Case brief: mercan systems,

Business

Background and Problem Definition Mercan Systems, Inc. founded in 1980 their first product being a desalinator which was used to remove salts from brackish well water supplied it to mobile home park residents in Florida. The product was very successful in the market and it quickly expanded to nearby hospitals and bottlers of water for sale to consumer. By 2000, they made vast improvement in their product by including particle filters, ozonators, ion exchange resins, and purifiers. It had kept its price higher than its competitors.

They launched a new product and wanted to formulate an entry strategy for the market entry of Delight water purifier in India. Market and Industry Analysis There were approximately 44 million households who took precautions and all the safety measures for theirfamily. About 50% of the target market used traditional boiling water method, 20% used candle filters and another 20% used water purifiers. The major competitor for Mercan was Eureka Forbes who mainly had two products namely Aqua guard and Pure sip. The unit prices for Aqua guard and pure sip were approx. Rs. 5500 and Rs. 2000.

Apart from this there were other companies like Ion Exchange, Singer, and Delta Brand. On more carefulobservationChatterjee found out that maximum Sales were from urban areas where the existing manufacturers were reaching only 10-15% of the entire Indian population. Evaluation of Alternative course of Action 1. Direct Acquisition/Joint Venture Looking at the estimated sales figure from Exhibit 3 we find that the Sales were approximately 430000 units. Analyzing it further we see that in case we adopt the skimming price strategy and sell products through Dealer channel we can estimate a sales of 279. million INR in comparison to 129 million INR in case Penetration strategy. We observe the same thing for Direct Sales we can see that in case of skimming strategy the estimated sales were 215 million INR and in case of penetration strategy it was 86 million INR. (Exhibit 1 for the analysis). The pros and cons for adopting the strategy will be: - Pros: There is a huge opportunity to gain market share with newtechnology. Cons: Initial investment is Rs. 30 Million is pretty high. Moreover Joint Ventures may turn out to be complicated as it will involve people with different mindset and working style. 2. Licensee

Considering the total cost incurred for licensee 35000 USD (Exhibit 2) and estimated sales contribution as 129 Million INR (Exhibit 3) Pros: It has minimal cost and is of less risk. It can receive royalty from licensee. National staff can be hired with minimum salary Cons: No control over licensee's operation Conclusion My recommendation will be they must go with option 1 which is to enter India's market using joint venture/ acquisition mode of entry. Exhibit 1 Estimated Sales in units = 430000 units Contribution per unitCalculationsEstimated Sales Skimming Price through Dealer Channel650= 650*430000279. Million INR Penetration Price through Dealer channel300 = 300*430000129 Million INR Skimming Price through Direct Sales force500 = 500*430000215 Million INR Penetration Price through Direct Sales force200 = 200*43000086 Million INR Exhibit 2 capital for production facilities and equipment30000 USD office facilities and equipment. 5000 USD Total investment35000 USD Exhibit 3 Contribution per unit (Average royalty per unit)300 INR Total no. of units sold (estimated) i.

e. , National market potential430000 units Estimated Sales contribution300*430000= 129 Million INR