


Name:	
Enrolment No:	

UPES
End Semester Examination, Dec 2024

Course: Business model innovation & entrepreneurial strategy **Semester: 3**
Program: MBA **Time 03 hrs.**
Course Code: MBA SC-KPMG_III_STGM8025P_3 **Max. Marks: 100**

Instructions:

SECTION A
4Q x 5M = 20

S. No.	Question	Marks	CO
Q 1	Define business model. Draw the Business model canvas and explain all the elements that make the canvas.	5	CO1
Q2	What is the difference between business model and strategy?	5	CO1
Q3	Give examples of 5 different types of business model. For each type, name any company that uses that business model?	5	CO1
Q4	What are the different ways in which a company can create an innovative business model?	5	CO1

SECTION B
3Qx10M= 30 Marks

Q 5	What are the different ways in which a company can reduce risk in their business model?	10	CO2
Q 6	A business model is an evolving framework and is not static. What are the 3 stages of business model evolution?	10	CO2
Q 7	<p>Explain three strategies that can be used to create a “sustainable” or “circular” business model.</p> <p>OR</p> <p>When considering managing a business model portfolio: what should you consider when thinking of business model diversification? In deciding to add a different business model to your portfolio, how can you assess and optimize its value? How should you modify your business model portfolio over time?</p>	10	CO2

SECTION-C
4Q=50 Marks

Case: Read the case: Skillmatics: Play or pause? A Strategic Growth Dilemma			
Q 8	Using the business model canvas analyze the competitive position that Skillmatics has created through the usage of technology.	10	CO2
Q 9	Analyze the toy market and create growth strategies for Skillmatics to scale from \$60M to \$600M.	15	CO4
Q 10	How can Skillmatics strengthen their competitive positioning through the enhancement of their technology enabled business model?	15	CO4
Q 11	In the process of scaling from \$60 to \$600 M how do they preserve their entrepreneurial culture which they had built so far?	10	CO3

SKILLMATICS: Play or Pause? A Strategic Growth Dilemma

“In this industry, it’s all about carving a niche for your brand. If you’re able to do that in a very authentic way, you can get to large outcomes just on your own. It’s not a winner-take-all market.” ~Dhvanil Sheth

In early September 2024, Dhvanil Sheth, the CEO of Skillmatics was on a flight from the USA to India after a review meeting with his staff at their San Francisco office. Looking over the scenic cloud view outside his window, Sheth traced the path of his company Skillmatics over the last 4 years. While the top line sales grew 10x between 2020 and 2024,¹ Sheth debated on the strategic options before him to achieve a 10x growth within the next 5 years.² This was a significant target since their 2020 sales came off a modest top line. (Refer to Exhibit 1 for more information)

This Mumbai-based company developed educational games for kids in the age bracket of 0 to 13 years. Their goal was to initiate the development of cognitive skills through playful learning in children. Founded in 2016,³ the company curated math, science, logic and language oriented games. The brand was sold online and offline, in retail stores across 25 countries worldwide. In 2019, the startup had been successful in securing a \$1.5 million funding from Sequoia India’s Surge accelerator program.^{4 5}

¹ Khatri, Bhumika. 2020. “With 18X Growth In US, Skillmatics Is Taking 'Made In India' Edtech Kits Global.” Inc42. <https://inc42.com/startups/with-18x-growth-in-us-skillmatics-is-taking-made-in-india-edtech-kits-global/>.

² Ibid

³ York, Alexandra. n.d. “Dhvanil Sheth.” Forbes. Accessed November 17, 2024. <https://www.forbes.com/profile/dhvanil-sheth/>.

⁴ Ibid

⁵ n.d. Surge: A seed platform for company builders. Accessed November 17, 2024. <https://surge.peakxv.com/>.

With over 10 times Year-on-Year growth in India, and over 18 times Year-on-Year growth in the US,⁶ which was also its core market, Skillmatics was on its way to claim its role in the formation of an “Atmanirbhar Bharat” or the “Self-reliant India” campaign, with manufacturing based in India and a focus on exports.⁷ Skillmatics had owned its complete product development cycle from ideation to launch and had also created its own supply chain for the fulfillment of its goals.

To grow 10x (from \$60M to \$600M), Sheth had to make multiple strategic choices - should he look at the current target segment and geography or look at new target segments and new geographies? In the age of extremely volatile markets, how can he use technology to create a dynamic business model? While becoming more dynamic, what key elements of his organizational values and culture that contributed to his previous successes should he preserve?

INDUSTRY OVERVIEW

Sheth smelt an opportunity after he observed kids being glued to screens after getting bored with their collection of the same traditional toys. Market research confirmed the concerns of parents on excessive screen exposure.⁸ Realizing the mindless tech consumption by kids and the pressing challenges of early development and skill-based education in children, helped Dhwanil take the first step towards building Skillmatics.⁹

The brand quickly climbed up to become an established global edu-toy company. The ambitious learning-through-play toy company planned to build a new-age model catering to a \$100 Billion¹⁰ global toy industry through a systemic, vertical integration of the supply chain, in-house manufacturing and exports, selling to 25+ countries globally through Amazon, their own website and offline retail stores. (For more information on the online and offline sales review Exhibit 2,3 and 4)¹¹

The global toy market size was forecasted to grow from USD 141 billion in 2021 to USD 231 billion by 2028 with a CAGR of 7.30%.¹² The Toys & Games market had experienced stable growth led by increased consumer spending and a revived demand for toys and games. There was a visible shift in consumer

⁶ Ibid

⁷ “Atmanirbhar Bharat Abhiyaan | Self-reliant India Campaign.” n.d. Invest India. Accessed November 17, 2024. <https://www.investindia.gov.in/atmanirbhar-bharat-abhiyaan>.

