant cause of financial distress, or did it just raise the curtains over a window-dressed financial mess? Should Hertz strive to become pandemic-proof?

With these contemplations in mind, Paul Stone began his research to lead the board room discussion the next day for the best outcome in favor of Hertz.

EXHIBITS

1918 — Independent Venture to Corporation: 1918-53

The Hertz Corporation, originally known as Rent-a-Car Inc., was founded by Chicago, Illinois native Walter L. Jacobs in 1918.

1923 — John D. Hertz, owner of Yellow Truck and Coach Manufacturing Company, developed an interest in the brand, leading to him purchasing the company in 1923.

1926 — In 1926, Hertz rolled out the National Credential Card, which served as the industry's first identification card and a precursor to the credit card.

After three years of ownership, John Hertz sold the rental car brand to General Motors Corporation in 1926.

1927 — 1927: Jacobs sells his Hertz DriveUrSelf System, along with Yellow Truck, to General Motors.

1953 — John Hertz repurchased the brand from General Motors in 1953 through his other company, The Omnibus Corporation, which he renamed to The Hertz Corporation.

1967 — In 1967 ownership of Hertz was again altered, this time in a merger/stock swap deal.

1985 — 1985: UAL, holding company of United Airlines, acquires Hertz.

In 1985, the car rental company was sold to UAL Corporation, later known as Allegis Corporation, for a cash deal of US$587.5 million.

1987 — 1987: Hertz is sold to Park Ridge Corporation, an investor group affiliated with Ford Motor Co.

In the summer of 1987, Allegis Corporation chairman and president Frank A. Olson announced the company would be selling Hertz due to internal changes.

1991 — 1991: Hertz Technologies subsidiary is established.

EXHIBIT 1: HERTZ OWNERSHIP CHANGE TIMELINE

1994

- Later, in 1994, the state of New York sued Hertz and other rental car companies for refusing to rent vehicles to licensed drivers between the ages of 18 and 25.
- In 1994, Ford bought Commerzbank A.G.'s five percent stake in Hertz, thereby raising its own stake to 54 percent and acquiring control of Hertz.
- 1994: Ford buys out the Park Ridge investors, and Hertz becomes a subsidiary of Ford.

2005

- Hertz Global Holdings was founded on July 15, 2005 and is headquartered in Park Ridge, NJ."
- Private equity firms Clayton, Dubilier & Rice, The Carlyle Group, and Merrill Lynch Global Private Equity agreed to purchase all shares of common stock in Hertz for an estimated US$15 billion, including debt, and the business itself for US$5.6 billion in 2005.
- By the second quarter of 2005, Hertz produced about ten percent of Ford's overall pre-tax profit.

2006

- The Clayton, Dubilier & Rice consortium took Hertz Global Holdings public again on the New York Stock Exchange in November 2006, and Hertz began to expand through Europe.

2012

- In November 2012, Hertz Global Holdings Chairman and CEO Mark P. Frissora announced the company's purchase of Dollar Thrifty Automotive Group, a United States-based car rental brand with headquarters in Tulsa, Oklahoma, for US$2.3 billion.

2017

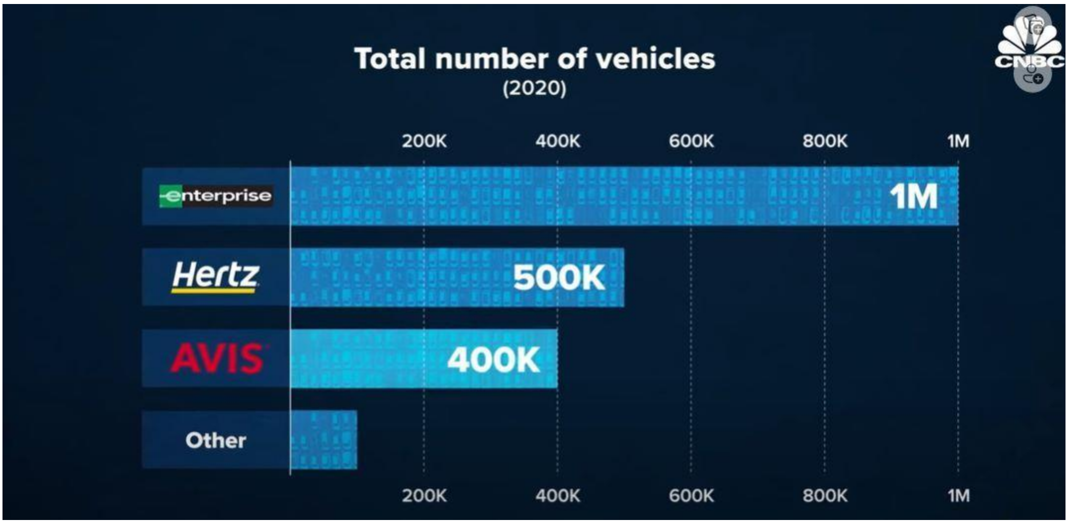
- Kathryn V. Marinello, former CEO of Stream Global Services, was appointed president and chief executive officer of The Hertz Corporation on January 2, 2017, following Tague's retirement.

2020

- On May 22, 2020, the Wall Street Journal reported that Hertz was preparing to file for bankruptcy because it did not reach an agreement with top lenders.
- Marinello resigned as CEO on May 18, 2020, and Hertz announced that Paul Stone would be the new president and chief executive.
- The stock was delisted from the New York Stock Exchange in October 2020.

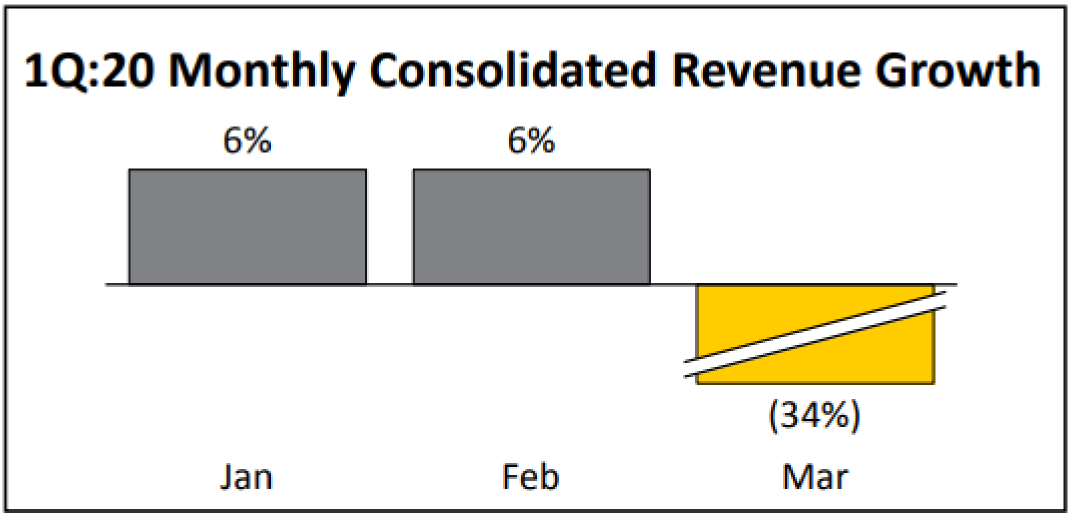
Exhibit 2: Competitor-Wise Vehicle Count in 2020 (USA)

FIGURE 1: TOTAL NUMBER OF VEHICLE COUNT IN USA



Source: CNBC https://www.youtube.com/watch?v=xbvAzAjhrw8

EXHIBIT 3: 1Q:20 MONTHLY CONSOLIDATED REVENUE GROWTH



Source: Hertz Global Holdings 1st Quarter 2020 Earnings Conference Call Investor Presentation: https://ir.hertz.com/static-files/05155147-3b26-48de-be4b-3e6bacf0c8a1

EXHIBIT 4: 1Q:19-20 CONSOLIDATED RESULTS

$ in millions, except per share data	1Q:19 Results	1Q:20 Results	YoY Better/(Worse)
GAAP			
Total revenues	$2,107	$1,923	(9%)
Net loss attributable to Hertz Global	($147)	($356)	NM
Diluted loss per share	($1.54)	($2.50)	NM
Weighted average shares outstanding: diluted	96M	142M	
Non-GAAP			
Adjusted Corporate EBITDA	($4)	($243)	NM
Adjusted Corporate EBITDA Margin	-%	(13%)	NM
Adjusted Net Loss	($83)	($253)	NM
Adjusted Diluted EPS	($0.87)	($1.78)	NM

Source: Hertz Global Holdings 1st Quarter 2020 Earnings Conference Call Investor Presentation: https://ir.hertz.com/static-files/05155147-3b26-48de-be4b-3e6bacf0c8a1

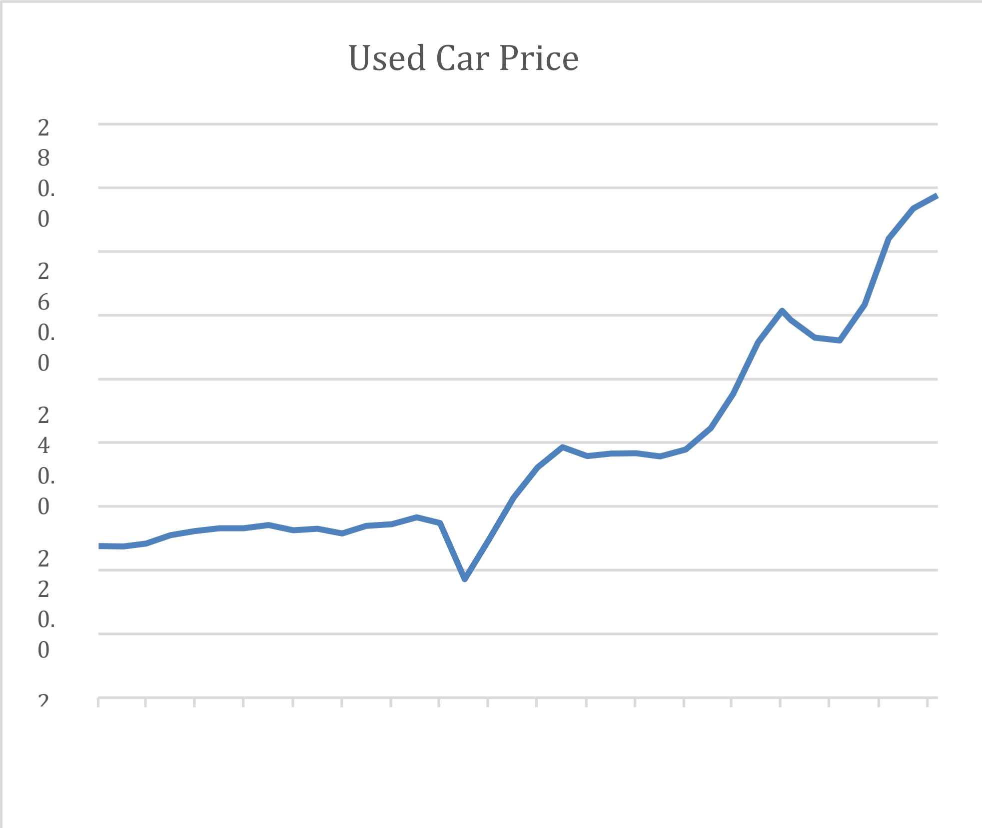
EXHIBIT 5: HERTZ STOCK PRICE MOVEMENT

FIGURE 2: HERTZ STOCK PRICE MOVEMENT

Source: CNBC https://www.youtube.com/watch?v=xbvAzAjhrw8

EXHIBIT 6: USED CAR PRICES

FIGURE 3: USED CAR PRICE INDX.



Source: Prepared by case writer using the data from Manheim used car index. https://publish.manheim.com/en/services/consulting/used-vehicle-value-index.html

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RE-EMERGENCE OF JET AIRWAYS AS A KEY PLAYER IN THE TURBULENT INDIAN AIRLINE INDUSTRY

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Abstract
This paper explores the potential revival of Jet Airways in the Indian airline industry, tracing its journey from dominance to insolvency due to fierce competition, financial mismanagement, and operational challenges. In 2020, new investors, despite their lack of aviation experience, acquired Jet Airways, just as the COVID-19 crisis added further uncertainty to the aviation industry. However, in May 2022, India's regulator granted Jet Airways an Air Operator Certificate (AOC), opening the door to its potential resurgence. The paper emphasizes key focus areas for Jet Airways, including improving operational efficiency, rebuilding its reputation, addressing financial challenges, and competing with low-cost carriers. It also suggests the airline could capitalize on the growing focus on eco-friendliness by positioning itself as a sustainable travel option. Learning from past mistakes, embracing innovation, and executing a well-planned strategy are vital for Jet Airways' success in India's dynamic aviation landscape.

