

**Analysis and Business Development of
DMS Technologies Pvt. Ltd.**

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Comments by the Faculty

DMS Technologies Pvt Ltd. incorporated in 2008, is a venture which provides end to end solutions for High Technology Printed Circuit Boards. The products offered by DMS include, Rigid PCB of 2 to 18 layers, Flexible PCB, Flexi Rigid up to 8-10 layers, Metal Clad, and Metal Core. The present study was conducted in Hyderabad, Vijayawada and Bangalore, to understand the production process, analyse its strengths and the weakness by using internet to generate leads, segment and target the suspects, analyse this data to recommend strategies for the company.

To achieve the above objectives, a judgment sampling was done to arrive at the prospects. The leads were generated through online directories like grotal.com, tradeindia.com and salesforceindia.com. The prospects were interviewed personally or via telephone to know their PCB needs. Based on the findings of the survey, the recommendations were forwarded to the company.

While conducting on the study, the student had referred to a number of important conceptual aspects of business strategy, market positioning, selling techniques and so on. Based on the same, the student made an attempt to design the survey and interpreted the findings. Overall, the present study provided the student a great scope of learning, and implementing the same learning in real business scenario. Moreover, the student learnt how to interpret data and utilize the same to propose recommendations, keeping the organizational requirements in mind.

Nilanjan Sengupta

Analysis and Business Development of DMS Technologies Pvt Ltd

Company Profile

DMS Technologies Pvt Ltd. incorporated in 2008, is a venture into provide end to end solutions for High Technology Printed Circuit Boards. DMS is involved with activities starting from the development to the assembly solutions with quick turnaround at a very competitive price. DMS Technologies charter is to build high reliability boards for the industrial, medical, automotive, telecom industries. The products offered by DMS include Rigid PCB of 2 to 18 layers, Flexible PCB, Flexi Rigid up to 8-10 layers, Metal Clad, Metal Core, and Buried/Blind via.

Objectives of the Study

- ◆ To make the market aware of DMS – a PCB manufacturing company
- ◆ To find prospective customers
- ◆ To understand what are the market needs, to understand different segments so that it helps in framing strategies for the company
- ◆ To update the medium of communication the market adopted so that these media update accurate information about the company's capability and also attracted the market.
- ◆ To formulate a cost template so that the company can be guided during quotations and be competitive.

Methodology

The market study was conducted in Hyderabad, Vijayawada and Bangalore. The methodology was to understand the production process, analyse its strengths and the weakness, use of internet to generate leads, segment and target the suspects, enquire about their demand, introduce DMS technologies and analyse this data to recommend strategies for the company.

The sample size for the business development was restricted to 148 respondents; 48 in Hyderabad, 22 in Vijayawada and 78 in Bangalore. A judgment sampling was done to arrive at the prospects. The leads were generated through online directories like grotal.com, tradeindia.com and salesforceindia.com. The prospects were interviewed personally or via telephone to know their PCB needs.

Due to the busy schedules of the production/ Supply Chain Managers, appointments were difficult to obtain.

Conceptual Background – BCG Matrix

A sustainable competitive advantage creates a profit, which converts to cash flows as growth slows and the investment requirements diminish. This creates the high returns and high business valuations that the shareholders require, which in turn make raising new capital easier and less expensive. It is crucial that the company kept its resources fully employed in those areas that create the highest yields - actual or potential. It was the need to manage cash flow that provided the impetus for the Boston Consulting Group (BCG) to design the matrix in 1970 that has since become one of the most widely used portfolio analysis models. Companies use BCG analysis in brand marketing, product management, portfolio and strategic management to help them develop their various businesses or products. It involves rating of the products according to their relative market share and market growth rate, and plotting them on these axes on a scatter graph.

The BCG matrix assumes that, as a result of economies of scale, a product's earnings will grow faster the bigger its market share. This requires a comparison of your product's market share relative to that of its largest competitor. If your product has a market share of 15 per cent and the largest competitor has a share of 45 per cent, the ratio would be 1:3, implying that your product is in a relatively weak position. If the largest competitor had a share of five per cent, the ratio would be 3:1 implying your product's relatively strong position, which may well be reflected in better profits and cash flows. The conclusion is that market domination is essential for low costs and competitive success, so a high relative market share is sought within the BCG matrix. The matrix assumes, that a high growth rate indicates extra demands on investment. Market growth is a good indicator of a market's attractiveness and potential – and of its attractiveness to future competitors. (Nutton, 2006). A brief description of the various strategies employable through the matrix is given below:

Question Marks

Question marks are products that grow rapidly and as a result consume large amounts of cash, but because they have low market shares they don't generate much cash. The result is large net cash consumption. A question mark has the potential to gain market share and become a star, and eventually a cash cow when the market growth slows.