⁸ Muppalla, Sudheer Kumar et al. “Effects of Excessive Screen Time on Child Development: An Updated Review and Strategies for Management.” *Cureus* vol. 15,6 e40608. 18 June 2023, doi:10.7759/cureus.4060. [Effects of Excessive Screen Time on Child Development: An Updated Review and Strategies for Management - PMC](https://pubmed.ncbi.nlm.nih.gov/40608/)

⁹ “Skillmatics: The Indian entrepreneur whose toy start-up broke records.” 2019. CNBC. <https://www.cnbc.com/2019/08/08/skillmatics-the-indian-entrepreneur-whose-toy-start-up-broke-records.html>.

¹⁰ “Toys Market Size, Share, Trends, Growth, and Industry Forecast.” n.d. Allied Market Research. Accessed November 17, 2024. <https://www.alliedmarketresearch.com/toys-market-A08309>.

¹¹ “THE STORY BEHIND SKILLMATICS' GLOBAL PRESENCE – Skillmatics India.” n.d. Skillmatics India. Accessed November 17, 2024. <https://www.skillmatics.in/blogs/blog/the-story-behind-skillmatics-global-presence>.

¹² “Toys Market Size, Share, Growth | Global Industry Trends [2028].” n.d. Fortune Business Insights. Accessed November 17, 2024. <https://www.fortunebusinessinsights.com/toys-market-104699>.

preferences - the revival of educational toys in the form of board games, puzzles etc. While the toy market was dominated by well-established companies such as LEGO, Mattel etc., niche toy manufacturers were also burgeoning. There were several products, such as activity kits, dolls, action figures, board games, puzzles, and construction sets.¹³

The increasing popularity of educational toys promoting STEAM (Science, Technology, Engineering, Arts, and Mathematics) learning was all set to drive customers behind them as parents and educators were increasingly seeking toys that mixed fun with learning. Additionally, non-toxic, eco-friendly and sustainable toys were enticing as consumers became more aware and conscious of the safety and health of their children and the environment.¹⁴

With the proliferation of E-commerce and online retail channels after the COVID-19 pandemic, the accessibility of Toys & Games had expanded. This allowed consumers to explore a diverse range of products from the comfort of their homes. Thus, the Toys & Games market was expected to grow more in the coming years.¹⁵

Sheth focused on building a truly global brand that had strong Indian roots. However, he took an opposite approach to what traditionally Indian companies would have taken. Rather than focusing on first developing the Indian market and then expanding to other neighboring countries, like Bangladesh, Sri Lanka, Nepal etc., Skillmatics first targeted the North American market and then looked towards the Indian market. In 2024, a large part of their sales were from the United States whereas they were also the first-ever Indian brand to sell globally across Hamleys.¹⁶

The North American toy market had hit \$43.76 billion due to the region's growing investment in entertainment-related products, including toys. Additionally, "gift-giving" became popular, which further pushed the market growth in the region. The growing interest in educational toys had further continued to increase demand for educational toys across North America. Since more parents were starting to seek toys that facilitated learning and skill development, the industry continued to grow. Demand was further increased by the growth of hybrid and remote learning that came in after the COVID 19 pandemic. Thus, toys that combined entertainment and instruction were becoming more popular.¹⁷

¹³ "Toys & Games - Worldwide." n.d. Statista. Accessed November 17, 2024. <https://www.statista.com/outlook/cmo/toys-hobby/toys-games/worldwide#analyst-opinion>.

¹⁴ Ibid

¹⁵ Ibid

¹⁶ "THE STORY BEHIND SKILLMATICS' GLOBAL PRESENCE – Skillmatics India." n.d. Skillmatics India. Accessed November 17, 2024. <https://www.skillmatics.in/blogs/blog/the-story-behind-skillmatics-global-presence>.

¹⁷ "Toys Market Size, Share, Growth | Global Industry Trends [2028]." n.d. Fortune Business Insights. Accessed November 17, 2024. <https://www.fortunebusinessinsights.com/toys-market-104699>.

However the western toy market behaved somewhat differently. The western market was driven primarily by an increased focus on sustainability and eco-friendly products.¹⁸ Environmentally friendly products were gaining significance amongst the western customers, and the market for sustainable toys was likely to grow. In addition, parents everywhere focused on educational and developmental toys¹⁹.

India was estimated to be the fastest-growing market among the major economies as it was home to the youngest population in the world and carried a great demographic dividend on its side. The Indian toy market size stood at \$1.7 Billion in 2023. Experts suggested that the market would reach \$ 4.4 Billion by 2032, exhibiting a CAGR of 10.6% during the years 2024-2032.²⁰ In particular, the Indian STEM (Science, Technology, Engineering and Mathematics) toys market was estimated to grow at a significant CAGR of 8.5% during the forecast period of 2024-2030.²¹ The growth of such a market can be attributed to factors such as the growing emphasis and job opportunities in the field of STEM, the integration of digital platforms in STEM education, and increasing gender sensitization and inclusivity.²²

UNDERSTANDING CHILD PSYCHOLOGY

Skillmatics understood the importance of child psychology in the design of the toys.