Keywords: Jet Airways Revival, Operational Challenges, Strategic Planning

Introduction

COMPANY'S BACKGROUND

Jet Airways was one the earliest Indian Airline (**Refer Exhibit 1**) companies to rule the skies of India. The airline started its full-fledged domestic operations in the year 1995. By 2004, the airline started its international flights. Till 2015, it was the only full-service flight apart from the Government owned Air India.Troubles for Jet airways started with the introduction of Low-cost carrier airlines such as Indigo, SpiceJet and GoAir. These Low-Cost Carrier airlines drove down the ticket fares down to the marginal costs. Jet Airways was tempted by the rapid growth of Low-Cost Airlines and took a decision to diversify from its full-service model to part full service and part low cost. It attempted to do this by purchasing Air Sahara in 2007 for Rs 1450 crore in an all-cash deal and rebranding it as "JetLite". Two years later, in 2009, the airline introduced another low-cost service "Jet Konnect". This new model which was part full service and part low cost was not welcomed by the customers since this dual strategy created a lot of confusion with the brand placement. The huge capital hence spent on acquiring Air Sahara and rebranding it did not give much returns. Since India imports most of its crude oil, the Indian Airline industry is very sensitive to the fluctuations in the global crude oil prices. In the year 2018, the Indian rupee hit an all-time low, which made fuel the biggest cost burden for Airlines as it became more expensive. The Indian Airline Industry suffered massive losses. Jet airways was not resilient enough to ride through these losses and was saddled with debts. Another burning fact was that Jet Airways did not own most of its aircraft, many of them were on lease, making them vulnerable to the airline leasing companies which could ground Jet Airways aircrafts if the payments were not made timely. The competitive Indian Airline industry and a couple of wrong decisions made by Mr. Naresh Goyal, the founder chairman for Jet Airways put the Airlines at a very tight spot. A lot of blame was put on Mr. Naresh's Management Style and his investment decisions. The investors felt that the airlines lacked a concrete Business Model and reprimanded Mr. Naresh Goyal for not addressing the company's deteriorating financial health. By March 2019, close to a fourth of its aircrafts were grounded due to unpaid lease. In April 2019, Indian Oil Corporation announced that they were stopping the supply of fuel to airlines due to non-payment of dues. Mr. Naresh Goyal was asked to step down from the position of Board of Directors. Jet Airways was in dire need of Rs 4 billion of emergency funds to run its operations, but none of the lenders agreed to bail it out and was referred to National Company Law Tribunal for bankruptcy proceedings with a debt of close to $1.2 billion. Just when everyone thought that Jet Airways was a closed chapter, in May 2022 India's aviation regulator DGCA granted Air Operator Certificate (AOC) to Jet Airways. The AOC carved the way for the airline's re-emergence with new sources of investments, new ownership, and a new Management. ***(Refer Image 1)***

CURRENT STATUS OF INDIAN AIRLINE INDUSTRY

The aim to relaunch operations by Jet Airways came at a time when the aviation sector was during a serious churn. Since the winning bid by JKC to run jet airways, Air India was sold by the Indian government to the Tata Group and Akasa airline had taken to the skies. Operating in the sky required fulfillment of precedent conditions which included difficult tasks like obtaining the AOC (air operator's certificate), DGCA and MoCA approval of the business plan, slot allotment approval, international traffic rights, and approval of the demerger of the ground handling business into Airjet Ground Services Ltd (AGSL), a subsidiary of Jet Airways AGSL.

In 2022, India's domestic aviation market was led by low-cost carriers that controlled as much as 80 percent of the market, led by market leader IndiGo which cornered nearly 60 percent of the market share. Among the full-service carriers, Air India and Vistara had taken steps to merge, making it the largest full-service carrier in the country, backed by the might of the Tata Group and Singapore Airlines. The Tata group intended to operate a full-service carrier under Air India and a low-cost arm comprising AirAsia India and Air India Express. Meanwhile, Indigo was expanding at a breakneck speed with a fleet of over 300 aircraft which was the highest in the country. Indigo operated the Airbus A320 CEO and NEO, the A321 NEO, and the ATR 72-600 aircraft and had a domestic market share of 56.2 percent, ferrying over 65 lakh passengers a month. The airline operated over 1,600 plus daily flights and connected 76 domestic destinations and 26 international destinations. But the Tata Group Airlines and Indigo at the time had an extremely fragile balance sheet and were actively sourcing emergency credit lines from the government under the ECLGS scheme.

CASE

JET 2.0 PLANS

In the year 2022 in hopes of making a comeback, Jet Airways 2.0 was hiring a new team and laying down new processes and systems. The revived Airline hired 200 people across different functions. Mr. Sanjiv Kapoor, former SpiceJet and Vistara Executive, was appointed as a new CEO by the promoters. Former Sri Lankan Airline CEO, Mr. Vipula Gunatilleka was appointed as the CFO. The Airline Initial plan was to start all its operations by September 2022. But due to various challenges, the re-launch of the airline was delayed.

CHALLENGES FOR JET AIRWAYS

Even after DGCA granted AOC to Jet Airways, it couldn't just easily make a comeback. There were various challenges related to Investments, Workforce and Aircrafts. The Jalan-Kalrock Consortium (JKC) won the bid and was given the ownership of Jet Airways in 2022. After the successful bid, a team was hired, systems, processes, procedures were laid down, letters of intent were signed, and the AOC was revived. But over the course various issues surfaced up which delayed the Airline re-launch. The bidding consortium JKC found itself stuck in a standoff with Jet's creditors over pending dues, including payments owed to former employees. The creditors had claimed that JKC had not fulfilled the conditions mentioned in its reorganization plan. JKC also faced issue over the ownership of the income from the rental of an aircraft that Jet Airways owned. Under its original promoter Naresh Goyal, Jet Airways had bought an A330 aircraft which was then leased to Etihad Airways, which had subsequently leased it to Air Serbia.

The overall situation led to a dispute over the ownership of the airline. However, A regional bench of the country's National Company Law Tribunal

(NCLT) in Mumbai, on January 13 2023, finally allowed the transfer of ownership of Jet Airways to JKC.

DEALING WITH STRATEGIC CHALLENGES

Operational efficiency

Jet Airways will need to improve its operational efficiency and reduce costs in order to compete effectively in the Indian airline industry.

Jet Airlines might save expenses and boost efficiency by doing these steps**:**

- Jet Airlines may save expenses and increase efficiency by streamlining processes. Consolidating routes, improving flight schedules, and lowering ground handling time may help.
- Decrease headcount: The airline might cut staff to save expenses. This might entail voluntary retirement programmer, personnel reductions, and outsourcing non-core tasks.
- Optimize fleet: Jet Airlines may save expenses and boost efficiency by optimising its fleet. Retiring older planes, leasing newer, more fuel-efficient ones, and scheduling better might help.
- May decrease waste, increase performance, and improve the passenger experience, the airline may invest in the newest technology and process enhancements. Automated luggage handling, airplane maintenance, and data-driven decision-making are examples.
- May introduce self-check-in kiosks, online check-in, and in-flight entertainment.

Reputation damage

Jet Airways faced operational issues, including flight cancellations and delays, which damaged its reputation. The airline will need to work to restore customer trust and confidence in its operations.

Jet Airlines may take these efforts to rebuild its image and consumer trust:

- Emphasize operational reliability: Jet Airlines may reduce flight cancellations and delays by prioritising operational dependability. To guarantee timely operations, this might include strengthening maintenance processes, ground handling and luggage management, and spare aircraft numbers.

- To boost customer satisfaction, the airline might invest in new technology and processes. Digital check-in, better onboard entertainment and Internet, and streamlined boarding are possible.
- Jet Airlines can grow its brand and reputation with a complete communication and marketing plan. This might include promoting the airline's operational dependability on social media, rewarding loyal customers, and targeting new consumers with tailored advertising.
- Customer satisfaction: Jet Airlines may emphasise customer happiness by quickly and effectively resolving customer concerns. This might entail creating a separate customer care centre, training workers to manage complaints, and building a customer feedback system to learn about client wants and preferences.

A successful recovery for Jet Airways will need a detailed and well-executed strategy, as well as a substantial effort to solve the airline's difficulties.

DEALING WITH FINANCIAL CHALLENGES

Ancillary streams were a source of significant revenue such as buy onboard meals, charges for excess baggage, cancellation fees, seat-selection fees and special services for the new entrants. This was a stream that Jet did not have access to due to the nature of its business model.

Valuation of assets of a distressed airline company as the airline had lost some of its strategic assets and faced depreciation due to two -years of grounded operational flights was a cause of concern.

Revenue per Available Seat Kilometre (RASK) and Cost per Available Seat Kilometre are two metrics used by airlines to calculate their revenue (CASK). If RASK and CASK are equal, the airline is said to break even because it can recoup all of its direct operating expenses. The fundamental premise is that an airline is profitable if RASK exceeds CASK by Re. 1.

There was fierce rivalry as a result of the arrival of many LCAs into the aviation industry. As a result, JA decided to cut the price of the tickets. JA was compelled to sell tickets for even less than the breakeven price. Despite the rise in passenger demand, it was extremely difficult for JA to stabilise its earnings due to cost structures and rising competition. As a result, even though revenues were rising quickly, operating margins were steadily declining. *(Refer Image 2)*

Increase in fuel costs reduced Jet Airways margins (**Refer Exhibit 2)**.

Figure below *(Refer Image 3)* demonstrates that over 50% of the revenue was spent on aircraft maintenance, aircraft rental, and aviation turbine fuel (ATF), respectively (8 per cent). Due to the weakening rupee, JA also suffered foreign exchange losses.

- A falling rupee, an increase in the price of Brent gasoline, and the ensuing disparity between high fuel prices and low fares all had a negative effect on JA.
- Therefore, determination of the correct price point is detrimental to the airline's comeback.
- Branding and repositioning would be important to implement the determined pricings.
- JA can learn from its competitor and focus on either being a low-cost carrier or a full-service carrier. This will help in bulk buying aircrafts of one type.
- New business model incorporating Ancillary streams which were

absent before seizure

Revenue Streams: The revenue streams for Jet Airways would include ticket sales, baggage fees, in-flight food and beverage sales, and commissions on hotel and car rental bookings made through their website.

Partnerships: Jet Airways can partner with hotels, rental car companies, and other travel- related businesses to offer package deals to its customers, providing additional revenue streams.

- Classification of the assets based on depreciated value and maintenance costs. And sell off assets having high depreciation as well as maintenance cost. Invest the gained capital in new assets.

DEALING WITH COMPETITION

The aviation industry is highly competitive, and Jet Airways will face several challenges as it relaunches its operations. The biggest challenge that Jet Airways faces is from the low-cost airlines in terms of pricing. Low-cost airlines such as IndiGo, SpiceJet, and GoAir have disrupted the Indian aviation market by offering significantly lower fares than full-service airlines. This has led to a shift in consumer preferences towards low-cost carriers, which has resulted in reduced market share for full-service airlines such as Vistara and Air India.

Low-cost airlines operate on a no-frills model, which means they offer limited services such as no free meals or baggage allowances, and operate with lower overhead costs. This allows them to offer lower fares than full-service airlines. In contrast, full-service airlines offer more amenities such as in-flight entertainment, free meals, and baggage allowances, but at a higher cost.

As a result, Jet Airways needs to find a way to compete on price without sacrificing its full-service offerings. This could involve identifying market segments that are willing to pay a premium for a better travel experience or introducing new pricing strategies such as dynamic pricing or bundling services.

Jet Airways could also differentiate itself from low-cost airlines by offering a superior customer experience, such as personalized services, better amenities, and a more comfortable travel experience. By focusing on its core strengths, Jet Airways can position itself as a premium airline that offers more value for money than its low-cost competitors by focusing on the following strategies:

Enhanced customer experience*:* Jet Airways can differentiate itself from low-cost carriers by offering a superior customer experience. This could involve offering personalized services, better in-flight amenities, and a more comfortable travel experience. Jet Airways could also invest in technology such as mobile apps and self-service kiosks to enhance the customer experience.

Competitive pricing*:* While Jet Airways may not be able to match the low fares of low-cost carriers, it can offer competitive pricing that provides more value for money. This could involve introducing dynamic pricing, bundling services, or offering discounts for loyal customers.

Route optimization*:* Jet Airways can optimize its route network to focus on profitable routes and destinations. This could involve identifying untapped markets or introducing new routes that cater to specific market segments.

Partnerships*:* Jet Airways can form strategic partnerships with other airlines, hotels, and travel companies to offer bundled services and loyalty programs that provide more value for customers. This could also help Jet Airways expand its reach and appeal to a broader audience.

Branding and marketing*:* Jet Airways can invest in branding and marketing to position itself as a premium airline that offers more value for money than its low-cost competitors. This could involve creating a strong brand identity, emphasizing its full-service offerings, and showcasing its unique value proposition to customers.

By focusing on these strategies, Jet Airways can differentiate itself from low-cost carriers and position itself as a premium airline that offers more value for money to customers. This will require a sustained effort to innovate, optimize operations, and provide a superior customer experience.

Proposed Strategy Canvas

The current Indian Airline Industry is a Red Ocean and for Jet Airways to make a successful comeback it is necessary for it to create a Blue Ocean. To create a Blue Ocean following strategies can be explored. *(Refer Image 4)*

Reduce

- In order to get a bigger market share, Jet Airways can price its tickets comparable to the rates of the low-cost Airlines and still offer premium services at an affordable price.
- The Leg space in economy can be similar to the ones offered by low cost airlines, this means smaller aircrafts which in turn means additional cost saving.

Raise

- In order to differentiate itself from the competition, Jet Airways can offer customer friendly services.
- The tickets can be bundled with services like cab to Airport and Hotel stay services to offer a better deal package to the customer
- The quality of meals provided by the airlines can be improved, with a curated menu
- Cover as many routes as possible.

Create

- With the growing focus on sustainability, Jet Airways can position itself as a sustainable travel option by investing in eco-friendly initiatives such as carbon offsetting, reducing waste, and sustainable fuel options. This could attract customers who prioritize sustainability and differentiate Jet Airways from its competitors.

