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TVAHelp.com*

BACKGROUND

Guhesh Ramanathan, the CEO of TVAHelp.com opened his window and let in some fresh air. While the past years were good, the numbers for 2002 were disappointing. He was wondering if they had reached a stable state or they needed to look at other growth options. During the year, they had departed from the old business model, some new ideas on growth were incubating in his mind, and he was worried that the recent initiatives were not yet yielding revenues.

"Being at crossroads is nothing new," he said (see Exhibit 1 for Guhesh's career profile), "if there is no potential for growth and a major shift in business model of TVAHelp.com, it may be good to hand over the day-to-day operations to Moses Mathuram, the newly appointed Chief Operating Officer, and examine the possibility of working on a new line of business altogether."

It was by accident that Guhesh stumbled upon this idea that had worked wonders in the past few years. After a few rollercoaster years with corporations, Guhesh spent a year setting up Team Value Associates (TVA) with two partners. As TVA grew, they found that it was evolving in three distinct business segments (see Exhibit 2 for ownership and business structure). In December 1997, on one of his trips to Delhi, Guhesh had trouble with his laptop. When he took it to the service centre, he was surprised at the charges and he

says that it was an eye-opener. "I discovered the need (for quality servicing for laptops)… I was appalled when they charged me Rs.1,500 just to unzip the cover."[1] This incident nagged him and he ultimately went back to the company (Compaq) to discuss the possibility of setting up a laptop service centre. After some convincing, Compaq agreed with Guhesh that he could open an "Authorized Service Centre" for servicing their laptops. The initial investment needed as per the specifications of Compaq was Rs.0.5 million in addition to some hired office space. In return, Compaq offered a grant of Rs.0.2 million to create the ambiance with standard furniture, signage and initial advertising support.

The deal offered by Compaq was good, but TVA had to find Rs.0.5 million to invest in a new company. TVA was able garner only Rs.0.2 million from internal resources. Tut Tut Consultants, who saw promise in the idea invested Rs.0.2 million and a friend put in the balance of Rs.0.1 million. Thus TVAHelp.com was born in 1998; while the name appeared like a dotcom company, they did not have internet based operations. Though they registered the name as TVAHelp.com, all the operations were in the 'brick–and–mortar' model, since support services required physical presence.

THE BUSINESS MODEL

In the first year that they operated from Bangalore, most of the work was being done for Compaq. The agreement with Compaq specified that a standard rate of Rs.3,500 per laptop serviced would be paid as labor charges and spares would be provided free if the laptop was under warranty. If the laptop serviced was out of warranty, then servicing would be as per the terms of TVAHelp.com, and parts had to be paid for by the customer. The rates for warranty service were attractive and the business showed promise. "At the customer interface an 'out-of-pocket' expense happened only when the laptop

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[1]Business India (April 1–14, 2002)

was out of warranty. Our pricing was competitive in this segment."

The first year ended with an impressive topline of Rs.2.3 million with 75% of the revenues coming from warranty service, while other revenue was from repairs charged to the customer (Exhibit 3). At the end of the year Guhesh was concerned about being tied to a single brand — Compaq. The agreement with Compaq did not specify exclusivity and therefore it was okay to spread servicing to other manufacturers. With this they would move towards a long-term vision of a one-stop servicing shop for all laptops. So, over the years they entered into agreements with other companies — Digital in 1999, IBM in 2000, Acer and Apple in 2001 and started servicing those brands. By 2002, the proportion of revenues from warranty had significantly reduced in favor of general repairs. The expansion in repairs had strengthened the existence of TVAHelp.com from a tag-along to a computer brand to a stand-alone service brand.

TVAHelp.com had put some activities under the "growth exclusion" category. These were lines that appeared logical to expand into, but actually diffused strategic focus. For instance, desktop servicing looked quite a logical line to expand, but it needed a totally different customer orientation. Thus, "growth exclusion" helped them to focus on a defined "core" very well.

CUSTOMER PROFILE

TVAHelp.Com had identified that the market-segment of professionals carrying laptops was different from the "crowd". The service engineers of TVAHelp.com were often told that they were servicing a customer — not a laptop. But reinforcing the image of laptop using professional was important — s/he is finicky and pressed for time. S/he needs a professional approach from the service provider, s/he should feel safe and we should generate that confidence. It was important to focus on the customer, not the laptop. From experience they found that around 30% customers had little or no knowledge of their laptop. Therefore, when it was brought

for servicing the problem could be as frivolous as switching the machine on from a 'suspend' mode. About 60% of the customers knew applications in their laptops and nothing beyond. Just about 10% of the customers understood the problem but could not fix it. Dealing with 90% of customers with small problems, without making them feel stupid, needed maturity. The problems were not about hardware damage and repairs, but as a service company they still had to attend to repairs.

Customers were classified into two segments — those who still had a warranty and therefore came specifically looking for TVAHelp.com and casual customers. They found that most customers including those from corporations (representing 60% of the calls) did not have a maintenance and service contract for laptops. They returned to TVAHelp.com if there were other problems. "While we could have introduced an annual service contract, we did not do so because we were an authorized centre only for Compaq (initially). Most corporate customers had multiple brands of laptops in their pool, including some (like Dell) for which we are not an authorized center even now. We have introduced such a scheme now, as we find that we are perceived as a quality service provider and we no longer need the branding of an authorized center."

SERVICING CUSTOMERS

"With focus clearly on the customers' requirements we were able to increase our top line by eight times in three years. While there were other growth options we focused on laptops and this has helped us survive, while other service centers set up around the same time either closed or metamorphosed into something else," (Exhibit 4). Guhesh continued — "the difference is also in the worldview — for instance laptop manufacturers see service as a cost: a necessary evil, while we see this as a great revenue model. For the manufacturer the relationship more or less terminates once the customer has purchased the laptop. For us, the relationship starts there and we look at the initial customer contact

as an investment. We want the customers to stay with us long after they have discarded the first laptop and acquired a new one — irrespective of the brand they migrate to. We look at the initial contact as a customer acquisition cost; this is subsidized by warranty repairs by being an authorized center. Our challenge is to retain the customer post warranty; they should make us the first choice for support even then."

"We work hard to retain customers. For instance, we had a customer traveling from Delhi. We knew that we would be unable to get his laptop ready before his flight. We offered to put him up in a hotel at our cost, got the air ticket bookings changed to the next day and serviced the machine for free and delivered. We have done several such things — going out of the way to keep the customer with us. This ensures that s/he is with us for life. We have also looked into smaller details that are cost effective — when we service a laptop, instead of putting a tag under the laptop, we put it around the adapter wire. The tag, which costs us Rs.2, has the numbers and addresses of all our offices. In case of a problem the customer knows where to call. It works!"