Child psychology was a specialized branch of psychology that focused on the mental, emotional, and behavioral development of children, from infancy through adolescence. This field of study was instrumental in understanding the various stages of development children go through and the factors that influence their growth. It played a significant role in developing effective teaching strategies, parenting practices, and

¹⁸ "The growing consumer demand for sustainable products." 2023. McKinsey. <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-are-in-fact-buying-sustainable-goods-highlights-from-new-research>.

¹⁹ Komis, Vassilis, Christofors Karachristos, Despina Mourta, Konstantina Sgoura, Anastasia Misirli, and Alain Jaillet. 2021. "Smart Toys in Early Childhood and Primary Education: A Systematic Review of Technological and Educational Affordances" *Applied Sciences* 11, no. 18: 8653. <https://doi.org/10.3390/app11188653>

²⁰ "India Toys Market Share, Growth, Research Report 2024-2032." n.d. IMARC Group. Accessed November 17, 2024. <https://www.imarcgroup.com/indian-toys-market>.

²¹ OMR Global. 2022. "India STEM Toys Market Size, Share & Trends Analysis Report by Age Group (0-3 Years, 3-8 Years, 8-12 Years, 12+ Years), by Category (Science, Technology, Engineering, and Mathematics), and by Distribution Channel (Online and Offline) Forecast Period (2021-." India STEM Toys Market 2021. <https://www.omrglobal.com/industry-reports/india-stem-toys-market#:~:text=The%20India%20STEM%20toys%20market%20is%20estimated%20to%20grow%20at>.

²² "STEM Toys Market by Size, Growth, Trends and Forecast 2028 | TechSci Research." n.d. www.techsciresearch.com. <https://www.techsciresearch.com/report/stem-toys-market/23224.html>.

therapeutic interventions tailored to a child's unique needs and abilities.²³ As per research, children developed different motor and cognitive skills at different ages, and Skillmatics used that information to develop tailored toys for each age bracket. (Exhibit 5 represents the relationship between the age and growth of a child with cognitive and social and emotional ability development.). In this context,

PRETEND PLAY:

Child Psychologists advocated a learning methodology called Pretend Play that has helped young children develop imaginative capacity and cognitive skills.²⁴ Pretend play is a type of imaginative play that allows children to use their imagination to create new situations and roles. It is a fun way for children to develop essential skills, including social and emotional skills, communication skills and cognitive skills.²⁵ Hence, on the Skillmatics India website a separate category was created for Pretend Play category toys. "Let's make pasta" or "bento box" are examples of some pretend play toys used by Skillmatics.²⁶

CONSUMER BUYING BEHAVIOUR & PURCHASING TRENDS

Sheth understood very well that globally, parents having a similar paypoint for purchasing toys for their kids would generally have had similar expectations from toy manufacturing companies. Additionally parents were actively looking for devices that kept their kids off-screens.²⁷ With the proliferation of social media and the massive onslaught of information available on the internet, parents were actively seeking refuge in other engaging products for their kids. Lastly, parents were focusing on independent toy play for their kids, that would keep their kids engaged for longer periods of time. Skillmatics had identified their unique selling proportions through understanding these issues.

For them, the American toy market was divided into three segments: parents, gift-givers, and adult consumers, each with distinct purchasing behaviors and priorities. Parents, typically middle-class and budget-conscious, focused on educational toys that struck a balance between affordability and their children's preferences. They often preferred shopping in physical stores, where they could assess quality firsthand. Adult consumers, on the other hand, tend to spend more on toys, valuing their emotional significance and uniqueness, which often results in substantial personal collections. Gift-givers favor online

²³ Coby, Lauren. 2023. "Positive Development Psychology." Positive Development Psychology. July 14, 2023. <https://positivedevelopmentpsychology.com/understanding-child-psychology-basics-and-key-concepts/>.

²⁴ Mazzarisi, Alex. 2024. "How Pretend Play Helps Children Build Skills - Child Mind Institute." Child Mind Institute. July 31, 2024. <https://childmind.org/blog/how-pretend-play-helps-children-build-skills/>

²⁵ Scholastic Parents Staff. 2019. "The Importance of Pretend Play." Scholastic.com. 2019. <https://www.scholastic.com/parents/kids-activities-and-printables/activities-for-kids/arts-and-craft-ideas/importance-pretend-play.html>

²⁶ p-themes. 2024. "Puzzles & Pretend Games for Kids." Skillmatics India. 2024. <https://www.skillmatics.in/collections/puzzles-pretend-play>

²⁷ "95% of Indian parents concerned about screen addiction of children: Survey." 2024. Business Standard. https://www.business-standard.com/technology/tech-news/95-of-indian-parents-concerned-about-screen-addiction-of-children-survey-124012400247_1.html.

shopping for its convenience and variety, as they looked for toys primarily as gifts for others, and showed a preference for convenience and broad selections.²⁸

