

# The Case of Amar Chitra Katha

## Sales and Distribution Management - End Term Exam

**Note:** *This was a case written by Dr. Karthikeyan Balakumar for the purpose of classroom discussion based on the data available from the secondary sources. He does not intend to illustrate either effective or ineffective handling of a managerial situation. Please do not reproduce, store, or transmit this case without the prior written consent of the author.*

### 1 Introduction

Anant Pai loved telling stories of the country's myths, legends, and historical figures. Often, he could be found seated on a garden bench telling tales of brave warriors to young children or quizzing them about interesting trivia on mythological characters. One evening, in February of 1967, Pai and his wife watched television at Maharaja Lal Sons bookstore in Delhi when they were shopping there. At the time, a television set was a novelty that could be spotted only in very rich households and certain niche business establishments. A children's quiz program was being broadcast on the television at the moment, and this piqued Pai's attention. He was surprised to find that the participants of the program were able to handle questions on Greek and Roman Mythology with relative ease, but were unable to answer simple questions from Indian mythology. Specifically, a child could not recall who the mother of Lord Ram was. This pained Pai. Despite two decades of independence, Pai felt that Indian culture and folklore continued to be alien to most Indian children and was ignored in most school curricula. It was at that moment that he decided to retell Indian stories to children at a grand scale. He wished to introduce them to the rich values and morals embedded in Indian folklore in an accessible format, and thus, Amar Chitra Katha (ACK) was born.

Amar Chitra Katha (translates to "immortal picture stories") were colorful 32 - 40 page 'comic' books that typically featured stories from Indian history and mythology. While it was ironic that Pai chose to use a western format to tell Indian stories, Pai felt strongly that it was the perfect vehicle for the task. By the start of the 1970s, western countries had a mature market for comic books featuring Superman, Batman, and Spider man among other heroes. While the western audiences had to 'cook up' imaginary superheroes, India had hundred of heroes from its rich cultural heritage. Therefore, Pai decided to build ACKs on mythological heroes like Lord Krishna, Ram and Hanuman, and real life freedom fighters, kings, queens, poets, sages, and scientists. Fables and Moral

stories from books such as the Jataka tales, Hitopadesha, and the Upanishads were also used as source material. Given that Pai wanted to target a very young audience, all ACKs featured colorful artwork and simplified story lines. It was only a matter of time before ACKs would take the Indian children's book market, story by story, Pai thought. However, little did he know about what was in store.

## 2 Early Years of ACK and Publishing in India

In the early 1970s, the book industry in India was dominated by small, independently owned bookstores. This was understandable, given the nation's vast size and diverse population. Most book stores were typically situated in urban pockets. For instance, in Calcutta, the book stores in Park Street housed some of the largest bookstores. The entrepreneurs who ran them were passionate about literature and left no stone unturned in sourcing books from different parts of the world. While they mostly focused on procuring books in the English language, many were also diversifying into local language publications. In the rural markets however, book stores were sparse. During the decade, there was little focus on what was referred to as 'children's literature'. For the vast majority of the Indian public, reading for pleasure was still considered a luxury. However, most Indian parents recognized that education was the only route to economic prosperity and actively encouraged children to pick up reading as a habit among their wards. For the many thousands to whom fresh books were inaccessible, there was always the bustling second hand market. It was a common sight to see fathers and daughters, and mothers and sons sitting on stools just outside old book stores and choosing books to read over the weekend. Large metros like Calcutta and Chennai had spawned a vibrant reader community that shared books with one another and paid for private libraries that housed their favorite books. However, this sizable and growing segment of the population did not consider comic books to be 'real' books since comics at the time mostly focused on fictional characters. Some segments of the population also believed that it was impossible to communicate the essence of rich Indian stories through a series of pictures. Therefore, parents discouraged their children from reading comics and encouraged them to read classics and other mainstream books. This meant that changing consumer behavior was going to be an up-hill battle for ACK that focused entirely on 'children's literature'.