"The focus on servicing has helped the business to move in a particular direction. Now, we are seeing if there are other ways to grow. While we have been innovative in our service delivery, we have been extremely conservative in our financial structuring and we wonder if this has inhibited the pace of growth." Exhibit 3 gives a summary of the business on various parameters.

CHANGES IN THE MARKET

While the business was okay, things were getting tighter with the service business. By March 1999, Compaq had slashed the standard labor rate paid per laptop under warranty from Rs.3,500 to Rs.300. The number of transactions under warranty was going down because the laptop sales were falling (Exhibit 3 and 8). This change in labor rate did not affect them significantly. By then they had diversified from brand centric to an independent service entity and several customers had out-of-warranty systems. "Our corporate

customers had other brands. They preferred to bring them to us rather than take it elsewhere. We were finally meeting our vision: A vendor-independent, customer-centric service provider for users of laptops". The move to spread the servicing to other brands had paid off. The data on Compaq authorized centers in other cities showed that those who were significantly dependent (80–90%) on warranty related business, folded up by 2000 (Exhibit 7).

By April 2000, they had operations in two cities: Bangalore and Hyderabad. Two more centers in Pune and Chennai were up by October 2000. In April 2001, they considered several options to grow. One was to enter cities that had a large laptop population. Out of the estimated total of 350,000 laptops in the country, they were able to lay their hands on a fair number with offices in four cities. However, there were two big cities — Mumbai and Delhi, accounting for significant laptop sales that had gone untapped. The estimate was that, if they could enter the Mumbai market, the topline would scale up by about Rs.80 million in a year. But this came at a cost — setting foot in Mumbai would cost Rs.4 million in terms of investments: access to real estate in prime location, and setting up a team.

In addition, there was a list of regional cities with potential for setting up a brick and mortar service center. The company could also move into smaller towns. Of the list, in three cities the Compaq service centers had closed. There was space to be readily occupied in a few cities:

North: *Delhi*, Chandigarh, Dehradun, Ludhiana
East: *Kolkata*, Jamshedpur, Patna
West: *Mumbai*, Ahmedabad, Baroda, Jaipur, Jodhpur, Indore
South: *Kochi*, Trivandrum, Pondicherry and Coimbatore

Opening an office involved cash pay out. The pay out was for deposit for office space, purchase of furniture and working on interiors. The other payouts were for buying stocks of spares. The amounts varied across cities. Mumbai and Delhi were expected to be expensive. Kochi entailed a lower cash outflow, with low returns. Growing geographically was but one option. Others were to grow in the segments that had opened up in the past years.

FINANCIAL STRUCTURE

TVAHelp.com was conservative on the financial structuring. They had initially borrowed Rs. 0.17 million — and this was retired by the end of the second year and ever since they have had no debts. "We believe that businesses must re-invest 70–75% of their earnings to generate growth. If this means growth at the cost of scaling up operations, it is fine. This is why we did not grow faster than we could have — we have not opened a center in Mumbai, Chennai and Kochi, (where the Compaq authorized centers folded up) for want of internal resources. We will scale up slowly, build a business where the foundation is strong, and growth is natural. We do not want to build a business on an un-tested idea with heavy capital deployment and increase the chance of failure. It is borne out by the situations that most e-businesses are in today." Their policy was not to acquire fixed assets that required deployment of capital. They worked out of rented property, and converted as many costs to variable costs.

Infusion of additional capital for growth by Guhesh was possible, but the others were neither willing to increase their contribution nor dilute their stake in the company. TVA had 40% ownership in TVAHelp.com; in 2001, Guhesh's wife Nalini acquired a 16% out of the 20% stake from the friend who had invested initially at a premium. The initial investment of Rs.80,000 by the friend was bought out by Nalini for Rs.1 million. In 2002, the promoters of TVA decided to reduce cross-holdings across firms managed by each of them, thereby increasing the effective stake of Guhesh and Nalini in TVAHelp.com to around 51.7% (Exhibit 2).

HUMAN RESOURCES

In 2002 they had 35 employees, and recruitment was done as and when the need arose. There was no training policy; the service staff went for a certification program offered by the vendors. They provided opportunities to learn and grow within the organization, but no training was given.

Though they were a customer focused service company, most employees had technical qualifications and no background in sales. Their employees got attractive offers from others, but the attrition rate was low. In the recent past, there were only three exits — of which one was asked to leave. One of the other two eventually came back to the company.

The organization structure did not have many layers (Exhibit 5). They maintained a small team, which felt empowered and enjoyed working in the charged environment where something new was happening all the time. The operations were smooth with the present structure. An executive headed the accounts; the audit was carried out by a small firm, which had a handful of employees and whose clients were mostly small enterprises in the service sector.

GROWTH OPTIONS

The company had the option of growing geographically to reach out to the important metros like Mumbai and Delhi and some smaller cities. In addition there were other lines of business that they had added over a period of time and these could organically grow. Beyond this, a large opportunity of business through 'e-support' was tested. These options are discussed below.

Remote-Fix

Based on their long experience they had found that a large number of problems with the laptop actually did not pertain to hardware failure but was in the domain of software support. This meant that a large number of problems did not necessitate the customer to physically bring the laptop to the service center. In 2001 they started looking at providing software service support through the Internet. This project was named Remote-Fix. "What irritates a customer the most? The fact that s/he has to wait for a technician to drop in before the system can be fixed! It isn't the 'problem' that irritates

customers: it is the fact that s/he has to wait for a day before a technician drops in!" Thus the idea began: "What if we could provide the customer an instantaneous access to a technician? With the Internet being part of a laptop owners' life, it should be possible to give the customer instant access, using the net as the medium. The customer thus actually pays for access to the technician: not software repair!"

"We soon realized that customer satisfaction level depends on the time to respond, diagnose and fix. When we are online, the time to respond is down to zero from two to eight hours. Even if diagnosis and fixing times stay at the norms of up to one hour, the service is fast. With the database we have from past complaints, we can manage to cut diagnosis time to 10 minutes, and fixing time also becomes satisfactorily shorter and 75% of the calls can be turned around the same day."[2]

There were other synergies in this model. E-support would become the first point of contact for a customer and a technician. If this couldn't solve the problem, then our service centers come into play — a place where customers can carry in their systems and get them fixed". As they started looking closer, they soon realized that the customers wanted three levels of support:

1. **Basic:** This meant that only hardware would be supported. They were already doing it.
2. **Intermediate:** This would include both software and hardware support. They had already started software services, but e-support was a significant step in this direction. The hardware issues were addressed by traditional repair model. In late 2002, they also offered a new product — an annual service contract covering both aspects (see Exhibit 6 for details of the scheme). They also tied up with an insurance company for covering hardware support.
3. **Advanced:** This meant hardware, software and data support. They were not in the data segment, but they had some thoughts on growing in this segment as well.