Apart from the holiday season, the American market exploded when popular culture was mirrored in buyers' choices. For instance, in the month of a big-movie release, there was a noticeable increase in related toy purchases. For instance, the Barbie doll shoppers, who spent an additional \$14 on toys compared to a non-movie release month when the movie Barbie was released.²⁹

Different from the American buyers, Indian consumers tended to prioritize value and price-consciousness when making purchasing decisions, often seeking products that offered a balance between quality and affordability. There was a strong inclination towards comparing prices and researching various options before committing to a purchase. Indian consumers also placed significant importance on social influence, with family and friends playing a key role in shaping their buying choices. In contrast to Western consumers, Indians were more likely to be driven by collectivism, placing importance on shared opinions and experiences. Additionally, emotional connections and trust in established brands were pivotal, with consumers displaying loyalty to brands that had proven reliability over time.³⁰

COMPETITION

Lego was not really a competitor as it played in a segment called "construction toys". In the US, Skillmatics faced competition from a mix of legacy and digital-first brands. Legacy companies like Hasbro and Spin Master dominated with broad product portfolios, ranging from games to arts and crafts. In addition to legacy brands, Skillmatics also competed with newer, digital-first brands such as KiwiCo and Lovevery, which had strong online presence and brand positioning. There was also competition from Chinese manufacturers, primarily on platforms like Amazon, but these were unbranded products with lower intellectual property requirements, limiting their competitive edge in categories like arts and crafts.³¹

In India, the competitive landscape was less intense as there were barriers such as import duties and Bureau of Indian Standards (BIS) norms which restricted the entry of Chinese products. However, international brands like Hasbro were present, though in a limited space as they targeted the high end of the market.

A close competitor was Smartivity, an Indian-based ed-tech company specializing in STEM (Science, Technology, Engineering, and Mathematics) learning toys for children. The company's mission was to revolutionize early childhood education by offering hands-on, experiential learning opportunities. They had created a range of innovative DIY (Do-It-Yourself) kits that emphasized learning through play, fostering

²⁸ "Toy Trends and Consumer Insights: Unwrapping the Fourth Quarter in the US." n.d. [www.linkedin.com](https://www.linkedin.com/pulse/toy-trends-consumer-insights-unwrapping-fourth-quarter-vivi-tong-ugv1c/).
<https://www.linkedin.com/pulse/toy-trends-consumer-insights-unwrapping-fourth-quarter-vivi-tong-ugv1c/>.

²⁹ Ibid

³⁰ Kumar, Lakshman, and Y Chitranka. 2024. "Comparison between Marketing Psychology of Indian Consumers vs Us Consumers: A Qualitative Study." *Academy of Marketing Studies Journal* 28 (4): 1–8. <https://www.abacademies.org/articles/comparison-between-marketing-psychology-of-indian-consumers-vs-us-consumers-a-qualitative-study.pdf>.

³¹ Information provided by the CEO to the case writer during an interview on 13 October 2024

creativity, problem-solving, and analytical skills, in children aged 6-14 years. Their toys combined cutting-edge design with the practical application of theoretical concepts, covering areas like mechanics, architecture, robotics, and augmented reality. Smartivity's business model was unique, blending educational value with fun, positioning itself as a bridge between traditional toy manufacturers and modern ed-tech companies.³² They focused on patenting their smart tech behind its STEAM based toys in India.³³

A few other brands like Zephyr Toymakers, which was one of India's largest indigenous construction kit toy manufacturers, with toy brands like Mechanix and Blix were also key competitors of Skillmatics in India, largely functioning in the tier 2 cities of the country.³⁴

TARGET MARKET

Skillmatics had been focusing on middle class and upper-middle class parents of toddlers and tweens. Since a large chunk of sales was generated for sales in the North American and European Markets, the average prices of the products ranged from around \$10 to \$30.³⁵

Sheth had been clear on identifying the distinction between the customer and consumer of their products. The target customer of Skillmatics was the parent, while their consumers were largely children in the age bracket of 0 to 13 years.

This clarity of thought had helped the brand in building some strong value propositions for Skillmatics, majorly catering to the worries of parents for their children. The brand has focused on three important aspects. Firstly, they had focused on skill-development of children³⁶; secondly, they focused on the idea of keeping kids away from using too-much screens;³⁷ and thirdly and also most importantly, solutions to these problems had to encourage independent play.³⁸ Sheth had realized that parents were extremely busy with workload and if a game kept their child independently engaged without any unhealthy side-effects, it made a strong value proposition for the brand.

³² J Vignesh. 2016. "Education Technology Startup Smartivity Gets Rs 6.6 Crore for Future Learning." The Economic Times. Economic Times. May 15, 2016. <https://economictimes.indiatimes.com/small-biz/startups/education-technology-startup-smartivity-gets-rs-6-6-crore-for-future-learning/articleshow/52285139.cms>.

³³ "Smartivity - about Us." 2024. Smartivity. 2024. <https://www.smartivity.in/pages/about-us>.

³⁴ Vecuro. 2024. "About Us." Zephyrtoys.com. 2024. <https://www.zephyrtoys.com/about.asp>.