Eliminate

- Most of the full-service flights offer free lounge access to premium economy and business class passengers. This service can be eliminated, and instead the same budget can be used to provide better bundled services by building strategic partnership with third party sites.

CONCLUSION

India is a hot market for the aviation industry as less than 1% of the population flies. And the globe sees a saturation in this industry. Therefore, the time is right for Jet Airways to make a comeback. The gap of 3 years would add to its advantage in rebranding and repositioning itself among the customers. The airline has been one of the earliest Indian airlines which would help it further. Jet Airways just needs to learn from the past mistakes and hit the nail. The analyses and the suggestions if considered and implemented diligently would increase its chances of coming back strong. Jet Airways, once a major player in India's aviation, faced financial mismanagement, competition, operational issues, lack of innovation, and regulatory hurdles, leading to its insolvency. In 2020, investors Kalrock Capital and Mr. Jalan acquired it near bankruptcy, but lacked aviation experience. India's ongoing COVID-19 crisis added uncertainty. Jet Airways started in 1995 and expanded internationally in 2004. Intense competition, poor investments, and fuel cost fluctuations hurt its finances. Most aircraft were leased, compounding issues. By March 2019, numerous planes were grounded due to unpaid leases. Jet Airways faced insolvency with a $1.2 billion debt. In a surprise move in May 2022, India's regulator granted Jet Airways an Air Operator Certificate (AOC), opening the door for its revival. Jet Airways 2.0, led by CEO Sanjiv Kapoor and CFO Vipula Gunatilleka, aimed to relaunch in 2022 but faced challenges. To succeed, Jet Airways must focus on efficiency, rebuild its reputation, address financial challenges, compete with low-cost carriers, and consider sustainability.

In conclusion, Jet Airways' resurgence is promising, but it faces a challenging path. Learning from past mistakes, embracing innovation, and executing a well-planned strategy are essential for success in India's dynamic aviation industry.

Images & Exhibits

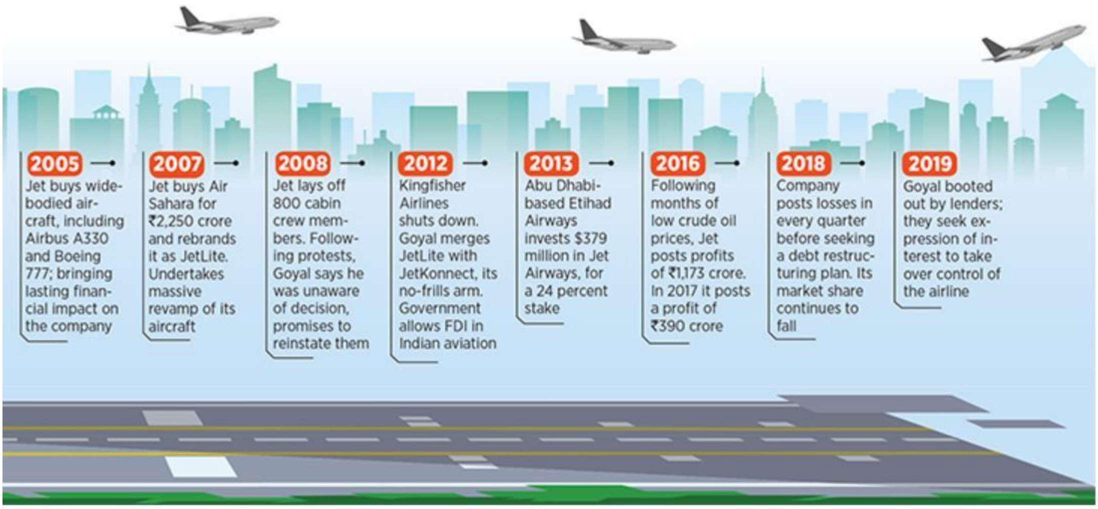


Image 1: - Jet Airways journey into turbulence: A timeline

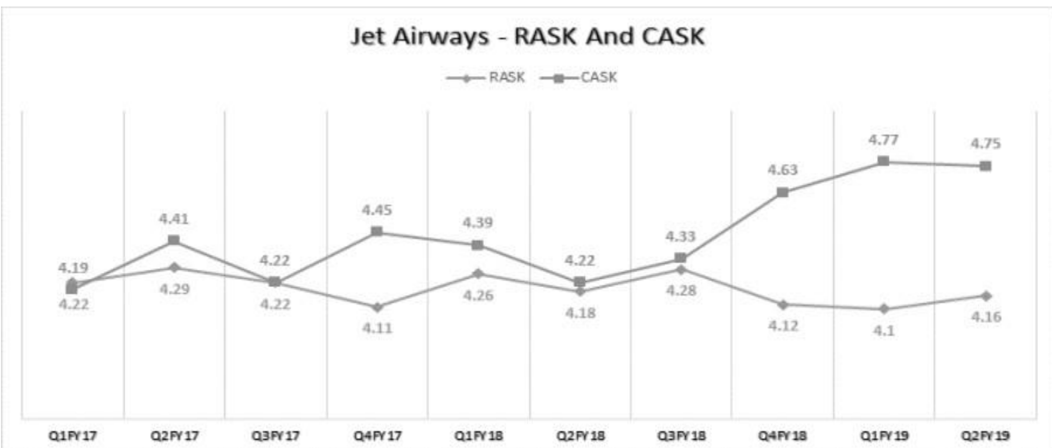


Image 2

Source: https://www.capitalmind.in/

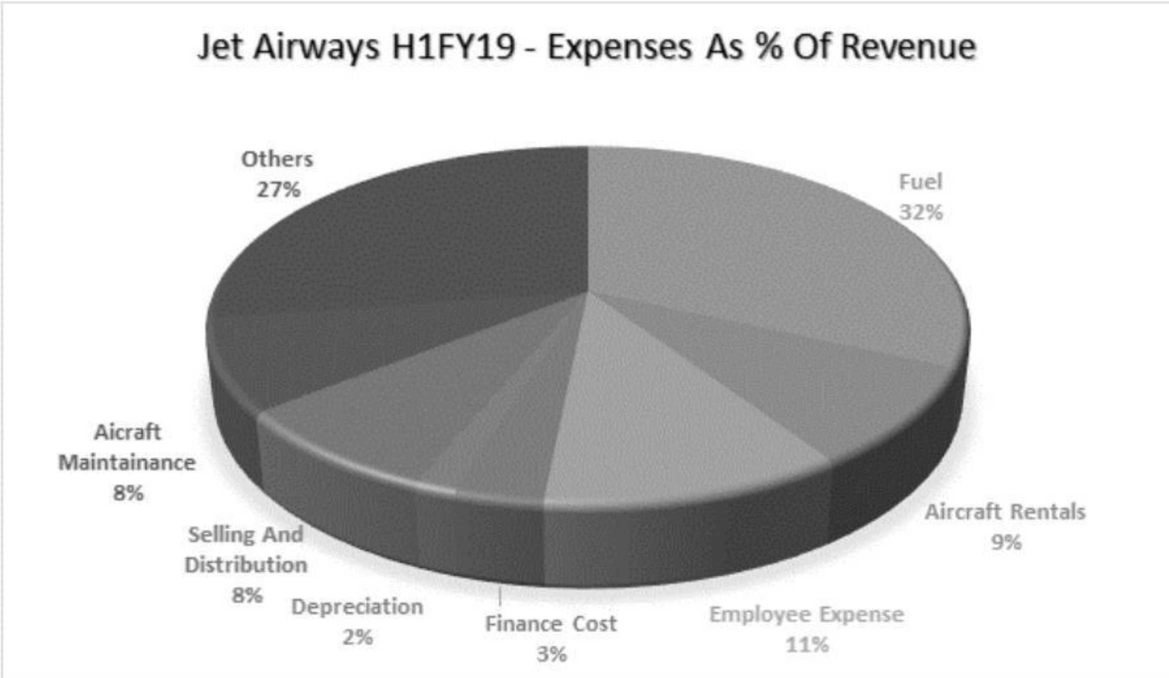


Image 3:-
Source: https://www.capitalmind.in/

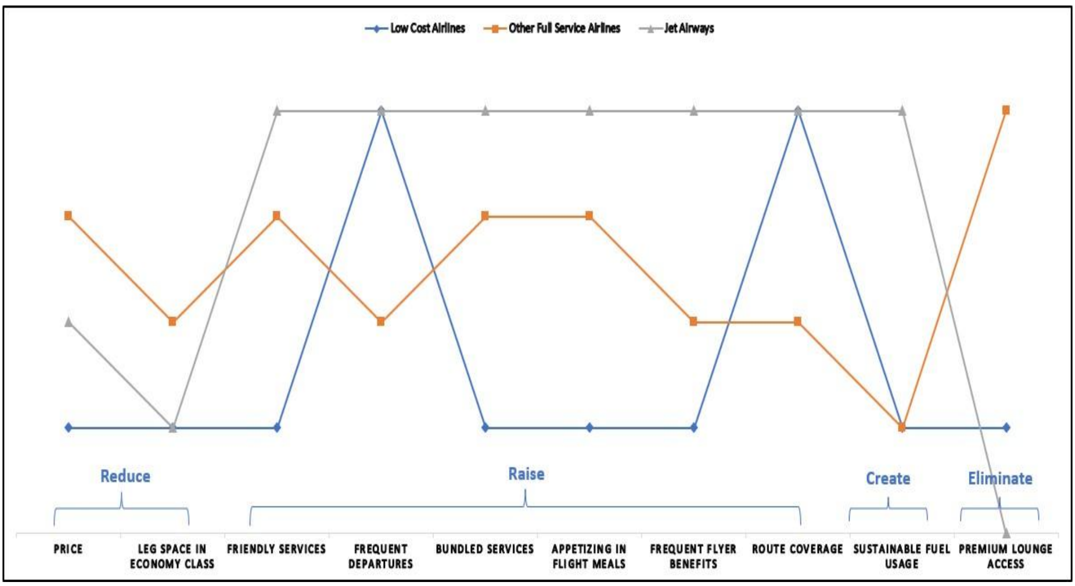


Image 4: - Proposed Strategy Canvas

Table 1: History of Airlines in India

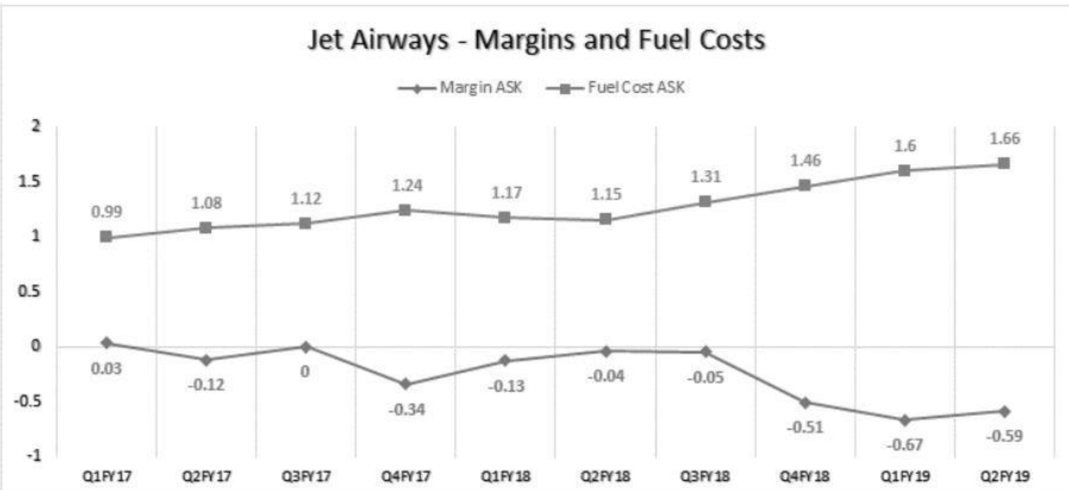
Airline	Year of launch	Year of cessation
Imperial Airways (now part of British Airways)	1912	
Tata Airlines (renamed as Air India)	1932	
Deccan Airways *	1945	1953
Air India	1946	
Indian Airlines	1953	
East-West Airlines *	1991	1996
JA *	1993	2019
JetLite (formerly known as Sahara Airlines) *	1993	2019
Air Deccan	2003	
Kingfisher Airlines *	2005	2012
SpiceJet	2005	
Paramount Airways *	2005	2010
Go Air	2005	
IndiGo Airlines	2006	
Air Costa *	2013	2017
Air Asia India	2014	
Vistara Airline	2015	
Air Pegasus *	2015	2016

** Operations ceased*

EXHIBIT 1

Source: https://shodhganga.inflibnet.ac.in/bitstream/10603/197942/8/08_chapter1.pdf

EXHIBIT 2



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RELIANCE INDUSTRIES LTD. (RIL)'S GREEN HYDROGEN INITIATIVE: CONTRIBUTING TO SUSTAINABILITY

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Abstract

This paper delves into Reliance Industries Limited's (RIL) transformative Green Hydrogen initiative reshapes India's energy landscape. Climate change, driven by activities like fossil fuel usage, poses a severe threat. In response, companies are adopting cleaner energy alternatives, such as Green Hydrogen, to combat climate change. RIL is pioneering, aiming to lead the way in providing cost-competitive Green Hydrogen through technological innovations and strategic partnerships. They're building a massive green energy complex in Jamnagar for solar cells, energy storage, fuel cells and Green Hydrogen electrolyzes. This paper also addresses the challenges RIL faces, including policy support, competition, infrastructure, and the gradual adoption of Green Hydrogen. RIL's success lies in technological advancements, soft-cost reductions, and global collaboration. In conclusion, RIL's Green Hydrogen initiative signifies a critical shift towards sustainability in India's energy sector, offering a low-carbon, sustainable future for India and the world.