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[2]Business India (April 1–14, 2002)

While the other options of growth — refurbishing and software support (discussed later) did not need significant strategic inputs, e-support was not easy to handle. Other growth options did not mean a shift in the business model, and came in the range of organic growth. But e-support would have been in the "growth exclusion" sector. The idea was new and it needed strategic inputs. However, they were convinced that this path to growth was to be examined. The testing was done because it suited the overall orientation of the company. It looked attractive because:

- They thought the idea did not involve too much of invest-ments in an "out-of-pocket" sense. It needed re-deploy-ment of strategic thinking and some programming efforts.
- It was built on the database of troubleshooting and prob-lems that were carefully documented.
- It provided a boost to growth and had the potential to cover the distance lost due to the conservatism shown by them in reaching other geographic regions.

To start with they considered buying out software for e-support from existing players. For this they evaluated two options. The first was called *Control-F1* and the other was *NetSupport*.

Control-F1 had an advantage: apart from a one-time cost of software acquisition, there were no costs for usage. For testing out *ControlF-1*, they spent Rs.600,000 in hiring people to work on the product. This was the most signifi-cant out-of-pocket investment made in the e-support idea. *Control-F1* assumed access to a very large bandwidth, setting up of leased lines, servers and back up systems all of which entailed an investment of Rs.3 to 4 million. *Control-F1* failed to deliver significant speeds on dial-up connections (which the customers would most likely have) due to poor band-width. This system had a robust security and was user friendly. On the other hand *NetSupport* did not have a band-width problem. The variable cost in licensing was US$100 per customer. As they would have to charge labour and overheads, this would be expensive for the customers. There were also some concerns on how secure this software was.

After examining these options, it was decided that in-house software would be written. They had a database of the various types of problems faced by customers and the usual solutions. Over 60% of the problems which were software related could be fixed on the Net, without the customer having to carry the laptop. They had to build software that would fix problems from a remote location. This was named "Remote-Fix". The target specifications of the software were:

- To have software that would occupy less than 500 KB, and could be downloaded in less than five minutes on dial up systems.[3] This download would stay on the customer's system.
- The software should not require the customer to re-boot the machine after a download.
- The pricing for this would have to be low: the target price was Rs.125 per month (Rs.1,500 per year) as subscription.

When they decided to write their own software and test it, Guhesh realized that the new initiative would involve more investments than was envisaged. The other stakeholders were unwilling to invest more. So, he decided to invest resources in a new entity called Remote-Fix.com. He and his wife Nalini were stakeholders in this, and this entity would own the intellectual rights for the software, while the rollout of services was to be done by TVAHelp.com. To acknowledge the fact that he was spending lesser time on operations of TVAHelp.com, he took a salary cut, and started working on the design of Remote-Fix.

It took about a year to develop the software and in early 2002, the service was ready and on offer. As a promotional offer, Remote-Fix was offered for free for one service event: subsequently, the customers would have to pay the annual charge to obtain this service.

However, in the rollout they realized that they had made two critical mistakes:

1. The potential demand for the service was grossly under-estimated by them. There were demands pouring in from

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[3]A survey by IMRB had found that 73% of the Internet users accessed the internet through dial up.

smaller locations. Users from small towns started logging on and demanding support. TVAHelp.com was not geared up to meet such a demand. Unlike the physical customers, this needed dealing with the customer, on the Net in an interactive mode. Their initial assumptions about the time to respond and the time to fix were to be re-evaluated because of simultaneous logging in by several customers. Even if it took an average of 45 minutes to attend to a call, the number of calls would not exceed 8 per engineer in a day. If needed they also had to provide physical support. They had only 5 employees capable of handling such calls. It became a nightmare to handle all the calls. Though the Remote-Fix model appeared as a 24/7 model, the office worked like a physical service centre, closing at 7 in the evening and taking the weekends off. Therefore several calls were not attended to and frustration amongst the new customers was building up.

2. They did not have a payment gateway for the customer to pay. It meant that they continued to offer the services on the net for free; it also meant that they did not have an idea of which of these customers who were demanding support on the net were willing to pay.

"If we had the infrastructure and the payment gateways up, then Remote-Fix could have been one of the strongest revenue drivers for us. The idea was working: Customers love the concept and they say that they are willing to pay more! But we don't have the infrastructure in place yet. Once this is up, then we will be off to a flying start. But then, we can't generate this kind of infrastructure on our own internal accruals alone".

But before the rollout there were other problems as well. The employees required to handle such activities had to be trained differently. "This was the first time that we had not planned our human resources to handle the situation. We had bitten more than we could chew. For instance, unlike in the physical servicing — where you could see the customer's face and have a feel for how s/he would react, in case of e-transactions, one was not even sure whether it was a six or a sixty year old sitting at the other end. Therefore, calibration

of instructions had to be accordingly changed. This required a special orientation and would take at least two to three weeks of training — including a week of working with a senior person."

OTHER GROWTH OPTIONS

Upgrades and Refurbishing

They had maintained an elaborate customer database and problem trail. They had a database of all the customers who came to them. By March 2000, they had the configurations of more than 4,000 customer laptops, built with every service done. In 2001 they started using the database to open up a small line — upgrading the machines of past customers. Using the database, they got in touch with the customers and offered an upgrade. In 2001 around 20% of the top line came from upgrades. The margins were around 25%, including labor charge and a markup on parts.

In 2002, they found a business opportunity in picking up laptops from customers who were moving to a better machine. They would service the old machine and sell it to entry level customers. This gave top line revenue of around 20% in that year. The margins on the refurbished machines were low, estimated at 10%. No overheads were apportioned in estimating the margin. The refurbishing business had the following sequence initially:

1. When they started the refurbishing business, the model for sourcing the machines for sale was in the following order: Get a demand from the customer → look for people who want to sell a laptop → Find the system for demonstration (No invoice raised at this stage) → Get the approval of the customer → Invoice the machine to the customer → Get payment and then release payment to the vendor.