To combat this resistance, ACK actively involved itself with many marketing activities. For instance, ACK was marketed directly to educators by organizing seminars, conferences and other educational events and promoted ACK as a tool that helped promote cultural awareness. Soon after this, public libraries and schools from around the country began to buy ACK to introduce Indian kids to the rich Indian folklore. Furthermore, given that English was not spoken by a large population at the time, ACK decided to translate its offerings to local languages like Hindi, Bangla, and Tamil. This helped ACK reach out to new customer segments. In addition to improving readership, this aided ACK

generate synergies between its different sales channels.

### 3 Structuring the Sales Effort

In order to capture unmet demand in the market, ACK utilized a multi channel sales approach. ACK's institutional sales channel served a critical role in this regard. Most schools and colleges that ACK dealt with ordered only a few copies of the most selling comic book issues. This was especially true during the early years. This ensured that young students read ACK comics in their school libraries. For those who were interested in reading more ACK comics, ACK developed a direct selling approach through which it sold its entire assortment of comics to individual customers through a postal subscription model. Through this model subscribers would get 2 issues of ACK every month by post in exchange for an annual fee. Given that there was much mystery surrounding which mythical hero the next issue would feature, many parents subscribed to ACK for their kids. The model also offered ACK a hidden benefit. It helped ACK forecast their demand with greater certainty and prioritize the investment of the limited resources they had on high ROI activities. However, there were several limitations with the subscription model. While it was easier to forecast demand, it did not allow ACK to sell other, older issues. Unlike newspapers and magazines that tended to become obsolete after some time, ACKs comics continued to stay relevant even decades after they were first printed. Therefore, ACK had to improvise the flagship selling model used by periodicals of the time. ACK also operated a physical distribution channel much like the other book publishers of the time. it used a network of distributors and wholesalers to ensure that its products reached bookstalls across the country. Through these stores, children could access hundreds of titles that they had not previously seen or read. The convenience, sampling, and quick access that the physical retail shops/book stalls offered customers helped ACK gain a strong foothold in the childrens' literature market. It was through these distributors that ACK sold the maximum amount of its products into the market.

In summary, the three channels worked together. The smallest of the three (in terms of sales value), the institutional sales channel, propagated awareness about ACK comics in the market by getting 'feet on the street' and convincing school principals and librarians across the country. The second largest channel, direct sales, helped capture value from loyal customers and streamline cash flows. Interestingly, while labor costs were low in this channel, it involved the inclusion of postage charges. While ACK had negotiated a special deal with India post, costs of transportation were rising steadily. At the time, a part of the postal charges was being borne by the customer, but this meant that the customers' effective price of each comic book was significantly higher (by about 20%). It was the indirect distribution channel, the one comprised of distributors and retailers in a vertically integrated supply chain that helped ACK reach out to the widest audience. Since transportation was done in bulk, this channel was the cheapest to operate. ACK's salespeople met retailers along with distributor

representatives to ensure that there was sufficient availability of best selling titles. During such store visits, ACK's salesmen were able to understand the pulse of the market and communicate trends in other markets to their retail partners. Furthermore, many retailers also provided salespeople with ideas for new titles. Many such suggestions were routinely taken to Pai himself. The stories were subsequently developed and made into full fledged issues. By the end of the 1970s there were over 250 titles for children to choose from. The addition of newer titles helped ACK build its assortment which in turn had various synergistic benefits.

