CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 In this section, summarised conclusions have been presented, based on the audit carried of the four companies. This has been then used to offer recommendations under different heads. Even though the companies audited are having entirely different types of businesses, a common format has been developed for offering recommendations. The recommendations can be classified in terms of long term and short term strategies. Details are then filled in under the heads of:

i) Market segmentation.

ii) Marketing mix decisions, comprising of decisions on product, price, place and promotion.

iii) Product positioning.

iv) Any others which would come under the purview of Marketing Management.

5.2 Kirloskar Brothers Limited:

5.2.1 Conclusions:

After studying the past results of KBL, it is concluded that the performance of last few years cannot be considered as encouraging. Even though
the overall turnover has marginally grown up in these years, in every other area, such as profitability, market share and image, the company is falling short of expectations. A near monopoly which the company enjoyed only twenty years back has almost been eroded during this time. Not only a large number of competitors have emerged, they have performed better than KBL. This statement is more applicable for pumps and valves, a major contributor of the product line of KBL.

a. **Pumps**

Historically, the pump line has always been a major contributor to the revenue of KBL, ranging between 22% to 30%.

KBL has a very wide range of pumps available in terms of different sizes, types, materials of construction and prime movers. This is claimed as the company's strength. It is concluded here that this strength has also resulted in the weakness of the company. The development of this wide range in terms of design cost, pattern making, inventory building, etc. results in higher investment. The
ultimate result is that prices of KBL pumps are always highest in the market. Because of a very wide range available, the deliveries are invariably long. This results in lost opportunities to the company because the customers are not willing to wait. This is particularly true of agricultural pumps, cast iron and sluice valves.

It was strange to notice that in last ten years, the company has hardly introduced any new technology in the market which is worth mentioning. The company's R & D set up has not been able to come out with new lines. One or two new lines (submersible sewage pump) which the company developed had several defects which the company failed to overcome quickly. Thus, the company lost the lead which they enjoyed initially.

In comparison to this, the major competitors have made considerable break through in the introduction of new technologies. For example, Akay Pumps have introduced slurry pumps, M/s. KSB Pumps have introduced Nuclear Pumps etc.

**b. Valves:** KBL were the pioneers in India in valve manufacturing. However, today they have a very small share of less than 4% in the total valves
market in India. Some of the conclusions which have been arrived at for this dwindling performance are listed below:

i) KBL has been concentrating on single cast iron sluice valves. In last three years, they have not come out with any kind of sophisticated valves required by industry worth mentioning.

ii) KBL has been concentrating on the market segment of water supply, while more demanding and high paying ones like process industries, oil refineries etc. are yet to be tapped.

iii) Perhaps the major villain in their setback are their high prices. There is almost no justification for KBL's high prices. Most of the valves of KBL priced are as high as 40% to 100% in comparison to their major competitors.

iv) The traditional distribution network has been looking after pumps only. Thus, dealer support to valves marketing is very low.

v) The promotion support for valves is sporadic and almost non-existent. Awareness about KBL valves manufacturing is, therefore, much lower.

vi) There is hardly any long term plans for marketing of valves.
c. **Machine Tools:**

It could be said that the company did not have any specific strategy in entering in the market for Machine Tools. This could be on account of the fact that the company has not made any specific efforts to add new lines in Machine Tools. As such, it is felt that in comparison to pumps and valves the Machine Tools have been given low priority.

d. **Compressors:**

Because of the present government's policy of multiple taxation, more and more OEM's are going in for captive manufacturing facilities for compressors. Thus, KBL is losing OEM customers regularly. OEM market consists of almost 70% of their total sales. This is a recent trend which will affect their business seriously.