However, very soon — in the same year, they decided change the sequence to:

2. Buy old machines up front → pay the vendor → sell it to the customer after making necessary changes as per the specifications.

There was no specific reason for this change apart from ease of operation. This locked up cash in inventory. They usually had four machines in inventory, thereby locking up around Rs.100,000 in inventory. Usually a machine would take about a month to sell from the date of its sourcing from the vendor. This affected their financials adversely in more ways than one. First, the gross margin on this line of business was only about 10%. Second, since each of the office was given revenue targets on the topline, the staff attention shifted to this business where the topline targets were easier to achieve. They thought that this was a good segment to be in, for diversifying risks and having other steady streams of revenue. However, this was not going to be a significant revenue driver if they were to have aggressive top line growth in the next five years.

Software Servicing

They had avoided software servicing initially. This line included things such as fixing drivers for the existing hardware, configuring the systems and optimizing the performance. It was a difficult business to enter, not only because it required knowledge of specific software, but because customers saw no value in software services. Though in 2002 only 10% of the revenues were from software support, there was a growth potential in this area. However, it needed thinking in structuring this business — to get customers to see value in software support.

QUO VADIS?

When the numbers for 2002 came in, they were wondering if it was at all worth to take the Remote-Fix experiment further or whether they should put it under the "growth exclusion"

category. The profit before taxes had fallen from 14% of the turnover to 10% by 2001. In 2002 the situation showed strain. The top-line growth had plateaued and the income from servicing had actually fallen. They just managed to make profits — and this was achieved after Guhesh had taken a pay cut. Otherwise they would have made a marginal loss. On the numbers for 2002 and the outlook for 2003, Guhesh said: "Well, I dropped my salary in 2002, trying to ease myself out of operations of TVAHelp.com and concentrate on Remote-Fix. But, I ended up spending more time, with less pay! I was able to spend only around 20% of my time on Remote-Fix. This year (2003) does seem to be a little better. Moses has come in as the COO. He brings focus into TVAHelp.com, and professionalism that comes from the fact that he runs this place like a corporation, and not like a family. Numbers are picking up, though we struggle to make sure that the branch teams understand direction and implement best practices.

A reason for the numbers of 2002 not being up to expectations were some costs associated with rollout of e-support. The following were the estimated out-of-pocket flows:

Payments for *Control-F1* for licence and personnel support	(Rs.) 600,000
Two persons' salary in TVA, working full time on the project for software development and beta testing	375,000
Cost of getting Internet bandwidth on cable	100,000
Capital expenditure (purchase of computers and other equipment for launch of e-support)	150,000
Marketing costs: Website, software marketing, seminar organized in Pune, payments to PR agencies	275,000
Total	Rs.1,500,000

Remote-Fix was yet to yield revenue, however, there was promise. They also realized that nobody would buy software support on the Net, unless it was backed with hardware support. Therefore, this had to grow out of the

maintenance business and not vice versa as originally envisaged. Once they realized this, they started working on a scheme to package the offering.

In 2002, they launched a service contract package for retail laptop customers which included hardware and software support. They were optimistic of a major upswing by the end of year 2003 and set up aggressive targets for marketing bundled service contract support. The other business lines evolving over a period of time had different levels of margins. Labor billing had a 70% margin, replacement of parts had 10%, upgrades had 10%, and the sale of refurbished machines gave a 5% margin. It was now necessary to tighten the working capital to see if the returns commensurate with the rupee locked up.

Given the pace of growth and capabilities, there was need to prioritize between the e-initiative and the brick 'and' mortar model. Even within the brick 'and' mortar model, there were segments beyond laptops which they had avoided. Releasing this constraint opened the corporate market — service contract for all machines (including desktops). They got contracts from large corporations like Wipro and Infosys for hardware and software maintenance. Four of their professionals were working full time at the client site, servicing about 500 machines. Remote-Fix was being used as a product within the corporation for software support by the engineers on site. Their strategy for retail was modified to service the laptop market and take up the desktop segment only if it grew out of the laptop segment. This avoided a negative rub-off on the premium laptop market. With the corporate service contracts, they made a silent entry into Mumbai and Delhi. The offices in these cities would primarily be at Wipro service stations for a few months. The growth focus in these cities would be on corporate customers, and not on individuals. Once the payment gateway was in place, they could enter into franchise agreements with local service providers. While the Remote-Fix program and the technicians on cyberspace could solve the problems on the Net, any problem that needed physical presence could be attended to by the franchisees. While this could serve as a

good referral model, they could also be suppliers of spares to the franchisees. The avenues opening up with the e-initiative looked extremely positive.

Another option was to sell computers, which Guhesh still thought was in the growth-exclusion segment because the skills needed for this activity were different and margins were low.

The e-initiative would open up the data storage servicing business. Since the backup was always taken on an incremental basis, it could be ported on to the machine on a dial-up connection. This provided the advantage of an off-site back up to the client. The back up would be virus free, thus ensuring that the data would be secure. The client could access these files from a remote location by using a unique password through the Internet. "I am still thinking about the pricing, I think a Rs.1 per MB of data stored per month would be a competitive price. This service might entail an investment for Rs.1 million for hardware and software facilities," said Guhesh. However, this segment would grow only over a longer term. A survey conducted by a trainee student at the behest of TVAHelp.com had confirmed that there was potential on this line.

They knew that e-initiative was a different turf and needed much more preparation than initially anticipated. The brick 'and' mortar growth model was good, gradual and familiar. There was also a fear that if they did not take the e-initiative now, somebody else might enter this space and get an advantage. While there was no doubt on the software, documentation and the ability to hire and train technicians for Remote-Fix, the delivery of the service was to be thought about.

Guhesh looked at the various options that were before him and was wondering if he had lost out on the geographic expansion by concentrating on Remote-Fix. There was no point in having Remote-fix if beyond that the company was unable to service larger problems through a physical presence. For that he had to have his own outlets or franchisees in several locations. In addition, the temptation of looking at the two large metros of Delhi and Mumbai was difficult to

resist. He turned back and looked into the summary of his options that the case writer provided him and was wondering what to do next.

Core: Authorised Service Centre: Warranty Repairs for laptops. Non-Warranty breakdown repairs for (only) laptops of several brands.

First "add-on": Upgrades and Refurbishing (1999-2000) – Only Laptops. Geographic Expansion – One branch

Second "add-on": Software servicing (200-01) – Only Laptops. Geographic Expansion: Two branches

Third "add-on": Sale of Refurbished Systems (2001-02) – Only Laptops. Experiments with remote software servicing No Geographic Expansion.