Keywords: Green Hydrogen, Renewable Energy, Reliance Industries

Introduction

"You Cannot Direct the Wind, But You Can Adjust Your Sails" [1]

Environmental, social, and governance (ESG) factors are non-financial elements that affect an organization's longevity and impact on social and ecological sustainability. They include environmental concerns such as pollution, social dimensions such as income inequality, and governmental regulations. ESG policies are essential in the fight against climate change, and there is a growing push to integrate them into core business strategies. This approach, combined with hybrid models, is seen as a way to accelerate positive change and help companies achieve sustainable goals and practices.

Climate change refers to long-term shifts in temperatures and weather patterns, firstly driven by human activities such as the burning of fossil fuels, deforestation, and agriculture. It poses a significant threat to human societies, economies, and ecosystems, as well as to the survival of many species. The average global temperature has increased by one °C, and 89% of global CO_2 emissions come from fossil fuels in the industry. The challenge is decreasing global greenhouse gas emissions and reducing climate change through collective action at the local, national, and international levels.

ESG and climate change are two critical challenges facing the world today. ESG factors are non-financial elements that affect an organization's sustainability, while climate change refers to long-term shifts

in temperatures and weather patterns driven by human activities. Both ESG and climate change threaten human societies, economies, and ecosystems. However, there is a growing push to integrate ESG factors into core business strategies to accelerate positive change and help mitigate climate change. ESG factors and climate change are interconnected because ESG policies can help organizations reduce their environmental impact and

[1] Commissioner Allison Herren Lee

contribute to a more sustainable future. For example, a company that invests in renewable energy and reduces its waste stream demonstrates its commitment to environmental responsibility and climate change mitigation.

With the negative consequences of climate change looming, companies are planning to change their approach towards functioning with fossil fuels. Many companies have taken up a responsibility to curb the aftermath of using fossil fuels by opting for Green Hydrogen. As the mission and vision statement of Reliance's Oil to chemical sector goes, "Accelerate new energy and materials businesses while ensuring sustainability through the circular economy and target to be Net Carbon Zero by 2035".[1]

Green Hydrogen is produced by splitting water by electrolysis. It only has Hydrogen and oxygen. We can use Hydrogen and vent out the oxygen to the atmosphere without any negative impact. The purpose of green Hydrogen is to provide a clean, renewable energy source. Green Hydrogen has the possibility to replace fossil fuels in multiple applications, such as, heating, electricity generation, and transportation reducing the impact of human activities on the environment and mitigating the effects of climate change. Additionally, it can also support the integration of renewable energy sources into the grid by providing energy storage and balancing services.

RELIANCE INDUSTRIES

Reliance Industries, led by Mukesh Ambani, is investing heavily in renewable energy to achieve net-zero carbon emissions by 2035. The company (RIL) has established a subsidiary, Reliance New Energy Solar Limited, to focus on developing and adopting clean energy technologies.

Reliance Industries recently announced their plan of becoming Carbon Neutral firm by 2035. To achieve this goal, the company will invest ₹750 billion over the next three years in renewable energy, including a ₹600 billion investment in a 5,000-acre green energy merged complex in Jamnagar, Gujarat. The complex will include production units for solar cells and modules, a battery unit for alternative energy, a fuel cell-making plant, and an electrolyser plant to produce green hydrogen.

Ambani announced Reliance Industries' ambitious plans to transition from non-renewable to renewable energy sources at the company's 45th Annual General Meeting in 2022. The company aims to lead and supply India with affordable green energy.

CASE

FULLY INTEGRATED RENEWABLE ENERGY ECOSYSTEM

RIL is dedicating Rs 60,000 crores towards establishing cutting-edge, global-scale infrastructure for producing and amalgamating essential elements of the New Energy landscape:

- Establishing a comprehensive solar photovoltaic production complex
- Developing advanced alternative energy systems encompassing merged cells, battery packs, and control production
- Constructing a facility for manufacturing electrolysers
- Creating solutions and conducting research for Electric Vehicle (EV) and Fuel Cell Electric Vehicle (FCEV) mobility
- Advancing power electronics and semiconductor technologies
- Setting up manufacturing units for fundamental raw materials and auxiliary components
- Establishing Research and Development hubs for all emerging New Energy Technologies

Additionally, an investment of Rs 15,000 crores is earmarked for value-chain expansion, future technologies, strategic partnerships, and, encompassing upstream and downstream industries. This investment aims to build a fully merged, end-to-end renewable energy ecosystem.

Reliance Industries Ltd (RIL) has taken substantial steps to propel its investments and acquisitions into a broader landscape:

Company Acquisitions:

- Faradion Ltd: RIL acquired Faradion Ltd for GBP 100 million and invested an extra GBP 25 million to boost its growth.
- Lithium Werks: RIL secured assets from Lithium Werks for USD 61 million, paving the way for access to top-notch LFP batteries.
- REC Group: The acquisition of REC Group cost RIL USD 771 million, establishing a leading position in solar cell and polysilicon manufacturing.
- SkyTran Inc: RIL obtained majority stake in SkyTran Inc to innovate fast transit solutions.

  Investments in Partnerships:
- SenseHawk: RIL invested USD 32 million in SenseHawk, focusing on solar project acceleration.
- Ambri Inc: RIL invested USD 144 million in Ambri Inc for long-term energy storage solutions.
- Sterling & Wilson Solar: RIL obtained a 40% stake in Sterling & Wilson Solar to secure its presence in the energy sector.
- NexWafe: An investment of USD 29 million in NexWafe is set to transform solar photovoltaics.
- Stiesdal A/S: RIL partnered with Stiesdal A/S for HydroGen Electrolyzer manufacturing.
- Caelux Corporation: RIL invested USD 12 million in Caelux for advancements in solar technology.

Supporting SMEs:

RIL's Rs 5.95 lakh crore investment in Gujarat aims to create a robust Green Energy setup, fostering SMEs' adoption of Renewable Energy and Green Hydrogen technologies.[4]

- *Technology*: Technological advancements and transformations are being made to produce Hydrogen as an energy source. These have evolved initially from Grey to blue to turquoise green to green *(See Exhibit 1)*, which is the purest form of Hydrogen generated without leaving any carbon residue. Renewable sources like solar, wind, and hydroelectric infrastructures are invested heavily in by companies. The technology should be commercialized to reduce the cost to produce and sell to make it available.

- *Economical*: By 2050, India's demand for Hydrogen might be more than quadruple, accounting for approximately 10% of world demand. Given that green Hydrogen might eventually provide the bulk of this demand, the market for Green Hydrogen in India could be worth $8 billion by 2030.[2]

- *Environment*: Global warming is a consequence of the harmful gases emitted by various industries. Bloomberg New Energy Finance said clean Hydrogen "can help address the toughest third of global greenhouse gas emissions by 2050" in March 2020. The climate impact highly depends on how the Hydrogen is made, and that is where Green Hydrogen comes into play. Around five metric tonnes per annum of green Hydrogen would help avoid fossil fuel imports amounting to Rs.1 lakh crore and reduce 50 million tonnes of carbon dioxide emission annually.

- *Political:* Green Hydrogen has opened various avenues in various domains. The country will not have to depend upon other countries for oil consumption once Hydrogen production becomes routine. The government also plans on giving 19,440 crores to the industry to build enough electrolyser capacity to manufacture 5 million tonnes of Green

Hydrogen annually by 2030. Green Hydrogen would also help save India in Carbon border taxes that will be implemented.

The challenges the company might face would be in terms of the government's policy framework, as the government is improving its policy. Also, India's pace was slow when adopting gas and electricity; hence, the same could be anticipated for adopting Green Hydrogen.

WHAT'S IN IT FOR THE STAKEHOLDERS

As a company, they aim to reach economies of scale by lowering the price of Green Hydrogen from 3.5-5.4/kg to $1/kg. *(See Exhibit 2)*

RIL has started working on developing the Rs 60,000-crore “Dhirubhai Ambani Green Energy Giga Complex” at 5,000 acres in Jamnagar, which will involve production of modules and units for solar cells, a battery unit for alternative energy, an electrolyser plant and a fuel cell-making plant to produce Green Hydrogen

Reliance Industries is committed to its stakeholders and promises to produce a significant amount of benefit from every angle.[2]

- *Employees:* Reliance by adapting the latest technologies and taking climate change-sensitive decisions also give the right kind of environment to their employees who are engaging with the project work. Reliance sets up several training and development centres to ensure faster adaptation and realization of their goal. RIL will hire professionals with expertise in renewable energy, engineering, and chemistry, among others. The specific approach RIL will take to employ people for Green Hydrogen production will depend on various factors, including the scale and scope of its operations in this field.

- *Investors and Promotors*: The Investors are expecting more significant capital gains after Reliance Industries' advent into Green Hydrogen.

Their ESG score will likely improve, and the bullish buy signals as they plan to take aggressive Capex in the next decade. RIL's stock could benefit from adopting Green Hydrogen due to its potential to enhance the company's sustainability credentials and generate new sources of revenue. It will be an attractive investment opportunity for investors prioritizing environmental, social, and governance (ESG) factors.

- *Customers:* Reliance's customers will be more than welcoming the new change of Green Hydrogen adaptation. Customers are likely to react positively to its adoption of Green Hydrogen as part of its commitment to sustainability. As one of India's largest conglomerates, RIL has various customers across various industries, including energy, petrochemicals, retail, and telecommunications. Many customers are increasingly concerned about environmental issues and seek sustainable products and services.

Factors that enable adapting Green Hydrogen for RIL

- Government waivers

There have been specific key government policies and global standpoints to help Reliance steer through this mission. The rejection of inter-state transmission charges has been granted for 25 years to the producer of Green Hydrogen and Green Ammonia from the projects commissioned before 30 June 2025.

- Cost of production

Hydrogen prices have been declining, which, when linked with the growing necessity for decarbonization, the global demand for Hydrogen could grow almost by 400 percent by the year 2050, led by industry and transportation. Green Hydrogen is currently the most unique and competitive form of Hydrogen in the long term due to India's specific edge in low-cost renewable energy generation. Now, the refinery sector in India accounts for almost 3 million tonnes of Hydrogen demand, representing 46% of the total Hydrogen demand in the country. (RMI Analysis)[2]

- Identifying Industrial clusters

Industry clusters can assist to organise and focus support for Green Hydrogen development. Offering incentives and assistance to priority areas, as well as establishing Green Hydrogen procurement quotas for enterprises situated in these clusters helps to solve demand and supply issues while also alleviating financial limitations, allowing for faster implementation. The Western coast belt has been identified as one of the major hubs of refineries. This can be expanded and renewed for producing Green Hydrogen by Reliance, which will help save enormous costs and also help in the success of the first few pilot projects taken up by them. [2]

CHALLENGES AND PROBABLE REMEDIES FOR RIL

Competition

Globally, India is still lagging, and Reliance is just one of the first companies to develop full-fetched renewable energy sources. To compete with the current prices and become a cost leader is a journey through a bumpy road to achieve, given the existing market penetration for Grey and Blue Hydrogen. There are several market players in the global Green Hydrogen market: Toshiba Energy Systems & Solutions Corporation (Japan), H&R Ölwerke Schindler GmbH (Germany) Nel ASA (Norway), Linde plc (Ireland), , Siemens Energy AG (Germany), Cummins Inc. (US) , Wind to Gas Energy GmbH & Co who have already begun their developments and are advancing at a faster pace than that of India. Due to India's lack of expertise as a hydrocarbon exporter, it faces a longer learning curve before it can compete successfully with places like Australia and the Middle East. This is possible with the predictions of bringing costs down. *(See Exhibit3)* But Can Reliance achieve this?

Soft-cost cut down to drive Green Hydrogen producers

Soft costs refer to costs associated with project development, installation, and operation. The development and reach of any new technology is possible only with ease of access to different regions. This can be aided with a gentle push from the government. The fiscal budgets should plan to support the giant companies to drive the change. The initial load on Capex has to be curtailed. The prevailing Green Hydrogen production costs constitute a significant barrier to widespread adoption. How many years can the government incur these charges is to be considered before RIL should reach stability in their operation profits. How will they achieve this?

Hydrogen Storage and Transportation Considerations

Currently, RIL Green Hydrogen preparation is being started only in Jamnagar, but for the expansion, the storage and transportation costs must be considered. From the company's initiative, it has been observed that, as of 2021, there were only approximately 2,800 miles of dedicated Hydrogen pipelines installed globally, with 1,600 miles of those in the United States. There is a lot of room for creating the proper infrastructure.