Some of the general observations applicable to all the products of the company and its overall marketing activity are given below:

1) **Target Marketing**: The company is concentrating more on high volume, low margin and high competition segments such as agricultural, irrigation and water supply. Somehow, the company
has not yet concentrated on the segments offering high value, may be at a lower volume.

ii) **Product Mix**: The company has not been able to utilise its wide range and has actually come in trouble because of longer deliveries and higher prices. The concentration is still on simple cast iron products where due to heavy competition the company finds its margin always under strain. In last ten years, the company has failed to develop sophisticated products which would fetch them a good price and margin.

iii) **Price Mix**: The company’s prices are the highest in the market and there is no reasonable justification for the same. It is rather strange, but, hardly any systematic efforts have been made to reduce the prices.

iv) **Distribution Mix**: Wide distribution network available with the company has not been properly exploited. The dealers are getting complacent losing interest in the KBL lines. They are not putting the desired efforts which are required today. The ineffective dealer network is one of the major factors which is contributing to the problems of the company. There is a strong need
of increasing the dealer effectiveness and motivation.

v) **Promotion Mix**: Strategies on promotion are half baked. That means, the plans are prepared but execution is seldom resorted. KBL has not been in a position to build up an image in the market and is still considered as manufacturers of simple agricultural pumps, implements and cast iron sluice valves. Due to lack of awareness, the company is losing opportunities over the years.

vi) **Marketing Manpower**: The turnover of the marketing manpower is above average as compared to other companies. Marketing staff cannot be described as highly motivated which affects the marketing performance.

vii) **Marketing Planning**: For quite some time, the company did not have any systematic exercise in preparing marketing planning. Three years back (1981) the company did prepare five year plans. However, it has only remained on paper as considerable organisational changes have taken place. At the same time, there is no machinery to monitor and bring in the control measures towards the fulfilment of the plan.
viii) Co-ordination with other departments:

It was noticed that the co-ordination between the works and the head office, between the marketing head office and regional offices is not what it should be. As a result buck-passing is a common occurrence.

5.2.2 Recommendations:

The recommendations to improve the marketing performance have been offered separately for different product lines of the company.

For Pump Marketing:

1) It is strongly recommended that KBL should concentrate more on high value pumps where they will be in a position to optimally utilise their capacities and capabilities. They should reduce their dependance on high volume of pumps which is becoming uneconomical for them to manufacture. They should consider the possibility of getting some of these simple agricultural pumps manufactured from small scale industry under their strict quality control.
Thus, while their manufacturing capacity will be available to make more sophisticated pumps, for simple pumps, they will be in a better position in the market.

ii) It is understandable that KBL as pioneers in pump manufacturing will always be the price leaders. At the same time a thorough revision of the price structure should be made so that they are not completely priced out in the market. On an average, higher prices upto 15% in the market is understandable. Beyond that, if a substitute is available, justification may become difficult.

iii) The company should develop new types of pumps which are presently imported.

For Valves Marketing:

i) Similar to pumps KBL should concentrate only on special types of valves where they can realise a better price and which could take care of their overheads. At the same time, the company can get simple cast iron sluice valves manufactured under its own brand names from outside.
ii) A long term plan should be prepared for the valves division which must be strictly monitored and controlled.

For Machine Tools Marketing:

The company is presently making sophisticated machine tools. It should develop at least one new machine tool every year. The machines should be of the latest technology available in the world, as well as suit the requirements of the Indian Markets. As an illustration, it could be pointed out that KBL started developing Programmable Numerical Control (PNC) Machine Tools, when other manufacturers had gone into the next generation, that is, Computerised Numerical Control (CNC) machines. KBL, therefore, lost some ground because of lack of foresight.

For Compressor Marketing:

As the company is losing the market of OEM, it should consider following alternatives which are available to them, depending upon the Corporate philosophy:

i) The company can go in for vertical integration whereby they can manufacture refrigerators and
ii) The company should develop compressors for new applications such as car air conditioners. At present, car air conditioners are imported in the country. As per the latest figures, these imports amount to around fifteen thousand air conditioners per year. This segment of the market can offer a good potential to the company.

General Recommendations:

i) The company should concentrate on high value items of latest technology, in which competition, particularly from small scale sector is less.

ii) Based on the past sales performance and investments envisaged in different user industries, the company should define their target markets carefully. If necessary, the target markets should be defined every year.

iii) For most of the products the company's prices are highest in the market. It should reconsider the price policy.

iv) The company should evaluate the performance of its dealers. This exercise should be done on a regular basis. The dealers who are not performing well
should be discontinued and new ones should be appointed.

v) The promotion expenditure must be put to use in more effective manner. There should be consistency in promotion strategies and expenditure.

vi) The company should prepare and implement long term marketing plans. Proper machinery should be introduced to monitor and bring in control measures towards the fulfillment of the plans.