Fourth "add on" – Annual maintenance contracts for large corporates (2002-03) – Laptops and Desktops. Hardware and Software Servicing. Use of Remote-software servicing within large coroporate. Geographic Expansion at client site in Mumbai and Delhi.

Growth Options:
1. Full Branches in other cities. Servicing of only Laptops.
2. Aggressive growth in AMC for corporates – hardware and software – Desktops and Laptops.
3. Aggressive growth in retail AMCs using tie-up with insurance companies. AMCs to include both software and hardware servicing but restricted only to Laptops.
4. Use of remote-fix in a big way – both in desktop and laptop segments. Software servicing to be done by TVAHelp.com, while hardware servicing to be done by having franchisees in places where TVAHelp.com does not have a presence.
5. Data back up and warehousing facilities using remote technology. To start with only for small and medium enterprises, but not individual customers.
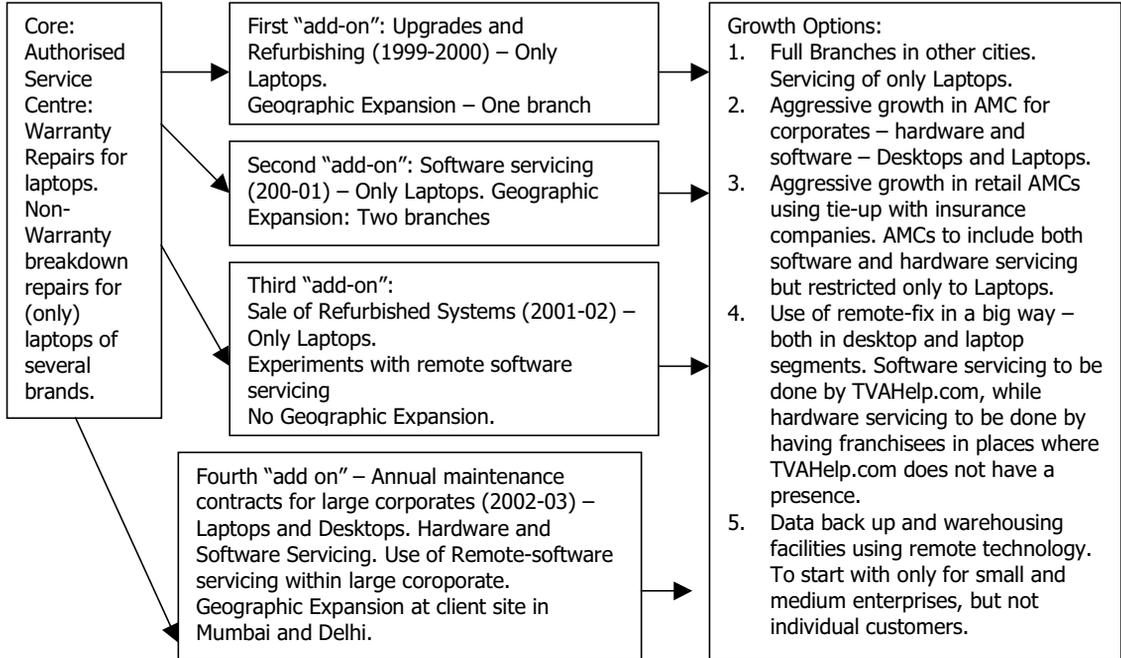
Exhibit 1

Profile and Career of Guhesh Ramanathan

Guhesh Ramanathan (b.1964) is an Electrical Engineer. He graduated from IT, BHU and did his post graduation in management from Indian Institute of Management Bangalore (IIMB). His first job was with Wipro, an offer that came on Day 1 of the placement season. He was appointed as the territory manager for North Karnataka and Goa to sell Sun's Unix based systems. During those days Wipro was in the start-up mode as far as Unix based systems were concerned. He did well, but the job got monotonous and he decided to quit in 1991 without an alternate job on hand.

He was not unemployed for long. With his unique experience in selling Sun's Unix based systems, he was readily picked up by Digital as Product Manager for Unix systems. This was also in a start-up mode. While Digital's main line was the VMS operating system based VAX systems, they had not entered into the rough and tumble world of selling Unix machines. In case of VMS machines, the environment was controlled - customers knew about the merits of the machines and used to walk in asking for the systems. However, to sell Unix based machines, one had to hit the streets and slug it out against competitors like Sun, IBM, and Hewlett Packard. Even within Digital Equipment, during those days, Unix was referred to as a four-letter word. Guhesh built up the sales team from scratch, by creating marketing programs that shifted the focus from operating systems to application orientation. He had to create a secondary distribution channel, unheard of in the exclusive VMS paradigm. In about two years, Unix based systems accounted for more than 50% of Digital Equipment's topline. However, Guhesh felt that while his efforts were recognized, they were not adequately compensated. So, he told his boss that the company possibly needed the cash more than he did, and quit the job by end of 1994.