Cost Leadership

Green Hydrogen prices are determined mainly by the cost of electrolyzers and electricity. Beyond that, there are the operating costs, transmission and distribution (T&D) costs, and wheeling charges for electricity, as well as specific local duties and taxes like the goods and services tax (GST) in India. Nowadays, the cost of Hydrogen produced by electrolysis ranges between $7/kg and $4.10/kg, depending on the technology used and the accompanying soft expenses *(see Exhibit 4)*. This makes it difficult to compete with the current price of Grey or Brown Hydrogen. Yet, India boasts among the world's Lowest Level Cost of Electricity (LCOE) for solar and wind despite maintaining a net importer of natural gas. Given the promises of electrolyze cost and LCOE decline, it is more beneficial to expand green Hydrogen production in India rather than the production of Grey or Blue Hydrogen. The production of Green Hydrogen is currently more expensive than traditional fossil fuels, which could make it difficult for RIL to achieve profitability in the short term.[6]

Driving Demand

Switching to cooking gas and electricity was a process that took a long time to be adopted by various sectors. After that, it was being used for commercial purposes and would apply to Green Hydrogen as well. The adoption of green hydrogen may be delayed due to challenges such as infrastructure, storage, and usage. However, our assessment shows that hydrogen demand could grow more than fourfold between 2020 and 2050, reaching around 29 million tonnes by 2050 (see Exhibit 5). While steel and heavy-duty trucking will be the long-term drivers of demand, in the near term, demand is likely to be driven by the more mature markets in industrial feedstock, such as ammonia and refining. Increased consumption from these two sectors could result in a demand of almost 11 million tonnes per year by 2030, up from the current demand of around 6 million tonnes.[2]

Limited infrastructure

The infrastructure required to produce, transport, and distribute Green Hydrogen has yet to be widely available, which could challenge RIL in scaling up its Green Hydrogen operations. The production of Green Hydrogen is currently more expensive than fossil fuel-based Hydrogen, which could only limit its adoption with significant policy support. Existing infrastructure may need to be retrofitted or replaced to accommodate Green Hydrogen production and use, which could be costly and time-consuming.

This challenge can be tackled by collaborating with countries that can help address some of the infrastructure challenges for Green Hydrogen. For example, some countries may have access to abundant renewable energy resources, while others may have expertise in Hydrogen production or storage. Sharing resources and knowledge can help accelerate the growth of the Green Hydrogen industry.

Storage and Transportation

Hydrogen is a highly flammable gas and requires specialized storage and transportation infrastructure. Reliance would need to invest in developing this infrastructure to ensure the safe and efficient storage and transportation of Green Hydrogen. One way to tackle this challenge is by installing Hydrogen pipelines; they already exist in some areas, and expanding their use could help make Hydrogen more widely available. Hydrogen can also be stored in solid-state form through hydride storage. This technology is still in development, but it has the potential to provide safe and efficient storage for Hydrogen.

Availability of renewable energy

The production of Green Hydrogen requires renewable energy sources like wind power and solar. However, the accessibiltiy of renewable energy sources may be limited, which could impact the scalability of RIL's Green Hydrogen operations. Increase renewable energy capacity: The most direct solution is to increase the capacity of renewable energy sources such as solar, wind, and hydroelectric power. This can be achieved through government policies that incentivize the deployment and growth of renewable energy projects.

Energy storage technologies such as pumped hydro and batteries can help store excess renewable energy for use during times of high demand or when renewable energy generation is low. This can increase the accessibility of renewable energy for Hydrogen production. Remote areas often have abundant renewable energy resources, like solar or wind. Building renewable energy infrastructure in these areas and using Hydrogen pipelines to transport the Hydrogen to urban centers can help increase the Availability of renewable energy for Hydrogen production.

Conclusion

Globally, Hydrogen as a fuel is still in the early stages of adoption, and India is no different. Technologies and the pace of adoption are highly dependent on the government's policy framework, which is still evolving. A slow rate of policy push could drive downside risks to Green Hydrogen adoption and also slow the pace of Green Hydrogen being competitive versus alternatives like gas.

India's adoption of gas and electricity has been a lot slower than anticipated, and this does increase the risk for the pace of value creation for Reliance as well and would push the energy business NAV towards our bear case scenario. Also, global competition for electrolyzer manufacturing is rising, with announced capacity rising to 41GW ~5x current levels. This poses a risk to Reliance's export economics.

The Road Ahead

Reliance New Energy Limited's (subsidiary of Reliance Industries Ltd.) Management and Director are preparing their strategy to reinvent Reliance to become a New Energy major with a focused technology roadmap of 5 to 15 years – including an optimal mix of clean, affordable energy and formulate strategies for business configuration, operations, models, manufacturing, project development within an ever-evolving Indian and global policy landscape.

Reliance's New Energy Council is ready to prepare its subsequent Budget schemes and further Infrastructure layouts for the stakeholders in the ecosystem. How will RIL build and sustain its position in the context of the Global market by bringing about this Green transformational Revolution? Can RIL leverage its partnerships with global companies successfully?

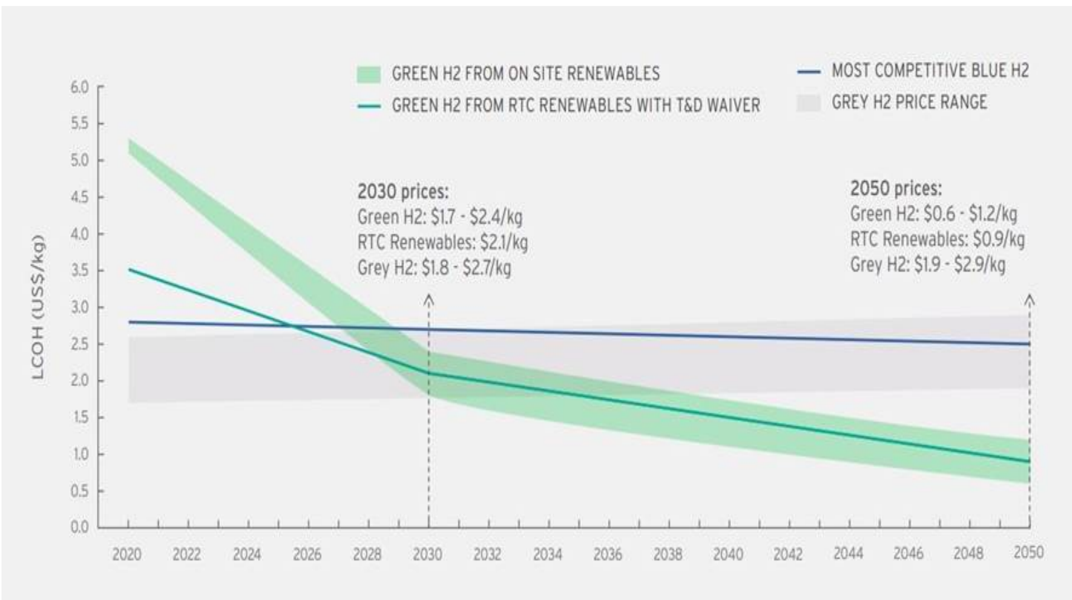
EXHIBITS

Exhibit 1: Production process for all types of Hydrogen development

	Grey	Blue	Turquoise	Green
Process of production	Steam Methane Reforming (SMR) or gasification, in which methane reacts with steam at high pressure to produce hydrogen. It also produces carbon monoxide and carbon dioxide	The same SMR or gasification process is used, but the carbon dioxide released is stored in the ground using carbon capture and storage technology	A process called pyrolysis uses steam to break methane down into hydrogen, oxygen and solid carbon. This is done after methane is passed through molten metal which prevents oxygen reacting with carbon to form carbon dioxide	Electrolysis to split water into hydrogen and oxygen
Energy Source	Coal	Coal	Renewable electricity	Renewable electricity
Emissions	Substantial CO2 emissions	Lower GHG emissions than grey hydrogen	Leaves residual carbon in solid form and not CO2	Zero GHG emissions

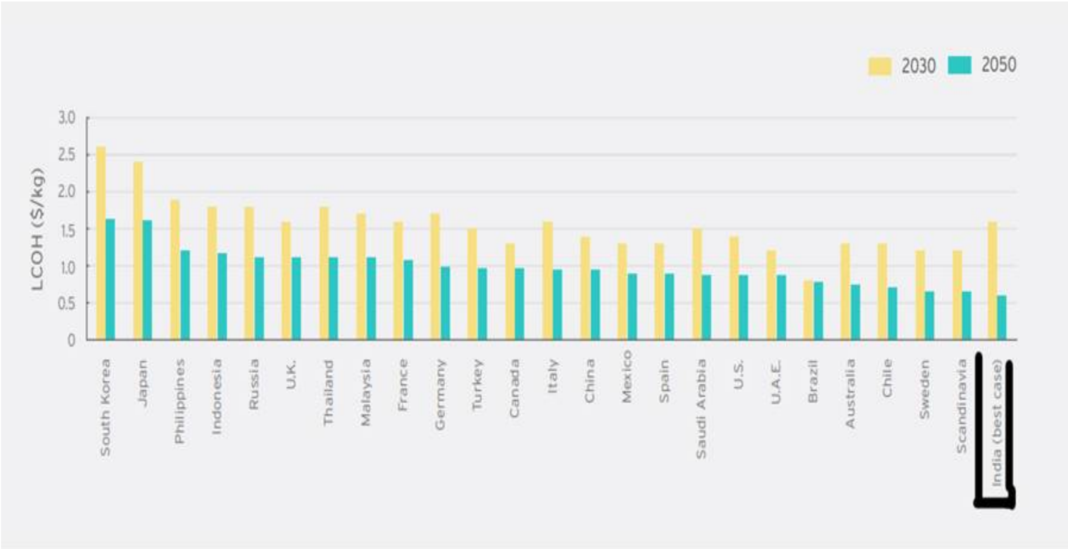
Source: Council on Energy, Environment and Water

Exhibit 2: Projected Price trajectory of solar-green hydrogen production based on decline in electrolyser and renewable costs



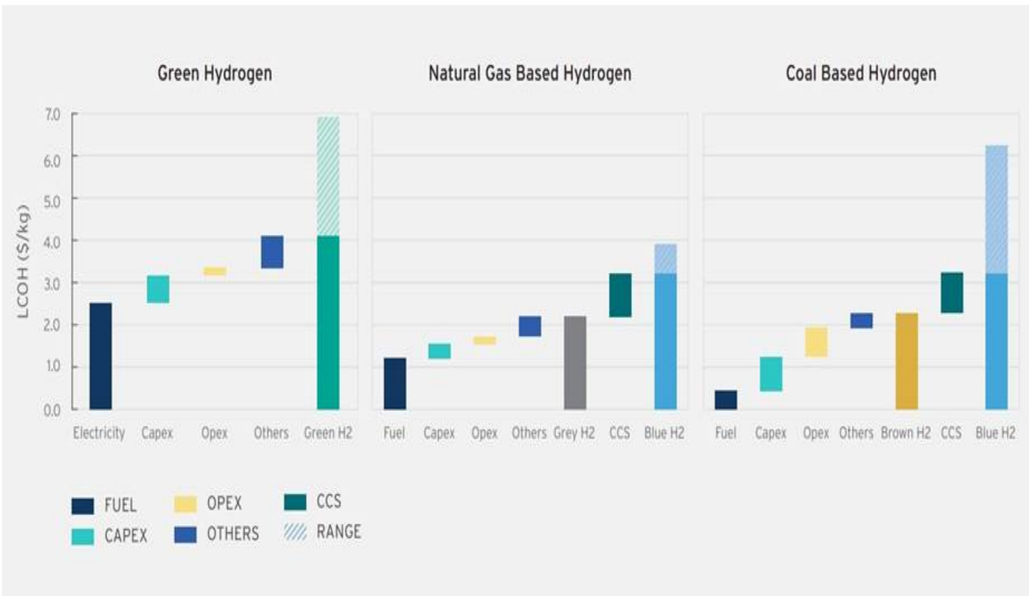
Source: IEA, BNEF, TERI, SECI, RMI Analysis | **Currency conversion:** $1 = ₹72

Exhibit 3: Comparison of levelized cost of Green Hydrogen in selected countries



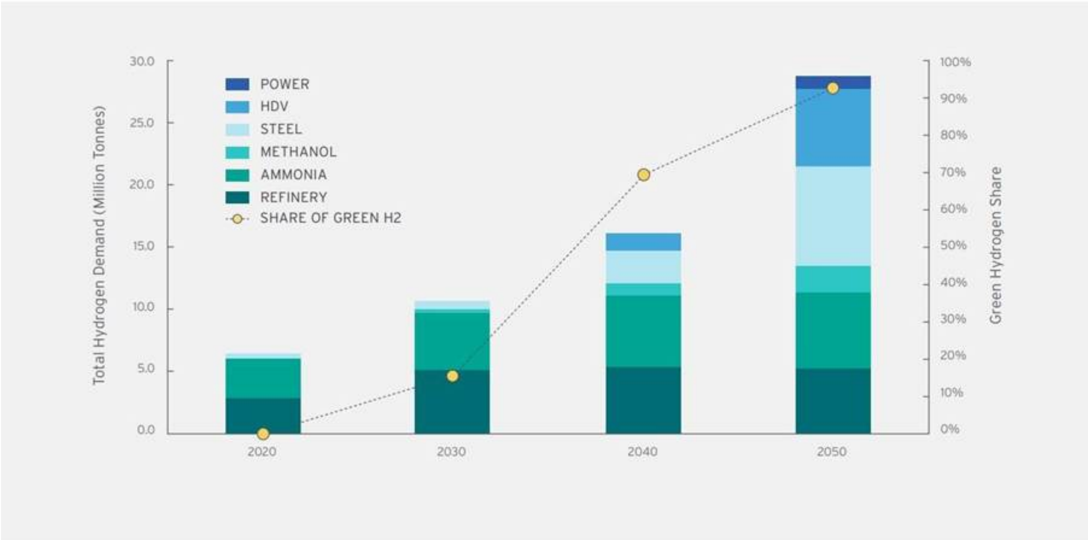
Source: BNEF,[52] RMI Analysis

Exhibit 4: Current cost economies of Green Hydrogen production in India



Source: RMI Analysis for Green and Natural Gas Based Hydrogen; Coal Based Hydrogen analysis adapted from TERI and BNEF

Exhibit 5: Hydrogen demand outlook and potential Green Hydrogen share at cost parity



Source: MoS, MoC&F, MoPNG, IEA, TERI, BCG, World Bank, RMI Analysis

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NETFLIX AND CHILL – PERCEIVING THE NEW MODE OF CHANGE MANAGEMENT

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Abstract
Netflix is a renowned streaming service that grants its users access to a wide array of TV series, movies, documentaries, and various content. Over time, it has evolved its business model and implemented fresh strategies, solidifying its position as one of the most favored video streaming platforms for internet users. It has not only managed and responded to technology but also has made it its advantage to use organizational change efficiently. Netflix is a prime example of a firm that has modified its strategies and its corporate model in order to get a competitive advantage. This case study focuses on how Netflix has responded to change and how it has managed to adapt to change.