vii) Co-ordination between the works and marketing department, marketing head office and regional offices should be improved. The communication of information will help the marketing planner in preparing effective plans and controlling the performance of various marketing departments.

viii) With the increased competition, product marketing will become more and more difficult. Companies of KBL's statures and resources, therefore should take up the business of large pumping installation. (Since the time this study was made KBL, has already gone into this business and has obtained spectacular results).
5.3 **Sathe Biscuits and Chocolates Limited**:

5.3.1 After studying the performance of the company, it is concluded here that, the performance in the last few years is far from satisfactory. The turnover has gone up marginally but there is no consistent rise in the turnover of the company. The market for this industry is growing continuously. Similarly, competition is also increasing. The company has not made any systematic effort to maintain its market share. It has failed in other areas also like promotion, marketing planning, and distribution. Except for their chocolate biscuits which the company introduced some four years back, they have not come out with any new product development. The company suffered a lot due to labour unrest also.

5.3.2 **Biscuits and Bakery Products**:

Historically, this line has been the major contributor to the revenue of the company. Its contribution towards sales has been more than 85%. However, the sales performance of this line is not very encouraging. Due to the consumers favourable attitude towards
'ready to eat' products, the market for biscuits and bakery products has been growing at around 10% per annum. The company however, has not been successful in exploiting the opportunities. In fact, it's sales performance has recorded a negative growth rate.

5.3.3 Chocolates and Allied Products:

It could be said that the company did not have any specific strategy in entering into the market for chocolate products. Over the years, the sales of these products have been declining. The competitors of the company are introducing variety of chocolate products and incentive schemes for consumers. Whereas, this company has not come out with any incentive scheme so far. The company does not know whether to concentrate on chocolate or milk chocolate. It seems that there is no planning for marketing of chocolate products.

The capacity utilisation for chocolate products has been extremely poor. The company has not done any kind of market research before entering into this market. With decreasing sales and poor utilisation of capacity, the company must be finding it uneconomical to continue with the production of these products.
The summary of the conclusions under different heads is given below:

i) **Target marketing**:

The company has not done a systematic exercise in market segmentation. Their emphasis on household customers is understandable but they have not explored the alternative of bulk buyers, like hotels. Similarly, the company does not have any specific plans to decide its concentration on any particular geographical area. The strategy of target marketing can be developed only if the company has adequate data on the various markets, their preferences, trends etc. This, however, is not available to a large extent.

ii) **Product Mix**:

The company is offering biscuits in a large number of varieties. However, all the varieties are not doing well. A continuous analysis of the contribution made by each type is essential. Then only production planning, estimation of a certain type etc. will be possible. As the company is dealing in consumer products, to cater to the tastes of consumers it must do this exercise. However, for chocolate products the
company seems to be lagging behind in this direction.

iii) **Price Mix** :

The company fixes prices of its products by considering the prices offered by brand leaders and small manufacturers. In the short run, this policy is quite good but in the long run the company must have a price policy of its own. However, the company has not done anything in this direction. Besides competitive party method of pricing, the demand forces must be also be considered while setting prices.

iv) **Distribution Mix** :

The company has been using wholesalers and retailers for the distribution of biscuits. The distribution structure is not wide for a company doing national marketing. Further, the effectiveness of dealers requires improvement.

v) **Promotion Mix** :

The company has not paid sufficient attention towards promotion on the whole. Their advertisements are not appealing to the customers. It has not used modern media of advertising. It has not introduced incentive
schemes neither for area distributor nor for customers. The kind of image that is desired for such products is lacking. This could be because of non-availability of budgets or sticking with the same advertising agency for last many years. Obviously, the latter has not given the creativity that is desired.

vi) Marketing Planning:

The company has not done a systematic exercise in marketing planning. This has resulted into poor and in-consistent sales performance. Target setting, monitoring and control functions are far from satisfactory.