Within a month after he quit, he fell sick with a bout of serious jaundice. He was bed-ridden for almost a year and a half, feeling weak and adhering to a strict diet that did not allow him any physical exertion. He spent the time in reading books and thinking. By the time he was finally out of the bed, he decided to take it easy for a while – by then, he had decided that there was no point in working for somebody else. He spent the next year building music systems from bought-out parts and selling them. "The topline that year was Rs.4 Lakhs, not great, but I enjoyed it."
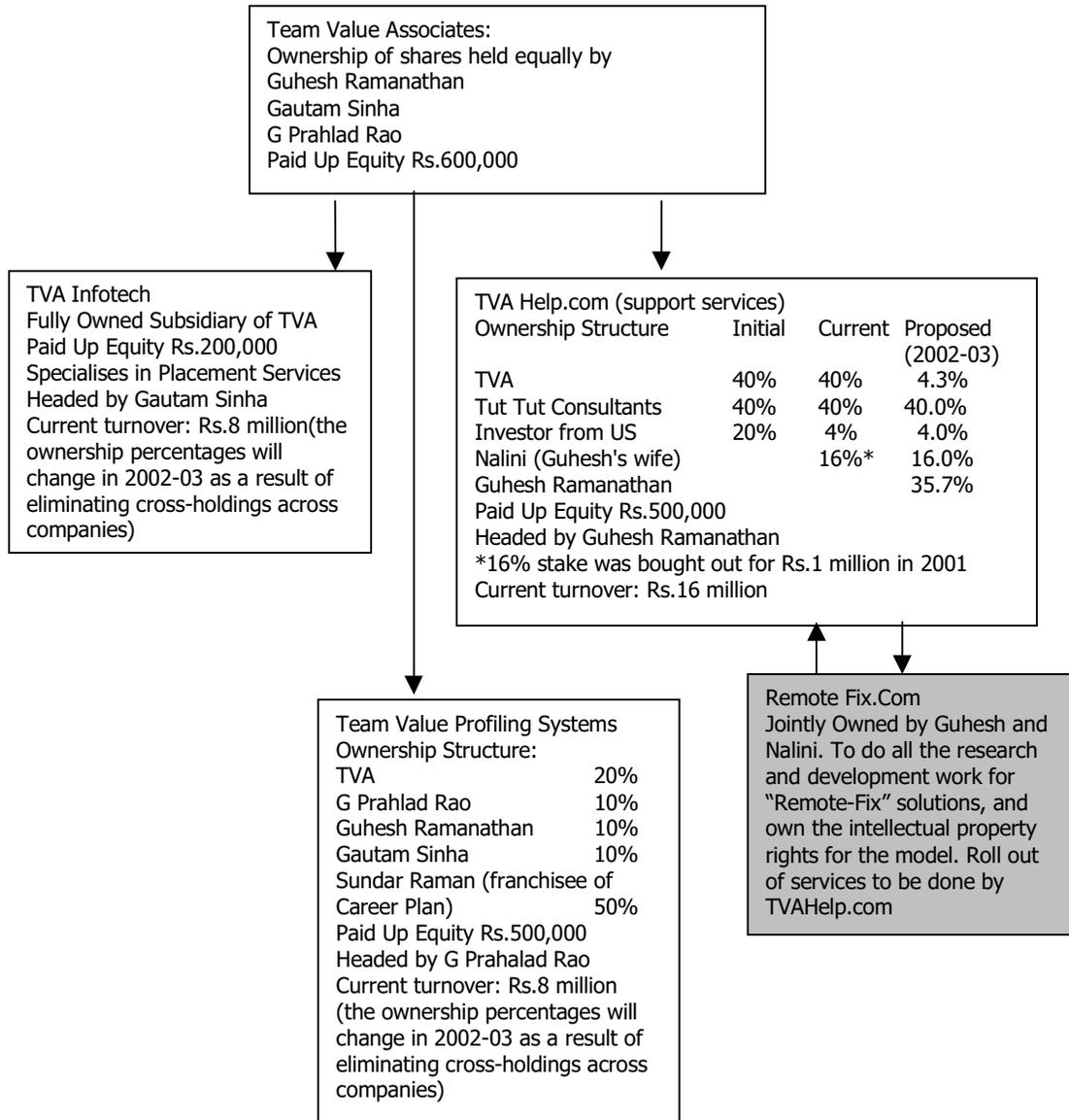
Exhibit 1. (*Continued*)

That was when he met Prahlad Rao who was running a business called Career Plan, and Gautam Sinha who was working with Wipro in the Human Resources Department. Career Plan was in the business of professional assistance and career counseling for students aspiring for higher studies. The three hit off well and decided that they should start a new business. With Gautam's experience in Human Resources and the software sector being in its peak - they decided that they could do a lucrative business in head-hunting.

The back-of-the-envelope calculations indicated that for every software professional placed abroad, they would be making an easy $5,000 with minimal costs. Guhesh's skills in selling would supplement the HR skills of Gautam. They started Team Value Associates (TVA) with a total start up capital of Rs. 600,000 contributed to equally by each of them. But between mid 1996 to March 1997, they were able to place only one person! That too, they had relocated a person from Wipro to Infosys – (both headquartered in the same city Bangalore) and this was not even an overseas placement. "The concept was excellent. We derived our name from the concept. We positioned ourselves as a head-hunting agency that would place teams and not an odd person here and there. However, we painfully found that we lacked credibility in the eyes of the client." Guhesh said.

While the frustration of this business was setting in, Compaq approached TVA looking for assistance to recruit a trainer. "When the details came in from Compaq, my associates looked at me lusciously" Guhesh said. "I appeared to be the most suitable candidate and we would also get a share of fee for placing myself!   However, there was no way I would get into employment again, so we thought of a bright idea of making a counter offer to Compaq." The proposal was that TVA would train Compaq's sales force. "They agreed and we started the work. On one of my trips to Delhi to train the Compaq people, my laptop had problems. I went to the Compaq service center, and they told me that they would charge Rs.1,500 even before the unzipped the cover!" And the rest was history.

Exhibit 2

Ownership Structure of TVA Group[4]

Team Value Associates:
Ownership of shares held equally by
Guhesh Ramanathan
Gautam Sinha
G Prahlad Rao
Paid Up Equity Rs.600,000

TVA Infotech
Fully Owned Subsidiary of TVA
Paid Up Equity Rs.200,000
Specialises in Placement Services
Headed by Gautam Sinha
Current turnover: Rs.8 million(the
ownership percentages will
change in 2002-03 as a result of
eliminating cross-holdings across
companies)

TVA Help.com (support services)			
Ownership Structure	Initial	Current	Proposed (2002-03)
TVA	40%	40%	4.3%
Tut Tut Consultants	40%	40%	40.0%
Investor from US	20%	4%	4.0%
Nalini (Guhesh's wife)		16%*	16.0%
Guhesh Ramanathan			35.7%

Paid Up Equity Rs.500,000
Headed by Guhesh Ramanathan
*16% stake was bought out for Rs.1 million in 2001
Current turnover: Rs.16 million

Team Value Profiling Systems	
Ownership Structure:	
TVA	20%
G Prahlad Rao	10%
Guhesh Ramanathan	10%
Gautam Sinha	10%
Sundar Raman (franchisee of Career Plan)	50%

Paid Up Equity Rs.500,000
Headed by G Prahalad Rao
Current turnover: Rs.8 million
(the ownership percentages will
change in 2002-03 as a result of
eliminating cross-holdings across
companies)

Remote Fix.Com
Jointly Owned by Guhesh and
Nalini. To do all the research
and development work for
"Remote-Fix" solutions, and
own the intellectual property
rights for the model. Roll out
of services to be done by
TVAHelp.com

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[4]By the middle of 2002–03 there were negotiations to cut down cross holdings of the promoters across companies. Guhesh would swap his equity in TVA Infotech, TVPS and TVA in return for a greater holding in TVAHelp.com. In the same year, they also set up a new company "Remotech Solutions" which was exclusively owned by Guhesh and Nalini. Remotech would eventually develop Remote-Fix as a full fledged product and have all intellectual property rights while TVAHelp.com would do the marketing, hardware support and customer interface.