³⁵ "Bestsellers." 2022. Skillmatics US. 2022. https://skillmaticsworld.com/collections/best-sellers?sort_by=price-ascending&filter.v.price.gta=5&filter.v.price.lte=29.97.

³⁶ "The Importance of Fine Motor Skills in Child Development: A Comprehensive Guide." n.d. Global Education Therapy. <https://www.globaleducationtherapy.com/blog/fine-motor-skills>.

³⁷ Muppalla, Sudheer Kumar, Sravya Vuppapapati, Apeksha Reddy Pulliahgaru, and Himabindu Sreenivasulu. 2023. "Effects of Excessive Screen Time on Child Development: An Updated Review and Strategies for Management." Nih.gov. June 18, 2023. <https://pmc.ncbi.nlm.nih.gov/articles/PMC10353947/>.

³⁸ Sherman, Jody. 2024. "Independent Play: What It Is and Why It's Important for Kids - Begin Learning." Begin Learning. August 20, 2024. <https://www.beginlearning.com/parent-resources/independent-play/>.

Parents also wanted to keep their kids busy and independent in off-screen engagements.³⁹ All these value propositions were further solidified through their high quality and affordable price positioning. The price points of the products ranged from \$10 to \$30 in the US and \$5 to \$12 in India. This made the products accessible to a wide consumer base which maintained a focus on educational value for their children.

PRODUCTS

Portfolio

Skillmatics started its products with educational games and resources, and focused on creating engaging, high-quality, and innovative products. One of the company's best selling products, "Guess in 10" became a huge hit due to its unique blend of education and fun to understand more about the Animal Kingdom while learning essential skills like Communication, Decision Making, Problem-Solving and Creative Thinking Skills. Another popular product, "Foil Fun" dominated the Amazon U.S. market, becoming the best-selling product in all toys and games categories. (Look at Exhibit 5 for more details)⁴⁰

Several aspects of Skillmatics' success had been vested in its efficient product development methodology. Firstly, the products curated by Skillmatics were distinctive and unique, mostly the first of their kind to be sold in the toy market. Secondly, trademarks and copyrights were optimized by Skillmatics to safeguard its intellectual property. Finally, the business consistently innovated and expanded its product lines with newer developments. Skillmatics maintained the relevance and appeal of its goods for a wider range of consumers by broadening the subjects and age groupings that were offered. This ongoing innovation made sure that the goods were appealing to kids and adults alike and stayed fresh.⁴¹

Product development

As a company, Skillmatics had grown itself into a team of approximately 270 people. With around 100 people in product development, 50 in performance analytics, 30 in marketing, 20 in sales, and 70 in finance, supply chain, operations. As observable here, the largest chunk of people were vested in Product Development, but why?

Sheth had focused a lot on the research and development aspect of his products. The company had a large design and development team, of around 100 people, divided into majorly three verticals namely, content, design, and engineering. This team worked in harmony to ensure that each product was well-designed, feasible and knowledgeable.⁴²

³⁹ Krongard, Sarah. 2021. "Parents: Time to Rethink Your Child's Relationship with Screen Time | Harvard Graduate School of Education." [www.gse.harvard.edu](https://www.gse.harvard.edu/ideas/usable-knowledge/21/08/parents-time-rethink-your-childs-relationship-screen-time). August 6, 2021. <https://www.gse.harvard.edu/ideas/usable-knowledge/21/08/parents-time-rethink-your-childs-relationship-screen-time>.

⁴⁰ Ghosh, Aritra. 2024. "How Skillmatics Became a Leader in Educational Games Across 20+ Countries." [Indian Retailer](https://www.indianretailer.com/interview/retail-people/profiles/how-skillmatics-became-leader-educational-games-across-20). <https://www.indianretailer.com/interview/retail-people/profiles/how-skillmatics-became-leader-educational-games-across-20>.

⁴¹ Ibid

⁴² Information provided by the CEO to the case writer during an interview on 13 October 2024

The content team included full-time teachers, child psychologists, and experts in early childhood education who ensured that the educational value of the products was up to the mark. The design team, composed of game designers, graphic designers, and industrial designers that focused on creating visually appealing and functionally feasible products. Lastly, the engineering team brought these ideas to life by managing materials and manufacturing requirements.⁴³

While edtech products typically take 12-24 months to be developed considering the complex methodology involved such as the ideation, intellectual property, teaching, learning methodology etc., Skillmatics had perfected a speedy product development process, going from ideation to launch in just two and a half months. This speed was 5X faster than traditional companies, allowing Skillmatics to quickly test and scale successful products into the market.⁴⁴

Patents

Skillmatics needed to protect their unique designs, brand names and other creative assets like artwork, game titles etc. These were protected through trademarks and copyrights as it was different from patents which were typically filed for industrial designs. So far, they had filed over 200 trademarks and copyrights.⁴⁵

MANUFACTURING/SUPPLY CHAIN

Skillmatics' high speed was achieved also through intricate coordination with their suppliers and a highly technology-driven production process. Skillmatics outsourced most of their manufacturing to contract third parties in China and Mexico. This had several advantages: it made Skillmatics asset light and did not burden their balance sheet, it made the supply chain more agile as they could ship to the West coast from China and the East coast from India. This hedging minimized supply chain risks arising from unprecedented geopolitical situations in the region.⁴⁶

The geopolitical situation favored a non-China made product for the domestic US market and making in India was an attractive option. Even though labor was more expensive in India, there were raw material cost advantages (paper pulps) and additionally, it hedged the bets of producing in only one global location. China and India had a streamlined and optimal supply chain route to the West coast and East coast, respectively, and that made the dual production facility to be cost optimal. In India, English speaking was also prevalent, making it easier to make products for the English speaking customer.⁴⁷

⁴³ Ibid

⁴⁴ Ghosh, Aritra. 2024. "How Skillmatics Became a Leader in Educational Games Across 20+ Countries." Indian Retailer. <https://www.indianretailer.com/interview/retail-people/profiles/how-skillmatics-became-leader-educational-games-across-20>.