## 4 Changing Consumer Behaviour

There was no denying that ACK was making strides in the market during the 70s. However, the turn of the decade posed a unique challenge to ACK - the rise of the television. Many termed this as the worst challenge the entire book market had ever faced. Television was introduced in India in the 1980s and quickly became a popular form of news, information and entertainment. During this time, the number of television households in India increased rapidly. By some estimates, the number had reached over 20 million households across the country. While the government-owned broadcaster, Doordarshan, was the only source of television programming in India for a long time, the surge in households that owned televisions helped a number of private broadcasters enter the market. These players differentiated themselves from what the government had to offer and added to their programming a range of educational, cultural, sporting and entertainment options. Dedicated television channels for movies and songs also began to emerge. With the proliferation of television, children's reading habits began to change. Children began watching television instead of reading. The rich, immersive audio visual experiences offered by television were not easily replicatable on print. Furthermore, Pai truly believed that television was not the way forward for ACK.

When the typical school year came to a close, ACK typically pushed ads on various popular media such as newspapers and magazines asking students to prepare for the summer holidays with ACK. In some parts of the country, ACK was also marketed as an ideal birthday present. While children were the primary target, ACK also appealed to parents and grandparents due to their well-produced nature and gripping story telling. ACK used this time to strengthen its core offerings, make its supply chain more robust, and increased the number of languages that it translated its comics to to hold on to most of its customers and carve out a niche for itself. While the rest of the industry suffered from the contraction during the 80s, ACK was able to make the best of the turbulent period and come out strong by the start of the 90s.

## 5 Yet Another Change

By ensuring the channels worked in unison and by minimizing the level of channel conflict ACK began to gain a foothold into the comic book market in the years to that followed. By the end of the 90s and during the 2000s, ACK went on to become the de-facto form of print edutainment. However, the early 2010s saw the rise of the next big change in consumer behavior. This decade witnessed the rise of digital channels in the Indian subcontinent.

Amazon, or Amazon.com, is an online retailing platform. It began as a book retailer that dealt in the 'long tail' of books that had limited readership. Through the combination of a unique recommendation algorithm that helped readers find hidden gems and offering very competitive prices, Amazon was quickly able to capture the book retailing market. It was only during the early 2010s that Amazon began to make a foray into the Indian book market. Upon its entry, it was quick to displace traditional book sellers and gain market dominance. Many traditional retailers began to shut shop due to the heavy price competition from amazon, increasing real estate prices, and inability to meet diverse consumer demands. Consumers of books were typically alright with waiting for some time to get their books home delivered, especially if the books were offered to them at attractive prices.

At the onset, these issues may appear to be detrimental to ACK's fortunes. However, that was not the case. Thanks to a direct partnership with Amazon.in, ACK was able to cut through several layers of middle men and retain a larger share of profit. Furthermore, Amazon's marketing efforts helped ACK reach new audiences. Many ACK bundles were 'top picks' to birthday gifts in the books category. However, not all was rosy and trouble was just brewing around the horizon.

## 6 Looming Problems

The advent of Amazon helped ACK catapult itself into the homes of many more consumers. Therefore, ACK needed to act fast to take stock of the risks they posed.

First, and perhaps of most importance, was the fast changing reading habits amongst children in recent years. Recent studies suggested that children today may be reading less than in the past. A National Endowment for the Arts study found that the proportion of 17-year-olds who read for pleasure on a daily basis declined from 31% in 1984 to just 19 % in 2004 and found to be fast declining in more recent years. This trend was also being observed from the sales numbers – i.e. a greater share of revenue came from sales to schools and libraries, while the revenue share of individual subscriptions were fast declining. This trend was fundamentally different from what ACK had witnessed over the past few decades. The sales force had routinely observed that the three channels complemented each other, but now, things were beginning to change for the worse.

Due to Amazon's aggressive promotional tactics, many of ACK's products were sold at cost. For Amazon, this made complete sense. They wanted to capture the lion's share of the market across all product categories with high margins and low operational costs. Considering comic books were very low weight but high value items, Amazon was serious about dominating this space. Research indicated that among the online buyers, more than 80 % searched on Amazon to acquire a reference price before they made purchases in other channels. This created a problem for ACK's other channels. Slow but steadily, Amazon began eating into the channel share of the traditional book stalls. In fact, many of the large established books stores such as Oxford and Crossword were shutting stores due to their inability to keep up with changing trends. Furthermore, ACK was also not able to release stories in the same frequency (twice a month) with which it was releasing in the past. Therefore, many consumers did not feel a subscription service was warranted. This meant that the postal subscription model too began to lose favor.