Exhibit 3

Some Business Indicators of TVAHelp.com

Details	Year 1 (1999)	Year 2 (2000)	Year 3 (2001)	Year 4 (2002)
Paid up Equity	0.5 mn	0.5 mn	0.5 mn	0.5 mn
Physical Location	Bangalore	Bangalore Hyderabad	Bangalore Hyderabad Chennai Pune	Bangalore Hyderabad Chennai Pune
Authorised Service Centre for	Compaq	Compaq Digital	Compaq Digital Acer IBM	Compaq-Digital Acer IBM Apple
Revenue (Topline)	Rs. 2.3 mn	Rs.8.4 mn	Rs. 14.8 mn	Rs. 15.6 mn
Team size	4	10	22	35
Share of Business Segments	WS 75% Repair 25%	WS 50% Repairs 40% Upgrades 10%	WS 10% Repairs 60% Upgrades 20% SS 10%	WS <1% Repairs 60% Upgrades 10% SS 10% RS Sales 20%
Number of transactions for Warranty and Repairs	1,500	3,500	8,000	15,000
PBT %	14%	14%	12%	10%
Profile of Customers	Employees of Corporates 60% Independent professionals 40%			
Gross margins on different segments	WS and Repair 70% (labour component) Replacement of parts 10% (margin on hardware) Upgrades 15% labour, 10% parts and SS 10% RS Sales 10%			

WS = Warranty Service

SS = Software Services — things such as installation of drivers, checking configuration and other sundry items which were not attended to during earlier years.

RS Sales = Sale of refurbished laptops, acquired from somebody moving to a higher configuration and sold to an entry level customer.

Exhibit 4

Financial Statements (Rs. in '000s)				
TVAHelp.com **Income Statement**	**1999**	**2000**	**2001**	**2002**
Labour Charges	884	3,478	6,179	5,147
Hardware and Spares Sales	1,160	4,929	8,499	10,313
Service Charges	304	16	216	230
Total	**2,348**	**8,423**	**14,894**	**15,690**
Purchases of Hardware	656	2,679	4,719	6,054
Salaries	321	1,678	3,189	3,559
Remuneration to Wholetime Director	215	360	470	384
Professional Charges[5]	16	82	1,537	1,074
Travelling and conveyance and communication	221	599	1,257	1,602
Rent	300	366	698	1,169
Administration and other expenses	240	605	821	1,110
Advertising		100	159	302
Bad Debts[6]			430	
Total	**1,969**	**6,469**	**13,280**	**15,254**
Profit before depreciation	**379**	**1,954**	**1,614**	**436**
Depreciation	103	217	350	371
Preliminary Expenses written off	1	1	1	1
Profit before taxes	**275**	**1,736**	**1,263**	**64**
Provision for taxes	65	736	473	32
Profit carried to balance sheet	**210**	**1000**	**790**	**32**

[5]Professional charges include two significant items. In 2000–01 a fee of Rs.600 (thousands) was paid to Qsupport for using Control-F1 product. However, they did not use the product ultimately, instead deciding to develop the Remote-Fix model in-house. The other charges are payments made for chip-level repairs of various systems — for getting the mother-board problem fixed through soldering irons and screw-drivers, which is a cheaper option as against buying a new part.
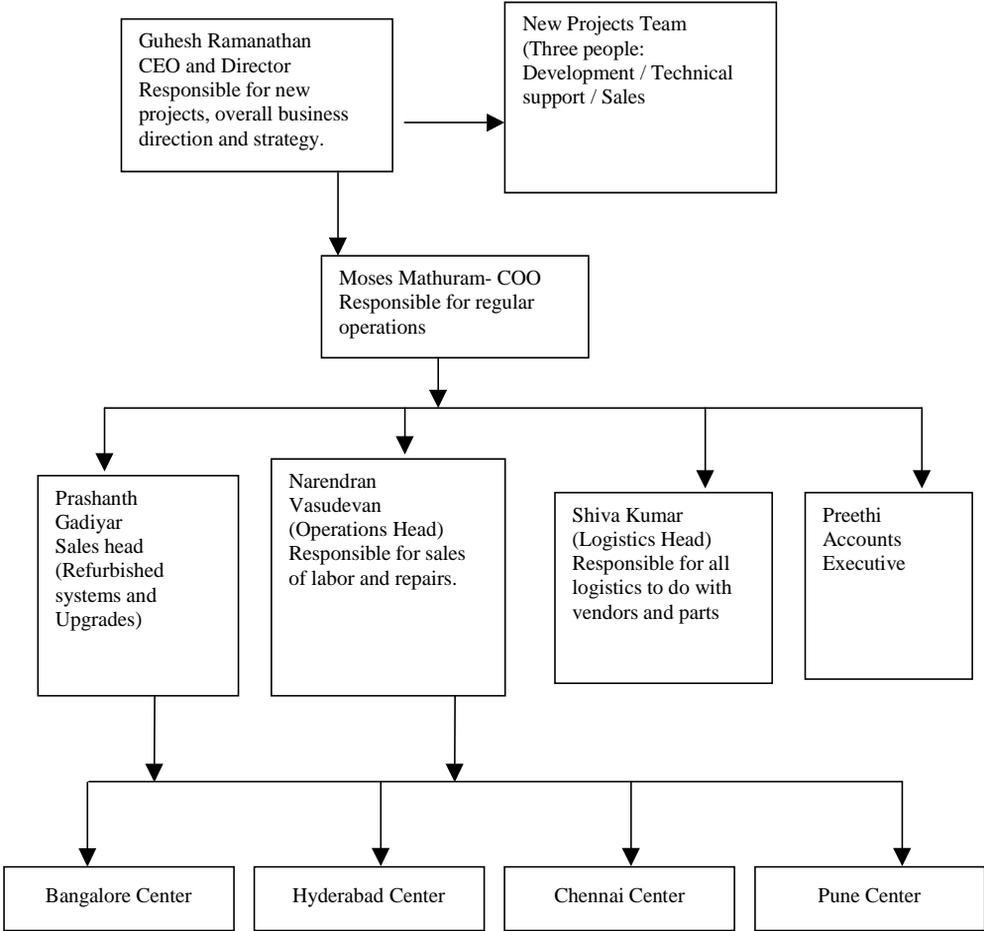
[6]The write off is the cumulative amount of bad debts accumulated over the years and does not represent the losses of 2000–01. This was not being recognized. Now the company has a tracking system.