⁴⁵ Forbes Advisor. 2023. "Trademark vs Copyright vs Patent: What's The Difference? – Forbes Advisor." Forbes. <https://www.forbes.com/advisor/business/copyright-vs-trademark-vs-patent/>.

⁴⁶ Information provided by the CEO to the case writer during an interview on 13 October 2024

⁴⁷ "India Is an Essential Counterweight to China—and the next Great U.S. Dependency." n.d. Itif.org. <https://itif.org/publications/2021/04/12/india-essential-counterweight-china-and-next-great-us-dependency/>.

DISTRIBUTION

Sheth also realized the fact that the category of toys and game products was rapidly shifting to online E-commerce platforms. He recognized that customers preferred to buy such products online. The reason was the consumers' wish to know more about the product and validate their choices through reviews, especially in the form of photos and videos. This also helped them keep their product-return rates low, as the brand was able to communicate better with its customers through online media.⁴⁸

Skillmatics had initially launched products online to test the market's reaction to their bid. This allowed them to gather real-time feedback which in turn helped in optimizing any shortcomings in their products and also helped them focus on curating potentially successful products first, before expanding them to offline retail channels like Walmart in the US and Hamleys in India. This test-model was highly useful for Skillmatics and reduced the risks associated with large inventory investments.⁴⁹

MARKETING

Skillmatics leveraged technology greatly across its business operations, including everything from product designing and development to marketing and logistics. The company used a combination of third-party software and proprietary tools to analyze market trends, manage production, and optimize marketing strategies. This tech-driven approach had enabled Skillmatics to maintain efficiency and agility, crucial for a global business with teams spread across multiple countries.⁵⁰

Skillmatics had integrated technology across multiple areas of its business. They used a set of advanced data analytics to mark gaps and arenas of opportunities in the market. This gave them insights on consumer behavior, trends in demand, and an overview of the competitive landscapes. Thus, the company created products that were targeted and relevant. Such a techno-centric, data-first approach allowed Skillmatics to quickly respond to market demands and curate products that focused on skill-building for children.⁵¹

It invested in AI tools largely to automate arenas of marketing and creative design. For example, Skillmatics used to bid on thousands of keywords in real-time on Amazon to optimize their ad-spend, and also used AI-generated illustrious solutions to test and further refine product packaging.⁵²

Skillmatics focused on capturing the demand of the market through data analytics. They used simple methods like utilizing Google Search data to tell them the keyword "toy" that people had been searching

⁴⁸ "How Skillmatics Built a >400Cr Global Consumer Brand in 5 Years." n.d. Wwww.linkedin.com. <https://www.linkedin.com/pulse/how-skillmatics-built-50m-rev-global-consumer-brand-5-years/>.

⁴⁹ Information provided by the CEO to the case writer during an interview on 13 October 2024

⁵⁰ Ghosh, Aritra. 2024. "How Skillmatics Became a Leader in Educational Games Across 20+ Countries." Indian Retailer. <https://www.indianretailer.com/interview/retail-people/profiles/how-skillmatics-became-leader-educational-games-across-20>.

⁵¹ Information provided by the CEO to the case writer during an interview on 13 October 2024

⁵² Ibid

for. Similarly, they utilized customer reviews, reviewed competitors products, dug statistics from their own website and analyzed Social Media trends. Refer to Exhibit 6 for more information

One example of which was, that they realized that to their surprise, in the US, their products were best sold not on weekends but rather on Mondays and Tuesdays and thus, they channelised their marketing in a way to spend aggressively on those particular days. This led to a lower Cost of Acquisition, with an increasing Price Power metric. (Refer exhibit 7 for more details).⁵³

DYNAMIC PRICING

Compared to a cost plus pricing model, Skillmatics used dynamic pricing similar to the surge pricing done by Uber. The pricing was done based on several inputs: performance of products on the platform (measured through clicks and/or moving to 'add to cart'), customer feedback/review, and by tracking conversions.⁵⁴

Skillmatics used analytics to improve the accuracy of the launch price. The accuracy of the launch price was affected by 2 factors: the delta between the initial launch price and the final price that made the product fly off the shelf. Larger the delta, less accurate was the initial launch price. Conversely, the smaller the delta, it meant that the pricing forecast was more accurate. The second factor was how many times Skillmatics had to reduce price (in steps) to come to a stable price point. Lesser frequency of pricing changes, better was the pricing accuracy.