Keywords: Streaming, Adaptation, Disruption

Introduction

"*Hard work is irrelevant unless it solves a problem.*"

- REED HASTINGS

The only constant in life is change

Following a decline of 1.2 million subscribers in the initial half of 2022, Netflix (NASDAQ: NFLX) successfully gained 10.1 million new members in the latter half of the year. This positive development significantly contributed to the increase in the stock price, which has surged by 100% from its lowest point in the past 52 weeks, as of May 6, 2022. How did Netflix manage to come back with an improved number of users and increased stock price? For Netflix, change strategy is not a new subject that they have to master it now.

SUSTAINING CHANGE

Technology has brought so many changes in the world be it the field of education, business, sports or entertainment, it has changed the course of how things worked and those that have not been able to cope up have been shut down. But those who managed to survive are thriving with technology. Netflix is a contemporary example of an organization that has not only coped with technology but has made it its advantage using organizational change efficiently.

Netflix serves as a modern illustration of an organization that has not only successfully adapted to technology but has also adeptly harnessed it to its advantage through efficient organizational change. Today it is one of the leading internet television network present in over 190 countries. No wonder Netflix has become one of the most popular video streaming platforms for netizens by changing its business model and coming out with new strategies in the growing time. This journey of Netflix has been long but their work is admirable, which we will explore one by one

CASE

TURN ON THE TV AND PRESS PLAY

Netflix was a DVD rental company that was founded in 1997 in California, USA. It introduced an unlimited DVD rental monthly membership service in 1999. Netflix initially introduced its streaming service in the United States back in 2007, making it a pioneer in this field for approximately 16 years. Being among the first to venture into this space has undeniably worked to the company's advantage. In the beginning, Netflix primarily offered an enhanced user experience, allowing customers to watch their desired content at their convenience, which was a marked improvement over the expensive and inflexible nature of traditional cable TV. From 2007 to 2022, Netflix changed its membership model by allowing its applications for iOS and Android devices, as well as movies and television shows, to include a "video on stream" feature. This allowed customers to access high-quality HD content even while they were offline. Since 2016, Netflix has expanded to almost 190 countries, with operations already in place in Brazil, France, the Netherlands, the United Kingdom, Japan, South Korea, and India.

Today, Netflix boasts a customer base of over 200 million worldwide and is accessible in more than 190 countries. According to Nielsen data, Netflix holds the top position in the United States, accounting for the highest share of TV viewing hours among all streaming services, with 7.5% of total viewing time. Hulu comes in second at 3.5%. This trend has been amplified by the steady takeover of streaming services in our living rooms. In January 2022, streaming represented 28.9% of television viewing time domestically, compared to 38.1% just a year later. During this same period, both cable TV and broadcast TV have seen their viewership shares diminish (refer to Exhibit-1)

Netflix relies on a subscription-based revenue model, where users pay a monthly fee to access its content library. Depending on the number of screens a subscriber wants to use concurrently and the video quality, Netflix offers several subscription plans with different pricing tiers. Additionally, to encourage potential members to try their service, the company offers a one-month free trial. Consequently, streaming has become the most favored method of consuming video entertainment.

By licensing agreements and original productions, Netflix continually invests in new content to preserve its revenue stream. To support its streaming service and guarantee a seamless viewing experience for users, the corporation also makes significant investments in infrastructure and technology.

TUDUM ……JOURNEY OF CHANGE BEGIN.

Since the revenue model of the Netflix is pay per use in the beginning i.e during late 90's. and as they observed the demand and the frequency for the videos of the films, Netflix began their journey of implementing the change, which was from pay-for-use model to a monthly subscription model. This service allowed Netflix's subscribers to enjoy unlimited DVD rental with monthly payments. Customers established a movie queue, and the company dispatched DVDs to their residences in the appropriate order as each disc was sent back. During the late 1990s and early 2000s, this approach proved to be quite successful. Consequently, Netflix acquired millions of customers and became a publicly traded company in 2002.

But, as entertainment changed, so did the ways in which viewers consumed it. Netflix's growth would have slowed down if it had kept sending out brittle, physical discs in envelopes due to limitations imposed by the U.S. postal service, the shelf life of the DVD format, and its physical inventory.

In 2007, Netflix introduced its second change, online video streaming feature for movies and television series through which they were able to achieve competitive advantage and became one of the most popular platforms with 200 million subscribers worldwide. This was a highly disruptive change as it completely revolutionized the concept of watching movies and Tv shows online.

But this change was hard as the company's change management had a difficult beginning. Upon Netflix's declaration of separate charges for digital streaming and DVDs, customers initially reacted with anger, leading to a loss of 800,000 subscribers by the conclusion of 2011. Netflix's stock price plummeted by 77% in a mere four months. Notwithstanding the initial upheaval, Netflix's leadership remained resolute in their commitment to this shift, and in 2017, the company outpaced U.S. cable providers in terms of total subscribers.

"*We've got one singular objective, which is 'Be successful in streaming.' If we do that, that's a home run.*"

- Reed Hastings

Reed Hastings, the CEO, was well aware that DVDs were becoming obsolete, and in order for Netflix to thrive, he recognized the necessity to pivot and embrace the digital future. As it was the need of the time, this change was eventually accepted widely and positively by consumers. Their success can be defined by how they do proper utilization of force of change by adopting new features as per audience demand. (Refer Exhibit-2)

There are many forces that drive organizational change, they can be external or internal like changes in technology or people’s expectations, likes or dislikes in terms of watching content, employees' new skills, etc.

“Information is the oil of 21st Century, And Analytics is the combustion engine”

-Peter Sondergaard

Netflix effectively navigated and adapted to change by considering multiple factors. One significant change introduced by Netflix involved leveraging data to gain insights into its business and the global landscape. To achieve this, Netflix amassed extensive data, including clickstream data (which tracks what people watch and when), social media activity, third-party research, and more. The data team then employs a combination of qualitative and quantitative analysis techniques to extract valuable insights from this data.

For example, if the team identifies that many fans of "Stranger Things" also frequently enjoy watching "You," they may use this data to offer tailored recommendations to viewers who haven't watched "Stranger Things" or to those who have completed the series and are seeking similar content. This data-driven decision-making process aids in monitoring and analyzing data to deliver more personalized recommendations and enhance the overall streaming experience

SUCCESS MANTRA

The change management process of Netflix is a model that every company should take inspiration from. And to make this change possible, Netflix has a team dedicated to it.

When Netflix faced the challenge of shifting from DVDs by mail to a streaming service, lots of files had to be stored in the cloud and figure out how people could access them with ease. For this Netflix needed deeply experienced people like those working in giant scale companies like Amazon, Google and Facebook which aren't the easiest place to hire someone away from. Netflix reinvented HR and various policies in a way no one would have thought to accommodate and retain high performing employees at the organization. The compensation philosophy of Netflix did not believe in performance bonus as they think It's not needed if you bring in the right individuals. They advocated for compensation based on market rates and advised their staff that it was wise to explore opportunities with competitors whenever possible to gauge the market value of their skills. Netflix considered this information valuable..

"*Never tolerate brilliant jerks. The cost to teamwork is too high.*"

- Reed Hastings

Netflix managers were told building a great team was their most important task. Managers were nor judged on how good of a coach or mentor they were but, on the fact, how they formed the right team which was the utmost priority.

FIERCE BATTLE

Inspired by Netflix, many competitors have learned its game and started providing similar streaming services. From Disney to Apple to Warner Bros everyone has entered which is pushing Netflix continues to evolve, diversifying its offerings. For instance, the company expanded into the realm of podcasts and began selling merchandise related to popular series such as "Squid Game" and "The Witcher." Additionally, Netflix has intentions to introduce video games within its mobile streaming app, with a unique approach that draws from its existing movies and TV series.

Over the past few years, Netflix shifted the emphasis of its senior leadership toward its fresh global strategy. In order to make its most important judgments, the business additionally assembled a top team of 25 executives from various field called the “L staff” where the “L” stands for leadership and sits between the company’s officers and its executive corps of VPs and above who are called the “E staff”.

“For businesses to achieve strategic agility, leaders must accept responsibility for delivering their company’s strategy”

-Reed Hastings

FORTUNE FAVORS THE BRAVE

In 2002, in nearly a decade, Netflix lost quarterly subscribers, stock prices were halved and the popular corporate culture of Netflix was soured somewhere. This compelled the company to look for new changes like subscriber plans or ad- supported versions of the platform. To cope with the damage Netflix announced it would explore introducing a cheaper ad-supporter tier to help combat slowing subscriber growth. The streamer's new ad-supported tier was on sale in the United States in November 2022 for $6.99 per month, a significant drop from its usual ad-free tier's price of $15.49 per month

The other change in Netflix's business was no free trial. Customers found the one-month trial to be a simple on-ramp, and over 90% of subscribers upgraded from the trial to a premium membership.

However, as Netflix grew, the expense of providing content during the trial period increased, and more users canceled and then re-subscribed (as new series were added and removed). As a result, Netflix chose to discontinue the free trial

Another significant change occurred in the most recent pricing and plan display. Until recently, the number of simultaneous streams available to a member was displayed in a single row on the plan page: one stream for the Basic plan, two streams for Standard, and four streams for Premium. Customers were incentivized to opt for pricier plans as they provided more concurrent streams, leading to increased account sharing. Netflix initially didn't regard account sharing as a major concern during its rapid expansion, as having multiple profiles for a single user yielded more preference data and likely improved customer retention. However, as growth has slowed down, Netflix now needs to address the issue of sharing.

Netflix foresees that it will require about a year to identify the most effective strategy. The company acknowledges that account sharing has been a consequence of its customer-centric approach, which allowed users to easily create multiple profiles and enjoy a diverse range of content simultaneously. Adjusting user expectations regarding account sharing will be a gradual process. For many, the ability to share accounts with individuals beyond their household adds significant value. Consequently, when Netflix imposes sharing restrictions, some users may choose to cancel their subscriptions.

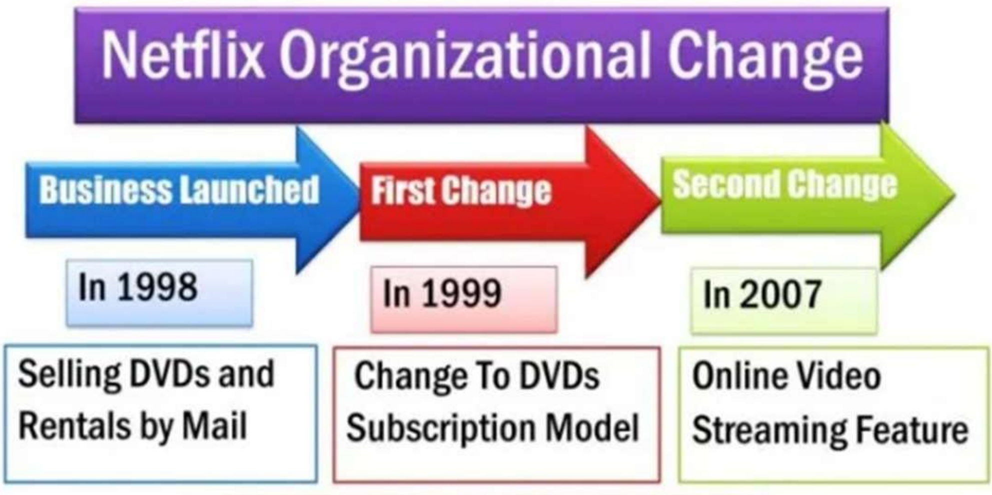
Nevertheless, Netflix is optimistic that a substantial portion of the 100 million "sharers" might eventually opt for a premium subscription. The utilization of shared accounts is akin to a trial period because these potential customers appreciate the service, possess high-speed internet, and smart TVs. Consequently, the transition to paid subscriptions should be equitable. It thus remains to be seen whether Netflix will advance with its strategy and retain its membership or whether it is time for Netflix to undergo a major change.