Given that the entire sales force had only seen good times and had tided successfully over bad times in the past, failure to achieve targets and watching many retail partners shut shop was having a detrimental effect. Sales staff morale was low and they were worried that they may soon lose their jobs if the market did not turn around. The senior management at ACK had to act, and act fast.

## 7 Potential solutions

Like any sales organization, ACK called for a high-level meeting of all the key members of the production, sales, and logistics teams. The CMO dutifully penned down every good idea that came out of the brainstorming session. Several of the ideas that came up were actionable, but could not be implemented without fundamentally altering the organization's DNA. Others were radical reforms and were along the lines of comic book makers working in western markets.

The following are the key suggestions that came up over the brainstorming session

### 1. Move to the digital first platform

Some employees, especially the young ones, were in favor of converting ACK into a digital organization. They proposed that all the comics could be converted to digital formats and provided to consumers on PC or tablet devices. Others highlighted that there were several pitfalls with this approach. For instance, parents were not willing to allow their children to use digital devices owing to the increasing number of health (particularly eye) issues that were linked to screen usage. A few also argued that the going digital also left them open to the possibility of piracy. Given that anti-piracy laws in India were hardly enforceable, this may spell doom.

### 2. Produce movies and Series

Comic book makers in the west such as DC and Marvel had moved significantly into movie production and merchandising. For instance, Marvel Studios, a subsidiary of Marvel Entertainment, had produced over 23 live action films and was very successful at creating the 'Marvel Cinematic Universe'. Many of these films have been critical and commercial successes, and they have helped to increase the popularity of Marvel Comics and its characters. This in turn fueled the sales of its merchandise and streaming services. Marvel contemporary DC comics too had begun producing movies and TV shows. However, DC did not meet with the same level of success that Marvel did. The proposal that some of the more enterprising ACK employees had was to mimic this idea and produce shows that could then be streamed on OTT platforms that were increasingly becoming popular in India.

**3. Redouble the sale physical sales effort**

Some of the veterans felt that this change in consumer behavior was qualitatively similar to the introduction of television in India. They felt that a fresh sales push in the incumbent channels would help ACK just as it did in the 1980s. Furthermore, they believed that it was possible for ACK to create fresh series that focused on businessmen, film stars, musicians and other celebrities that were in vogue.

**4. International expansion**

Others felt that there was a need to go international and capture value from the wealthy diaspora of Indians situated in foreign lands. It was their opinion that the diaspora were trying hard to retain their Indian roots and would pay top dollar for high quality content.

During the coffee break that followed the brainstorming session everyone seemed excited and scared at the same time. A decision had to be made. What was it going to be?



Figure 1: Some Popular ACK Titles



## The Questions

### 8 Rules of Engagement

1. The exam is for 40 Marks and accounts for 40 % of the course's total evaluation.
2. There are a total of five questions. All questions carry eight marks and are compulsory.
3. The exam is open book and open notes.
4. "Brevity is the soul of wit" -Shakespeare. In that spirit, keep your answers contained within 4 pages (2 sheets).
5. You can use rough pages for calculation, organization of thoughts, etc.
6. You can make use of up to 3 hours to answer the questions.

### 9 Questions to be Answered

1. Highlight the advantages and potential limitations of the current channel structure.
2. Why did ACK not use television as a medium to deliver content? Discuss.
3. Should ACK decide to go international, how should they move forward? Propose a strategic road map.
4. Given that children are the target segment, is it ethical for any firm to reach them by influencing their schools' management? Comment.
5. How would you reorganize the firm's channel structure to take advantage of the changing consumer behavior.