In the US market, the concept of a Maximum Retail Price (MRP) did not exist as compared to India. The absence of this regulation gave them the flexibility to increase prices depending on demand and vice versa.⁵⁵

As mentioned previously too, Skillmatics used a blend of customized tools, third-party software, and in-house tech solutions here as well. Sheth had partnered with software tech companies like Microsoft to develop a "tech architecture" for their unique needs in pricing, data analytics, and other business processes. These tech tools allowed them to analyze large sets of data related to consumer behavior, conversion rates, and product performance.⁵⁶

Through their smart pricing initiative they were able to command increasingly higher premiums, refer exhibit 10.

SUSTAINABLE PRACTICES

Skillmatics had committed itself to sustainable and eco-friendly practices. The company predominantly used paper-based materials, all of which were FSC certified and recyclable. Additionally, Skillmatics was working towards becoming a fully carbon-neutral brand. In the U.S., their products were labeled "climate

⁵³ Ibid

⁵⁴ Ibid

⁵⁵ CFI Team. n.d. "Material Requirements Planning (MRP)." Corporate Finance Institute. <https://corporatefinanceinstitute.com/resources/valuation/material-requirements-planning-mrp/>.

⁵⁶ Information provided by the CEO to the case writer during an interview on 13 October 2024

pledge friendly” indicating that the carbon footprint from production to delivery was offset through renewable energy projects.⁵⁷

To understand carbon offsetting, let us take an example. Suppose a company, ‘A’ had a specific amount of green-house gas emissions. This company can buy ‘certifications’ or ‘rights’ to offset its carbon emissions and compensate for these by paying for funding projects that actively fight climate change through reforestation projects, renewable energy projects etc. Thus, this method accounted for one’s own carbon emissions offsetting with reducing carbon emissions somewhere else, rather than companies investing in reducing their own carbon emissions. (Refer to Exhibit 8 for more information on how Skillmatics functioned with Carbon Offsetting)⁵⁸

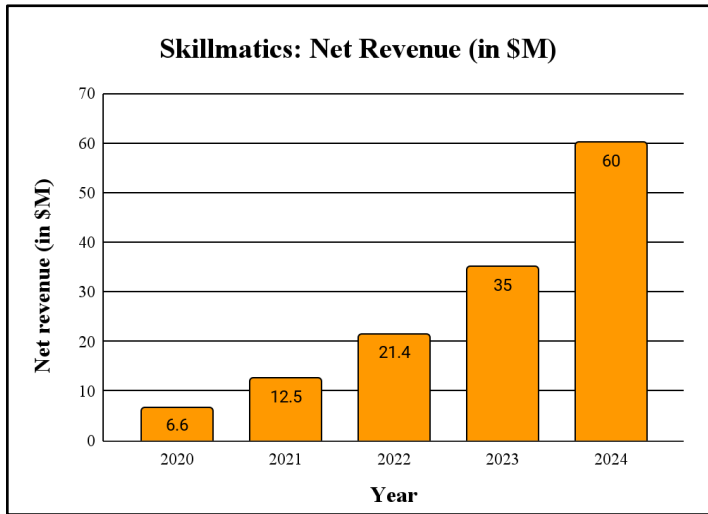
LOOKING AHEAD:

Although hedged effectively, future risks for Skillmatics included market saturation, failing to evolve with trends, and eco-conscious consumer demands, necessitating innovation and adaptability. To achieve a tenfold growth (from \$60M to \$600M), Sheth faced several critical strategic decisions: Should he continue focusing on the current target segment and geographic markets, or explore new segments and expand into new regions? In an era of highly volatile markets, how could he leverage technology to develop a more adaptive and dynamic business model? Additionally, as the organization becomes more agile, which core values, cultural elements, and organization structure that have been instrumental in its past success should he strive to preserve?

⁵⁷ Ghosh, Aritra. 2024. “How Skillmatics Became a Leader in Educational Games Across 20+ Countries.” Indian Retailer. <https://www.indianretailer.com/interview/retail-people/profiles/how-skillmatics-became-leader-educational-games-across-20>.

⁵⁸ Gurgel, Angelo. n.d. “Carbon Offsets.” MIT Climate Portal. Accessed November 17, 2024. <https://climate.mit.edu/explainers/carbon-offsets>.

Exhibit 1: Net Revenue Growth of Skillmatics in Million Dollars.



Source: Company Documents

Exhibit 2: Skillmatics X Amazon Great Indian Sale



Source: [Skillmatics India \(@skillmaticsindia\) • Instagram photos and videos](#) COLLABORATION WITH AMAZON GREAT INDIAN SALE Skillmatics India Instagram Page accessed on 11 October 2024


(SIMILAR PROMOTIONAL CROSS MARKET)