Exhibits

Exhibit 1

Company	No. of subscribers	Revenue
Netflix	230.8 M	$31.6 B
Amazon Prime	200	$10-15 B
Disney+	161.8 M	$7-9 B

EXHIBIT-2



source: https://newsmoor.com/netflix-organizational-change-organizational-management-change-examples/

Exhibit-3

2011	Introducing mobile apps and ios service for smartphone users
2013	Introduced the concept of binge watching with the release of "House of Cards"
2015	Launched their own production company, Netflix originals
2016	Launch of offline playback feature to cache the contents
2018	Added "Skip the intro" option for customers to avoid intros of the shows
2022	Intended to extend its business into the video gaming industry
2023	Launches a new advertising tier for subscribers to increase their revenue and lowering cost for subscribers by making them encounter ads while watching videos

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FUTURE OF ELECTRIC VEHICLE (EV) IN INDIA

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Abstract

The demand for sustainable mobility, growing concerns about climate change, and growing excitement for environmentally friendly transportation solutions have all contributed to the electric vehicle (EV) industry's recent rapid expansion in India. Nonetheless, a number of firms are already entering the Indian EV market for the two-wheeler sector, which might be dangerous for any company operating in that sector. One major challenge facing the Indian EV industry is the lack of defined practises, which has an effect on both present operations and future potential. The demographics of India offer certain obstacles to the adoption of EVs, but there are also opportunities, especially among educated consumers and in metropolitan areas. This will necessitate large investments in manufacturing infrastructure and R&D. To succeed in the electric vehicle market in India, Honda must deliberately concentrate on producing high-quality, reasonably priced electric cars that are customised to the unique requirements of the Indian customer base.

Keywords: Sustainable mobility, Electric Vehicle, Climate Change, EV Technology

Introduction

According to Atsushi Ogata, CEO and MD of Honda Motorcycle and Scooter India (HMSI), the business intends to launch its first electric vehicle (EV) by March 2024. However, obstacles related to its growth plan, intense competition in the electric two-wheeler sector, and acceptance hurdles for EVs could pose problems for Honda along the way. So the question is: Is now the right time for Honda to introduce electric cars to the Indian market?

Growing worries about climate change, environmental degradation, and the need for sustainable transportation options have led to a recent spike in interest in electric vehicles, or EVs. Governments and automakers are investing globally to advance the development of electric vehicles (EVs) and the infrastructure required to facilitate their mainstream adoption.

Considering their dependency on power and ability to produce zero emissions, electric vehicles (EVs) are becoming more and more popular as a potential solution to many of these problems. Embracing electric vehicles (EVs) not only lessens our reliance on imported oil but also cuts down emissions linked to global climate change. The Indian government is actively promoting EV adoption through policies and incentives, driven by the ambitious aim of achieving a net-zero emissions economy by 2070. Consequently, numerous automakers have unveiled plans to introduce electric vehicles in the country. Honda is one such brand, which is trying to enter the two-wheeler EV market in India. Though Honda has been a strong brand name in the Indian market for several years, the EV market in India for the two-wheeler industry is already sprouting with several brands, which can pose a threat to any player. Ampere Electric, Bajaj Auto, Ather Energy, Revolt Motors, TVS Motors etc. are major key players that offer a variety of electric two-wheelers, including scooters, motorcycles, e-bikes and e-cars.

In the article published in outlook India on Jan 23, 2023, HMSI's CEO, Atsushi Ogata announced, "We are looking to launch the first electric model in March, 2024. It is being developed on a completely new platform and is based on the requirements of the Indian market"[1]. The first electric vehicle model from HMSI will have a battery that cannot be removed or swapped, while the second model will have a battery system that can be replaced with a fully charged one, when necessary. He also mentioned that the company is contemplating leveraging its current sales infrastructure, comprising over 6,000 outlets, to develop charging infrastructure for its electric vehicle (EV) lineup. Headquartered in Minato, Tokyo, Japan, Honda Motor Co., Ltd. is a prominent multinational corporation known for manufacturing automobiles, motorcycles, and power equipment. Since 1959, Honda has held the distinction of being the largest global brand in automobile and motorcycle production. With operations spanning over 150 countries, the company engages a workforce of more than 215,638 individuals to manage a wide array of activities globally. Presently, Honda is actively marketing its electric vehicle (EV) scooters in both China and Japan. However, EVs still face some barriers to adoption in India, including high costs, battery safety concerns, limited charging infrastructure, and slower speeds compared to traditional vehicles. The cost of lithium-ion batteries, which make up almost 50% price of EVs, along with the absence of charging stations are among the main factors that could hinder the growth trend of the EV industry.

Market Attractiveness: Indian Context

In 2020, the Indian electric vehicle (EV) market was valued at USD 220.1 million, and it is projected to experience a remarkable Compound Annual Growth Rate (CAGR) of 94.4% from 2021 to 2030 [2]. The expected growth during this period is driven by enticing incentives offered by the Indian government to promote the manufacturing and purchase of electric cars. Despite a significant decline in the sales of both passenger and commercial vehicles in 2020, attributed to the impact of the COVID-19 pandemic, electric car sales in India remained robust. A noteworthy factor contributing to the momentum in the Indian EV industry is the post-lockdown surge in the sales of both pure and hybrid electric vehicles. Additionally, the anticipated market expansion is strongly influenced by the government's stringent regulations on Greenhouse Gas (GHG) emissions. This includes the implementation of BS VI emission standards by the Ministry of Road Transport and Highways in India.

India is gaining more recognition in the worldwide automotive sector, attracting the attention of companies aiming to establish manufacturing facilities in the country. Few years ago (2020), Dana TM4 Inc. announced its plans to build a manufacturing plant in Pune, Maharashtra, covering an area of 4,600 square meters [3]. This facility is intended to produce electric motors, vehicle control systems, and low- to high-voltage inverters. The design of the second phase of the Faster Adoption and Manufacturing of Electric Vehicles program aims to enhance the acceptance of electric mobility and promote the establishment of a resilient manufacturing ecosystem.

The year 2022 was a real electric one for the car sector. There was no halting the electric vehicle (EV) boom, as Indian roadways saw a roughly three-fold increase in this quickly expanding market, from hatchbacks to SUVs to motorcycles. According to statistics given by VAHAN, India's EV market has risen by more than 200 per cent this year, from 3.2 lakh EVs in 2021 to over 10 lakh electric cars in 2022; adoption increases from 0.7 percent in 2019 to 1.7 percent in 2021[4]. In 2022, electric cars accounted for 4.7% of total vehicle sales. Please refer to Exhibit 1 for Market share and sales [5].

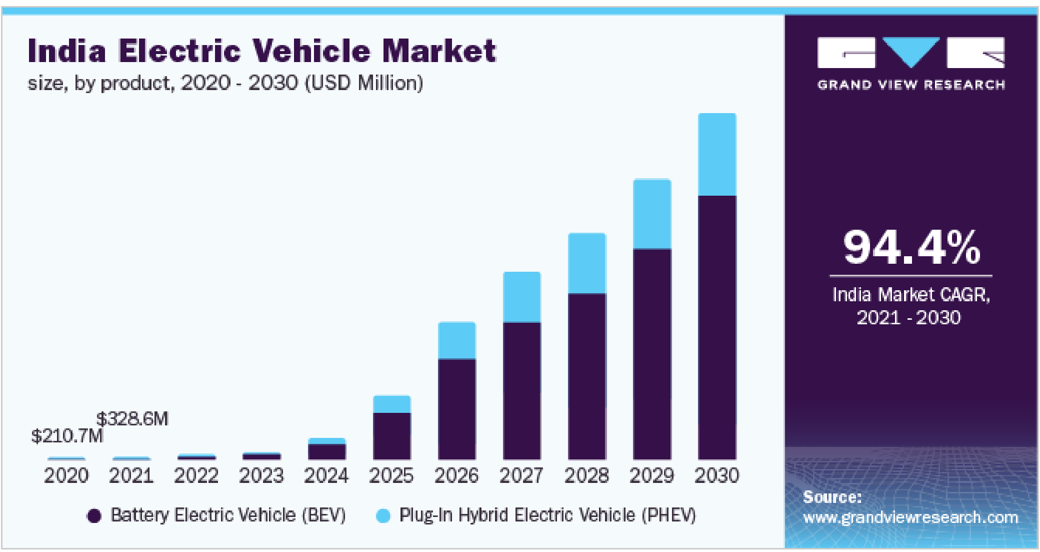


Image Source: Grand View Research

Image Source: **CNBC TV 18**

It's interesting to note that roughly 8 lakh two-wheelers are followed by over half of the country's electric vehicles, which are mostly three-wheeled commercial vehicles. As of December 9, a total of 7,47,000 electric vehicles (EVs) have been sold through the FAME India Phase II initiative, with 64 registered original equipment manufacturers (OEMs) of EVs [6]. By December 8, 2022, India has witnessed the registration of over 1.8 million EVs. Karnataka leads with maximum EV stations at 774 followed by Maharashtra with 660 active public EV charging stations, Delhi with 539 and Tamil Nadu with 439 [7]. Presently, there are 5,151 operational EV charging stations across the country. Anticipate numerous new electric car launches in 2023, as around 30 pure EV companies are set to introduce their products at the January Auto Expo, joining established OEMs in showcasing electric vehicles.

Market Attractiveness: Global Context

The worldwide electric vehicle market reached a value of USD 205.58 billion in 2022 and is projected to reach approximately USD 1,716.83 billion by 2032.

It is experiencing a compound annual growth rate (CAGR) of 23.1% over the forecast period from 2023 to 2032 [8].

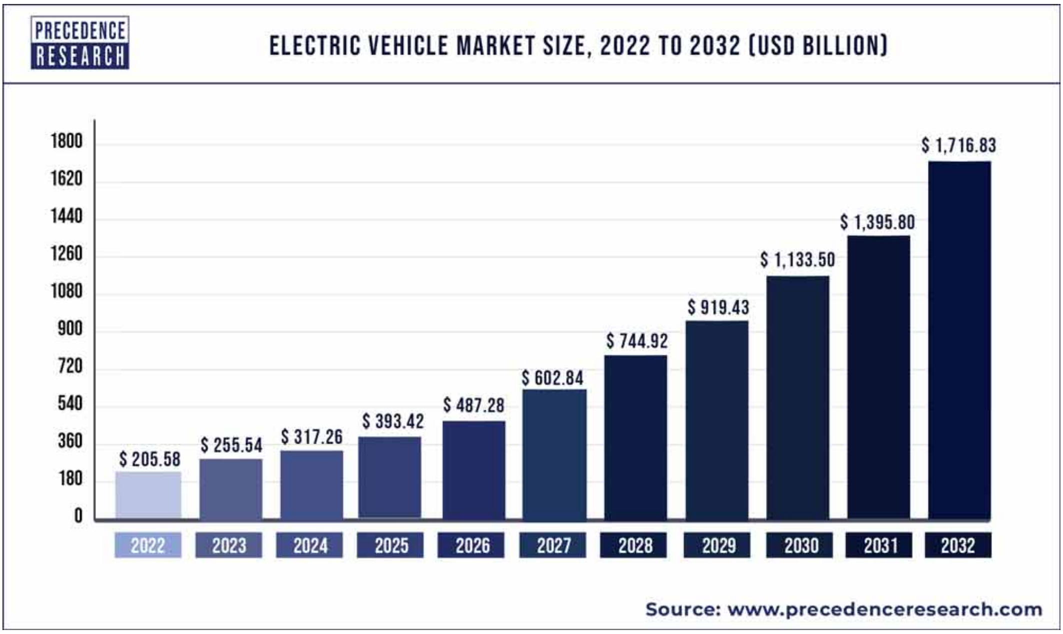


Image Source: **Predence Research**

It is evident that electric vehicles are significantly influencing the automotive industry. Despite challenges brought about by the COVID-19 pandemic and resulting disruptions in the supply chain, the electric vehicle (EV) sector has exhibited substantial growth. The electric vehicle (EV) sector in the Asia Pacific is expected to experience steady growth, driven by a significant demand for affordable, low-emission cars. On the other hand, North American and European markets are rapidly expanding, fueled by government initiatives and a growing market segment for high-performance passenger vehicles. In the ongoing shift towards complete electrification, approximately 95% of global electric car sales are concentrated in few countries like China, Europe, and the United States, leaving the rest of the world trailing behind. Additionally, the relatively sparse distribution of EV charging stations and hydrogen fuel stations poses a potential obstacle to the expansion of the EV market. This market's expansion may be ascribed to rising demand for longer-range, low-emission automobiles.

- Continuous advancements in EV technology provide significant potential for industry participants over the next decade.
- The luxury electric vehicle (EV) market is projected to reach USD 441,273 million by 2030, a significant increase from its 2021 value of USD 104,380 million [9].
- The increased demand for low-emission cars & government backing for their usage, are driving market expansion in Europe.
- Electrifying transportation contributes to reducing air pollution, reliance on imported oil, and climate change.

Transitioning to electric transportation offers numerous benefits, particularly highlighted by recent events such as Russia's invasion of Ukraine, underscoring the importance of electric vehicles (EVs) in reducing dependence on oil. According to commitments and statements from the Advanced Power System (APS), the adoption of EVs could lead to displacing 1.6 million barrels per day (mb/d) of oil by 2025 and 4.6 mb/d by 2030, excluding two and three-wheelers. In addressing climate change, EVs contribute to a net reduction of approximately 580 Mt CO_2-eq in greenhouse gas emissions within the APS, surpassing Canada's current energy-related CO_2 emissions [10]. Even though the transition to electric transportation inherently raises power consumption, projections suggest that electric vehicles (EVs) will constitute approximately 4% of the overall final electricity demand in the APS by 2030. The energy consumption expected from EVs in the APS by 2030 is comparable to twice the entire electricity usage of Brazil at present, amounting to 1100 terawatt-hours.