Dogs

Dogs have a low market share and a low growth rate and neither generate nor consume a large amount of cash. However, dogs are cash traps because of the money tied up in a business that has little potential. Such businesses are candidates for divestiture.

Stars

Stars generate large sums of cash because of their strong relative market share, but also consume large amounts of cash because of their high growth rate. So the cash being spent and brought in approximately nets out. If a star can maintain its large market share it will become a cash cow when the market growth rate declines.

Cash Cows

As leaders in a mature market, cash cows exhibit a return on assets that is greater than the market growth rate – so they generate more cash than they consume. These units should be ‘milked’ extracting the profits and investing as little as possible. They provide the cash required to turn question marks into market leaders. (Kotler, Keller, Koshy, & Jha, 2009)

Current Trends in Printed Circuit Board Industry

In the financial year 2010 – 11, the total market size of Indian PCB market was INR 4000 crores (Innovative Business Enterprise, 2012). This demand was mainly satisfied by importing from China, Taiwan, Hong Kong, Korea and the US. The import prices were almost at par with domestic prices with the differences narrowing down to just 5 – 8%. The IPCA forecasted an aggregate of 17% growth in PCB demand for next five years. Presently, about 12 companies in India have the capacity to produce more than 20000 sq. mts of ML boards.

Analysis of Data

A PCB company has customised products. DMS had no mechanism to find the cost of each order. Hence, the quotations they make are by rule of the thumb. In order to serve as a mechanism of finding out the costs incurred in production it was necessary to form a cost template. (Khan & Jain, 2006) The major limitation was that no one in the organisation had technical knowledge about computer languages. Excel template was drafted to ascertain the costs per sq. cms; it took it account all the fixed, variable and consumables. (Rajasekaran & Lalitha, 2010).

One of the important aids to introduce the company to any stakeholder – customers, suppliers, employees and all is the corporate presentation. (Tybout and Calder, 2010). The idea of making it futuristic led to use of prezi, a zooming presenter instead of the Microsoft PowerPoint. We evaluated few other presentation software, analysed the user friendliness and cost, and later selected prezi. The aspects highlighted in the presentation were key persons in the organisation, Capacity and Capability, Technological roadmap, Future prospects, Customers, Facilities and machineries, USP of DMS, etc.

In this regard, a brochure was created, accompanied by a CD. This included all the technical details of raw materials, e-copy of certificates, etc., which could not be incorporated in the brochure. This was a cheaper medium to overcome the limited space provided by the brochure. (Edna, 2003).

DMS plans to increase its customer base in America, France, Australia and Singapore. The initial contact to these prospects cannot be made via brochure. The international clients look for a company with a website so that they can do a background check, sometimes even before making initial contact. The website was updated, ideas were approved and implemented. (Weber, 2009).

The final month of internship included a field study to know the pulse of the market. Here, the assigned places were Hyderabad and Bangalore, where appointments with prospective customers were established. DMS is a young company, hence the strategies adopted were:

- Lead Generation – This was initially done via internet directories, like tradeindia.com, grotal.com, compass.com etc.
- Segmenting – The market in Hyderabad and Bangalore was segmented as per the areas/ IDA (Industrial Development Areas) so that time wasted while travelling was reduced.
- Targeting - The Company has a LCSO certificate, implying it can supply to Indian defence and to those who supply to the Indian defence. This segment has a demand for complex PCBs, and the suppliers of complex PCBs is relatively less. This segment was valued at 320 crores by the IPCA last year. Hence, targeted segment was the strategic PCB market which required a complex PCB manufacturer with a LCSO Certificate.
- The companies which were targeted are the manufacturers of satellite, telecommunication equipment, etc. so that the degree of complexity is high

- Companies with a popular brand/name were also contacted. This was done to ensure that we can quote these as customers in future to the prospects. This will help us to build trust. Analysis using BCG Matrix shows the following trends:

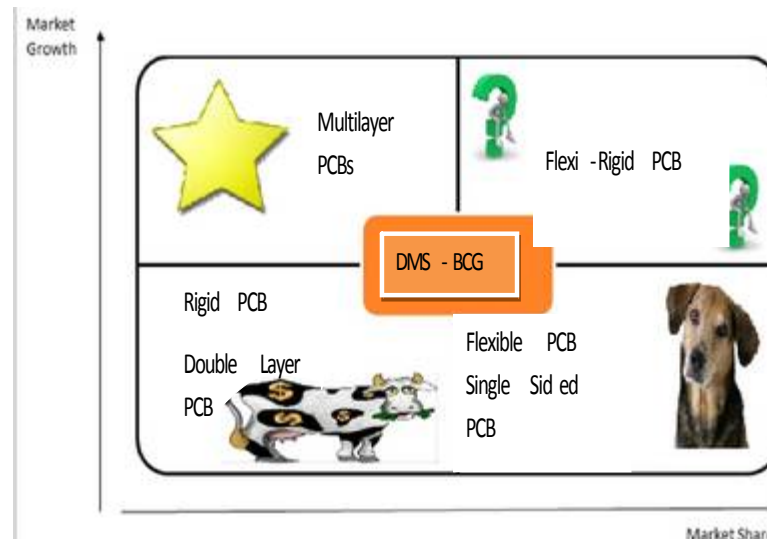


Figure 1 BCG Matrix Analysis of DMS

Cash Cows

Rigid PCB constitutes more than 90% of DMS's revenue. The double layer boards constitute around 50%-60% of the revenue. The customers are willing to buy more of DL boards because of their price and lead time. The DL PCB's take less time to manufacture and the defect rate is close to 3%.

Stars

Multilayer PCB's are picking up demand and constitute around 25%-30% of DMS's revenue. This is the second largest selling product for DMS Technologies and many telecom customers prefer this as it is more compatible for telecom products. From the past 2 years, we can see a considerable growth in sales of ML Boards.

Question Marks

Flexi- Rigid PCB costs more and fetches huge profit margins. Revenue generated from Flexi- Rigid PCB is not more than 5% of its total sales revenue.

Dogs

Flexible PCB's have constituted less than 1% of DMS's sales revenue. Till date DMS has had only 1 order of 100 Flexi-Rigid PCB's. There is no point in stocking the raw materials for this type of boards, as again the minimum quantity expected by DMS is close to 1000 boards. (Kotler, Keller, Koshy, & Jha, 2009)

Results

- ◆ More than 90% of the potential customers who were contacted never heard about DMS Technologies. The ones who had heard about the company did not know they LCSO certificates and other important features or they had bad experiences of dealing with the company earlier.
- ◆ All were satisfied with the facilities used by DMS Technologies to produce PCBs. Some suggested that the company should aim higher and try 20+ layers, get MIL approval, etc.
- ◆ During the calculation of the overheads for the costing module, department-wise overheads were allocated.
- ◆ Product Portfolio is good; the technology was appreciated by the prospects.
- ◆ Mysore, as a place of production is ideal for Hyderabad, Chennai, and Coimbatore and Bangalore prospects. In case of other Northern regions it was found that lead time would be an issue.
- ◆ The pricing of DLs was found higher than that offered by the competitors.
- ◆ The pricing of MLs were competitive.
- ◆ The pricing of speciality PCBs and prototype orders gave a competitive advantage to DMS Technologies
- ◆ The promotion activities done via SM Electronics are inefficient and contained inaccurate or incomplete data. Hence, the customers who had contacted DMS via SM Electronics were extremely unhappy with the service and lead time of DMS Technologies.
- ◆ Hardly any order of Flexible PCBs is received by DMS Technologies, and hardly any prospects were interested with the same.

Recommendations and Suggestions

- **Concentrate on direct selling:** The marketing of DMS is done through SM Electronics, Bangalore, because of which they are losing on the profit margin. If marketing is done by them, margins will rise by 1%-2%, giving more revenues to the company. Moreover, they can promote themselves better than SM Electronics.
- As a part of the **strategy** DMS focuses on a Rs. 100 crore (R& D) and medium volume printed circuit board market in India and gradually expand to the international market.
- **Must concentrate on Export Market:** The reason why only AT&S Indian has price realisation is because more than 90% of their sales are exported. Export market gives a cushion for dollar-rupee fluctuation and pays promptly.
- **Get MIL (Approval under the jurisdiction of the U.S. Department of Defence):** There are only few players in PCB market with MIL approval like Micropack. DMS can reduce their dominance and can bloom if they can be MIL approved by providing to strategic equipment segment. (Innovative Business Enterprise, 2012)
- **Get NPCIL Approval** – The market for NPCIL Approved PCB manufacturers in India quality competitive, which DMS is. The only player in this market is Micropack. (Nuclear Power Corporation India Limited, 2012) (<http://www.npcil.nic.in/main/AboutUs.aspx>)
- **Debt Collection:** The new marketing personnel employed must also be responsible for debt collection. If the customer pays promptly, then he must be given discounts. This can encourage timely payment and reduce the cash cycle.

Conclusion

DMS Technologies Pvt Ltd is a young company, with a huge potential to grow. The company needs to concentrate in the niche market. The quality and the lead time have to be of utmost priority. Once it can satisfy international quality standards, it can export and, there by, shield itself against rupee deterioration and debt collection. The company needs to continue in its path of improvements to let the profit line go north.

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