Exhibit 5: Product Matrix

Age Group	Products	Prices
0-12 Months	<ul style="list-style-type: none"> ➤ High Contrast Flash Cards for Infants (ages 0-12 months) ➤ Peek-A-Boo: Jungle Theme Interactive Soft Cloth Book (ages 6 month+) 	\$9.99 \$17.97
1-4 years	<ul style="list-style-type: none"> ➤ Flash Cards for toddlers: Letters, Numbers, Shapes & Colors (ages 1-4) ➤ Flash Cards for toddlers: Letters & First 100 Words (ages 1-4) ➤ Animal Pattern Puzzle Set Educational Matching & Learning Game (ages 18 months+) ➤ Pooping Puppy Pull-along Toddler Toy (18 months+) 	\$14.97 \$12.97 \$9.99 \$24.97
4-9 years	<ul style="list-style-type: none"> ➤ Foil Fun: Unicorn & Princess No Mess Art Kit (ages 4-9) ➤ Sight Words Flash Cards (ages 4-9) ➤ The Ultimate Dinosaur Game Box (ages 5+) ➤ Guess in 10: Countries Of The World Trivia card game (ages 8+) ➤ States Of America 	\$19.97 \$14.97 \$14.97 \$14.97 \$14.97
10+ years	<ul style="list-style-type: none"> ➤ Catch The Crook Strategy & Mystery Board Game (ages 10+) ➤ World Map Puzzle (ages 6-12) ➤ Multiplication Flash Cards (ages 7-12) ➤ Up Start Entrepreneurship and Business Strategy Game (Ages 7+) 	\$24.97 \$24.97 \$14.97 \$19.97

Source: Compiled by the casewriter from the company's Website accessed on 11 October 2024.

Exhibit 6: Customer reviews for Skillmatics Bestseller Product “Peek-a-Boo” from India and US on Amazon.

 Amazon Customer


★★★★★ **Fantastic Sensory Book for Babies and Toddlers**

Reviewed in India on 24 August 2024

Style Name: In the Jungle | **Verified Purchase**

Its a wonderful product for little ones! The soft cloth material means there's no risk of paper cuts, making it perfectly safe for infants and toddlers. The book is filled with different textures that are not only fun for babies to explore but also excellent for developing their sensory skills. My baby loves touching and feeling all the different surfaces. It's a great way to introduce your child to the world of books in a safe and engaging way. Highly recommend for early learning!

|

 Chanda wadhwa

★☆☆☆☆ **Not at all worth the money !**

Reviewed in India on 1 September 2024


Style Name: In the Jungle | **Verified Purchase**

Though cloth books are useful for baby and unique concept but price is very high.

Price should be reconsidered for the item or you should improve the quality and increase the number of pages in a book.

2 people found this helpful

|

 Love Books

★★★★★ **Fun book for babies/toddlers**

Reviewed in the United States on 10 August 2023

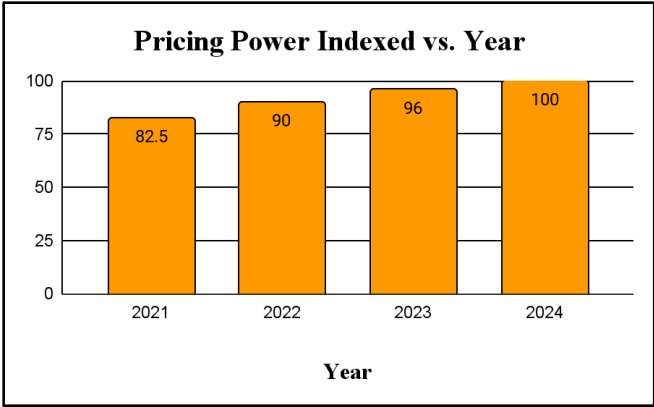
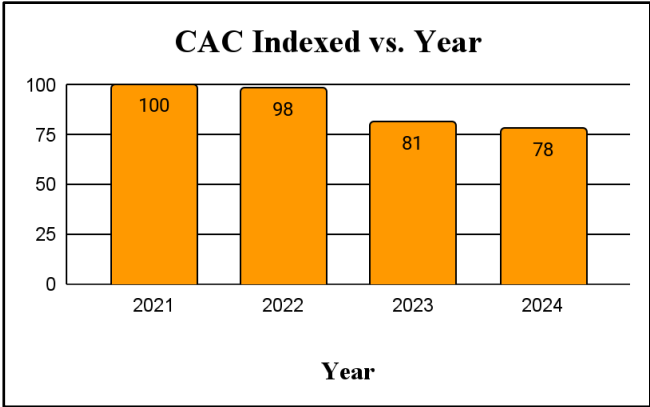
Style Name: In the Jungle | **Verified Purchase**

I purchased this book for my neighbor's baby. It's a book she will grow into. Peek-a-boo is one of the first games parents play with babies so the peek-a-boo animals will most likely be the first part of the book a baby would enjoy. The colors are vibrant, the illustrations are endearing and the book appears to be very "chewable". As a baby grows the book will be easy for little hands to turn the pages or hang onto the book. Also the the removable items (attached to the book so they won't get lost) will help little fingers gain dexterity and hand/eye coordination. I can see this book being part of baby's life for many years.

Sources: [Buy Skillmatics Peek-A-Boo Jungle Book - Soft Cloth Book for Baby, Infant & Toddler Toys, Crinkle Pages for Sensory Play, Gifts for Ages 6 Months and Up Online at Low Prices in India - Amazon.in](#)

Skillmatics on AMAZON accessed on 16 November 2024

Exhibit 7: Consumer Acquisition Cost (CAC) reduction with a rising Pricing Power



Source: Company Documents

Exhibit 8: Carbon Offset Coverage

Year	AMZ US Sales (in %)	Tons Offset
2022	0%	0
2023	55-60%	2504
2024	65-70%	To be determined

Source: Company Documents