ROLE OF GOVERNMENT

The Indian government has implemented several programs to promote the adoption and production of electric vehicles (EVs) in the country. The Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles (FAME-II) initiative is formulated to increase the usage of eco-friendly vehicles. The Production Linked Incentive (PLI) scheme provides incentives for companies involved in the manufacturing of EVs and associated components within India. The Battery Swapping Policy aims to improve charging convenience, and the Special Electric Mobility Zone offers both fiscal and non-fiscal incentives for establishing EV manufacturing and research and development facilities. Additionally, tax reductions on EVs have been put in place to enhance affordability for consumers.

- FAME II

  Launched in April 2019 with a budget of INR 10,000 crore, the FAME-II scheme in India was designed to promote the adoption of electric vehicles. Initially focused on the acquisition of various electric vehicles, such as three-wheelers, buses, and two-wheelers, the scheme's initial deadline was extended from 2022 to March 31, 2024, as revealed in the fiscal year 2022-23 budget [11][12].

- PLI SCHEME

  Department of Heavy Industry launched the PLI ACC Scheme to attract investments for large-scale manufacturing of ACC batteries in India. Aligned with the Atmanirbhar Bharat initiative, the scheme provides a

  total pay-out of INR 18,100 crore (approximately USD 2.5 billion) distributed over five years following the commencement of the production facility [13].

- BATTERY SWAPPING POLICY

  The Finance Minister has suggested the introduction of a Battery Swapping Policy in India, with the goal of establishing consistent battery standards for electric vehicles (EVs) across the nation. This policy is designed to promote the adoption of EVs in sectors where time is critical, such as delivery services and inter-city transportation. Battery swapping is seen as a more efficient option compared to time-consuming on-the-spot recharging, and the standardization of batteries enhances compatibility for consumers. By implementing uniform configurations for a specific category of EVs, the policy addresses compatibility concerns for buyers during battery swaps, simplifying the transition to electric mobility in the country.

- DUTY REDUCTION ON EV
  Lowering customs duties on ferro nickel, nickel oxide, and nickel ore—all necessary for producing nickel-manganese-cobalt batteries—is one of the strategies in place. It is anticipated that the reduction in customs duties will lower production costs for domestic manufacturers of electric vehicle batteries. To further lower the cost of EVs overall, there is a proposal to lower customs duty on motor parts from 10% to approximately 7.5%. The goal of this action is to promote growth and affordability.

Problems Related to Adoption in EV

One of the primary worries of potential purchasers of electric vehicles (EVs) is the initial financial commitment, which is further complicated by the government's limited availability of incentives. Although there are many different discount programmes available, these incentives often have caps, which limits the accessibility of EVs once the allotted benefits are exhausted. The high cost of replacing lithium-ion batteries, which have an 8–9 year lifespan, exacerbates the cost issue even more. One of the main barriers to the widespread adoption of EVs is the lack of infrastructure, which includes both home charging setups and charging stations. Potential EV buyers may be discouraged by the limited availability of charging stations and the need for particular home installations, especially in places with inadequate infrastructure.

The absence of an international charging standard makes building a robust charging network more challenging. The proliferation of distinct charging outlets possessed by different electric vehicle manufacturers poses a hindrance to the progress of creating a universally recognised and compatible charging network. Extreme temperature changes have an impact on EV batteries' performance. Using EVs is challenging in places with extreme temperatures, whether they are too hot or too cold. Batteries are not appropriate for environments with extremely high or low temperatures because they perform best in a specific temperature range.

The predicted increase in power consumption challenges the environmental benefits of electric vehicles (EVs), especially if the energy is not generated sustainably. The need to use conventional fossil fuel-based power sources in order to meet the rising demand for energy is in conflict with the environmentally friendly objectives of EV adoption. The infrastructure in place for EV maintenance and repair in the industry is out of step with the most recent advancements in technology. Because there aren't enough qualified individuals to handle EV maintenance, servicing and repairing electric vehicles can be challenging, which affects customer confidence.

The majority-rural population of India poses a barrier to the widespread adoption of EVs due to their lack of knowledge and accessibility. Because purchasing power is influenced by income levels, affordability is still a concern. Awareness and comprehension of EV technology are influenced by educational attainment, and adoption rates are also influenced by consumer mindset, which is frequently resistant to change.

Road Ahead of HONDA

India has a massive market for two-wheelers, with over 200 million on the road, presentingan enormous opportunity for electric two-wheelers and related infrastructure. An analyst predicts that the current 10% EV market share will increase to 20% for two-wheeler EVs within the next five years. However, Honda faces a significant challenge as the industry is rapidly changing, and new players have already taken hold of the market. Exhibit 1 shows the market share.

One interesting aspect of the EV market for two-wheelers is that while scooters dominate this market, traditional motorcycles still make up the majority of the 2-wheeler market in India (60-65%). However, the analyst suggests that Honda can gain a foothold in thismarket by focusing on motorcycles, which currently only has Revolt motorcycles and regional players in the market. This would allow Honda to cater to the same set of customers who currently make up the bulk of the market (65%). The shared mobility and delivery segments also predominantly use motorcycles, which means there is still significant demand for this type of vehicle. However, the analyst notes that the motorcycle user is different from the scooter user, and they prioritize higher range and performance. This means that motorcycles will likely become more leisure, premium, and performance-oriented, requiring bigger batteries and faster charging, which could make them more expensive. Currently, there are only a few companies that have ventured into this category, including Tork, Ultraviolette, and Revolt. However, the supply chain may not be adequately prepared for the projected increase in demand. As a result, it remains to be seen whether Honda can successfully capture a significant portion of this market.

Though, the Indian demography presents some challenges to the adoption of EVs, thereare also opportunities, particularly in urban areas and among educated consumers. Despiteall the challenges, Ogata is all set to venture this market by debuting into E-bikes. Honda has recently displayed its latest electric motorcycles, such as the Cub e, Dax e, and Zoomer e, all derived from their existing petrol-powered models. These electric bikes are currently available for purchase in China, indicating that Honda is adopting a strategy similar to other original equipment manufacturers (OEMs) by initially retrofitting existing petrol vehicles with electric motors.

By retrofitting existing models, Honda can leverage their existing supply chain, distribution network, and customer base, which can help to reduce costs and speed up the production process. This approach also allows the company to introduce EVs gradually, rather than launching an entirely new product line. However, while retrofitting petrol-powered vehicles with electric motors is a good way to introduce EVs to the market, it is not a long-term solution. To fully transition to EVs, Honda will need to invest in developing new electric vehicle platforms that are specifically designed for electric powertrains. Honda needs to strengthen its manufacturing infrastructure and make large investments in R&D if it hopes to succeed in the Indian electric two-wheeler market. Honda's main goal should be to produce high-quality, reasonably priced goods that are especially made to satisfy the unique needs and tastes of Indian consumers. Establishing a dependable infrastructure for charging and educating the Indian populace about the benefits of electric vehicles (EVs) are essential elements of this plan. Honda is in a strong position to make waves in the rapidly changing electric vehicle market by utilising its established distribution network and well-known brand. Honda faces obstacles on its path to becoming a major player in the Indian EV two-wheeler market, but it can succeed if it puts Indian consumers' needs first and invests in necessary infrastructure and awareness-raising campaigns.

SWOT ANALYSIS

STRENGTH

- Environment friendly
- Silent Operation
- Cost effective to run
- Energy efficient
- Simpler mechanical design

WEAKNESS

- Time consuming recharge process
- High initial cost
- Limited driving range
- Insufficient charging infra
- Expensive battery replacement

OPPORTUNITY

- Government incentives and subsidies
- Exemption from congestion charges
- Lower taxes
- Escalating fossil fuel charges

THREAT

- Competition in the automotive industry
- Rising electricity cost
- Advancement in public transportation

PEST FRAMEWORK

POLITICAL

- Potential bans on conventional vehicle sales
- Implementation of battery swapping policies
- Establishment of exclusive mobility zones
- Government incentives and subsidies for EV's

ECONOMICAL

- Increase in labour cost
- Rapid rise in lithium-ion battery prices
- Enhanced purchasing power due to economic incentives from local and state governments

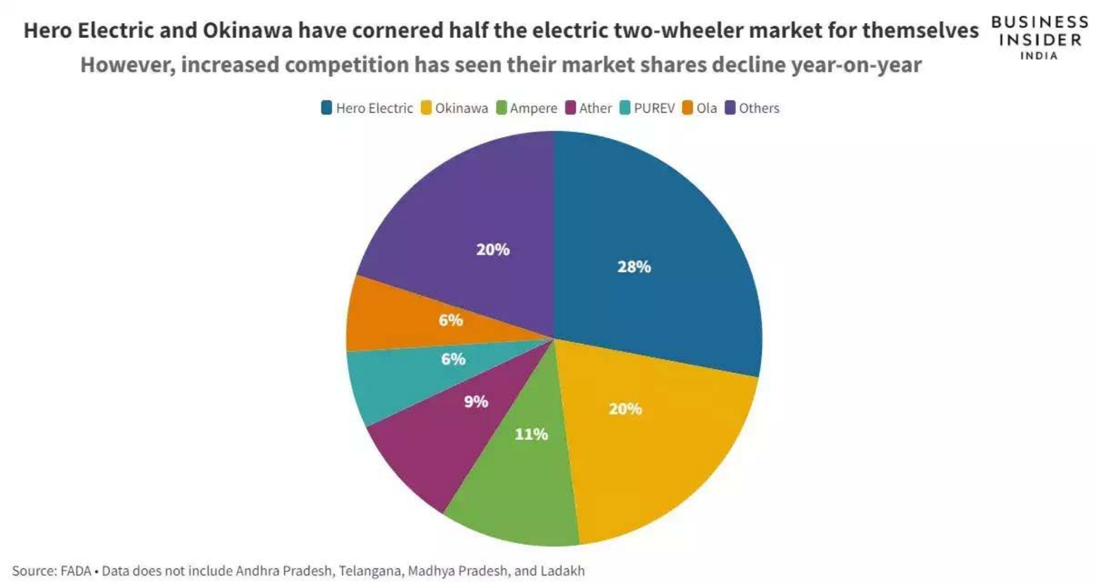
SOCIAL

- Lucrative market opportunities in India.
- Low maintenance cost
- EV's as a status symbol
- Attraction of environmentally conscious consumers

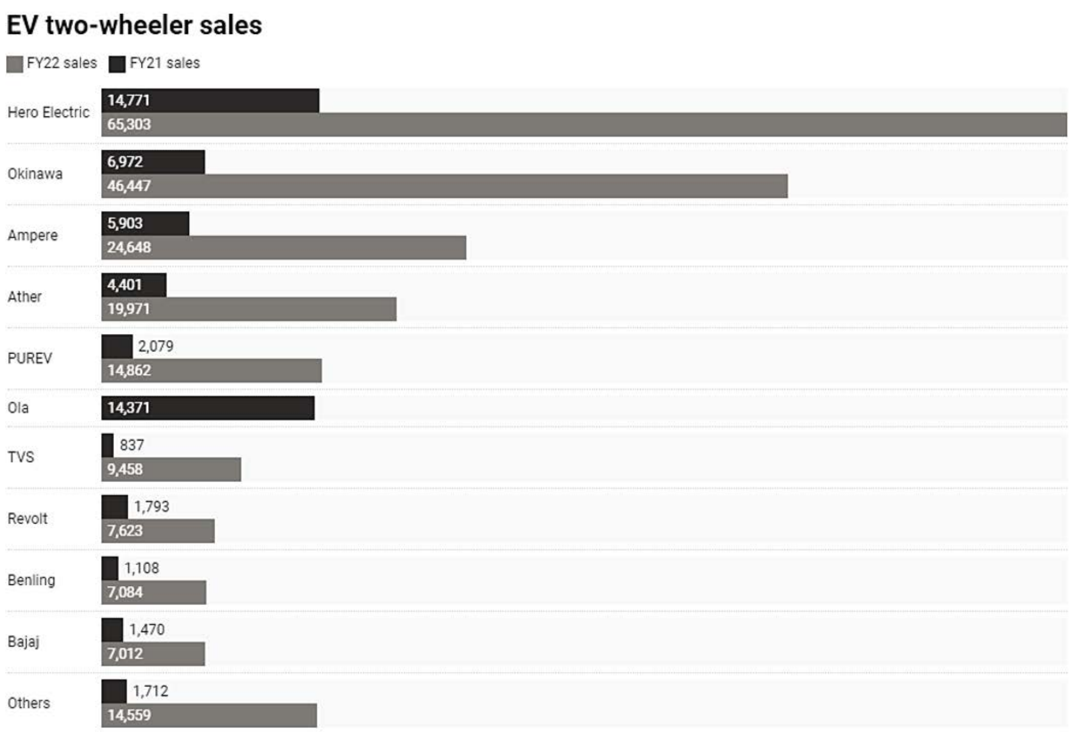
TECHNOLOGICAL

- India emerging as an auto manufacturing and research hub
- Challenges with slow charging
- Insufficient charging infrastructure
- Technologically savvy young population

Exhibit 1



Source: Business Insider India



Source: Business Insider India

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