Exhibit 4. (*Continued*)

TVA Help.com Balance Sheet	2000	2001	2002	2003
Sources				
Equity	500	500	500	500
Reserves (accumulated profits)	210	1,209	2,000	2,031
Loans	170			
Current Liabilities & other borrowings	479	1,519	2,769	2,438
Provision for tax (net of Adv Tax)	(2)	518	142	28
Total	**1,357**	**3,746**	**5,411**	**4,997**
Application				
Fixed Assets	566	1,153	2,132	2,205
Less Accumulated Depreciation	103	320	670	1,042
Net Block	463	833	1,462	1,163
Capital work in progress	230			
Deposits	287	410	723	781
Sundry Debtors and Advances	82	485	1,814	1,777
Cash and Bank Balances	283	2,008	1,403	1,268
Prelim Expenses to be written off	12	10	9	8
Total	**1,357**	**3,746**	**5,411**	**4,997**

Exhibit 5

Operating Structure: TVAHelp.Com

Guhesh Ramanathan
CEO and Director
Responsible for new
projects, overall business
direction and strategy.

New Projects Team
(Three people:
Development / Technical
support / Sales

Moses Mathuram- COO
Responsible for regular
operations

Prashanth
Gadiyar
Sales head
(Refurbished
systems and
Upgrades)

Narendran
Vasudevan
(Operations Head)
Responsible for sales
of labor and repairs.

Shiva Kumar
(Logistics Head)
Responsible for all
logistics to do with
vendors and parts

Preethi
Accounts
Executive

Bangalore Center

Hyderabad Center

Chennai Center

Pune Center

Typical Service center Structure

Center Head

Front office and
sales
(Typically 1-2
people)
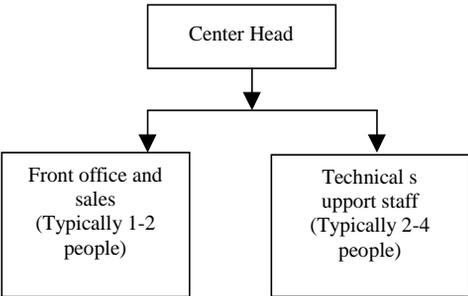
Technical s
upport staff
(Typically 2-4
people)

Exhibit 6

Details of the proposed service contract scheme for retail customers

Based on the initial response to Remote-Fix, the company decided that the strategy it had to adopt was three tiered – at the base level was their existing market in hardware support, stacked up with software related support through the Remote-Fix model and then topped with the data support services. However, the company felt that the market was not mature enough at this stage to lap up the data support services – this would be another add-on feature to the proposed contracts to be launched.

The annual maintenance contract involved two types of obligations. The first was a contract with a service level agreement (SLA). In case of SLA, the performance standards such as time to respond and time to fix are frozen in advance. It would be the responsibility of the company to get the machine back to work irrespective of the constraints faced in procuring spares and the nature of the problem. This product was being offered to large corporations. For instance, the company had bagged a contract with Wipro to offer Facility Management Services (FMS) with an SLA for 350 machines. A similar contract was signed with Infosys as well. In other cases, the machine would be serviced but the covenants did not provide for performance standards for aspects beyond the control of the company.

The service contract which the company intended to sell was a combination of hardware replacement and software and labor support. The company had entered into a tie-up with Oriental Insurance Company (OIC) for taking care of the hardware related risks. TVAHelp.com was recognized as an agency that could not only value the computers, but also sell this particular insurance product. The cost details of the AMC package were as follows:

Service contract costs per machine per annum:

Service Charges to TVAHelp.com for interface with OIC	Rs.500
Initial cost of repair to be borne by the customer before the insurance company would assume liability for settling a repair/replacement bill.[7]	3,000
Software support through Remote-Fix and personal supervision if necessary	1,500
Labor charges	1,500
Insurance premium to be passed on to OIC	4.2% of value of machine
Estimated cost of the AMC package	~10% of the value of machine

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[7]Though the cost had to be borne by the customer for every event of repair, TVAHelp.com was charging them only for the first event of repair and the later costs were to be absorbed by them. The past experience of the company indicated that on average, a machine crashed no more than once a year.

Exhibit 7

Status of Authorised service centres started around the same time as TVAHelp.com and their current status.

Name of the ASC[*]	Location	Current Business
TL	Delhi	Reseller of systems, very little hardware servicing
NT	Cochin	Closed down, promoters have moved to a different business — providing network support.
RV	Chennai	Reseller for Reebok Shoes
FLT	Hyderabad	Selling mobile phones
AT	Mumbai	Resellers of desktops, support for HP deskjet printers, and a little business from servicing laptops.

Source: TVAHelp.com, Bangalore
*The names have been masked to protect identity.

Exhibit 8

Data Pertaining to Desktop and Laptop Industry

Table 1: PC Shipments over the years

Year	Number	Value (Rs. Mn)
1996–97	574,000	N.A.
1997–98	799,058	N.A.
1998–99	1,027,190	N.A.
1999–2000	1,405,290	N.A.
2000–01	1,881,640	61,530
2001–02	1,670,880	48,460

Exhibit 8. (*Continued*)

Table 2: Laptop Shipments over the years

Year	Number	Value (Rs. Mn)	Breakup percentage (by employee size)		
			Large Firms	Medium Firms	Small Firms
1997–98	28755	N.A.	60	31	9
1998–99	22920	N.A.	39	35	26
1999–2000	41670	N.A.	41	38	21
2000–01	52375	6,560	60	26	14
2001–02	44745	3,500	43	30	27

Individual ownership figures not available.

Top 4 metros (Mumbai, Delhi, Kolkata and Chennai) accounted for 72% of the sales, the next four metros (Bangalore, Ahmedabad, Pune and Hyderabad) accounted for 20% of sales, while other cities (including Jaipur, Patna, Indore, Coimbatore, Vadodara, Kochi and Ludhiana) accounted for only 8% of shipments on 2000–01.

Table 3: Sales of computers —numbers and value

Product	2000-01	2001-02	Growth %	2000-01	2001-02	Growth %
	Numbers			Rs. in Million		
Desktops	1,881,640	1,670,880	–4%	61,530	48,460	–21%
Laptops	52,375	44,740	–15%	6,560	3,500	–47%
Servers	64,090	50,880	–21%	12,820	8,710	–32%

Source: Survey done by IMRB, presented by Manufacturers Association in Information Technology (MAIT)