Recommendations:

i) The company should do a systematic exercise in market segmentation. Along with the household customers they should also try to concentrate on bulk buyers. They should consider the possibility of developing product mix for rural market especially where the competition is less.

ii) The company should try to develop price policy for the long run. Pricing Decisions should be
taken also in relation to the positioning of the product in the market vis-a-vis target markets and competitors price policy.

iii) For the products in which the company is dealing, direct sales are not possible. The company should try to utilise the distribution network more effectively.

iv) The company should undertake a bold promotional programme. It should introduce incentive schemes for dealers as well as for consumers. For example, if a consumer purchases three packs of biscuits or chocolates, he can get another pack at 50% discount. The company can arrange competitions for children. Participants should be given small pack of biscuits or a chocolate as a gift. Winners should be given coupons for purchasing the company's products at a discount, next six months or so. On these lines, sales promotion schemes should be developed. Along with the incentive schemes, the company should try to improve the frequency and quality of the advertisements.
v) The company should prepare long term marketing plans. This should clearly define their strategies for domestic markets as well as overseas markets.

vi) The company should try to explore overseas markets, particularly in the gulf countries. (Since these recommendations were made, the company did try to enter middle east markets and has obtained few orders. The potential seems to be immense.)
5.4 The Poona Industrial Hotels Limited:

5.4.1 After studying the performance of the company it is concluded that the performance of the company could be improved further, especially in relation to the occupancy ratio and profitability. Also as there are limitations in improving the business beyond a certain level in Pune, they must come out with growth strategies.

5.4.2 Apartments:

The income from apartments is rising continuously. The occupancy rate is at around 65% to 70% per annum. The company has realised that their business depends on the popularity of Pune as a tourist attraction. Hence, it is making efforts to popularise Pune among Indians as well as foreign tourists. However, the company has not made a systematic exercise to find out the occupancy rate in different seasons. Therefore, it is not in a position to take steps to improve the occupancy rate in relation to seasonality.

5.4.3 Food and Beverages:

The income from food and beverages is rising at around 37% per annum. This is due to the fact that rates have gone up and with the increased promotional efforts, the clients of the company have increased.
However, the company has a strong belief that they have no competition in Pune. This might be true as for as apartments are concerned but not for food and beverages. Many two star and three star hotels in Pune are in a position to compete with the company as far as this item is concerned.

The quality of both the services cannot be exactly considered as excellent.

The summary of the conclusions under different heads is given below:

1) **Target Marketing**:

The company has shifted emphasis from group of tourists to independent travellers. This change in the target customer group has been made because the company has to give discount in case of group business and is not based on any profitability or trend analysis of the market segments. All over the world including India, this is one segment which helps in improving the occupancy of the hotel. The best combination of individual, executive and group business should be aimed at.
ii) **Service Mix**:  

The company is in a service industry and it has been making efforts to offer more and more sophisticated services to its clientele. As the company's clientele is from higher income group and foreign countries, it must continuously make efforts for improving the quality and number of services to be offered to the customers. They should add more services desired by the clientele.

iii) **Price Mix**:  

The clientele of the company is not price conscious. This is mainly because a majority of the clientele is from the business class who is on a company expense account. The remaining mostly comprising of foreign tourists in terms of their foreign currency find the rates reasonable. In Pune, their prices are highest but as there is no other five star hotel, there cannot be a comparison.

iv) **Promotion mix**:  

The company is paying sufficient attention towards promotion. However, this is mainly to promote its cafeterias. It is not known how much the company tries to promote its lodging facilities outside Pune.
v) **Marketing Planning:**

The company does prepare marketing plans every year. However, there is no long term planning and no clear cut objectives for marketing on which the plans should be based.

vi) **Marketing Manpower:**

The morale of the manpower in general and that of the marketing manpower cannot be said to be the best.

**Recommendations**

**Apartments:**

The company should do a systematic exercise to find out the occupancy rate in different seasons of various market segments. The past five years record of occupancy can help the company in this direction.

Once the periods of low occupancy are identified, the company can take steps to improve the occupancy rate during those seasons by taking certain measures like giving discount to the clients in those seasons, arranging seminars of national or international levels etc. There is very less competition to the company in Pune for the apartments and the company should also take full advantage of its monopoly position.
viii) **Food and Beverages:**

The company should realise that they do not enjoy that monopoly in this item which they enjoy as far as the apartments are concerned. Further, there are quite a bit of complaints about the food. They must be attended promptly and corrective measures should be taken quickly.

**General Recommendations:**

i) The company should do the profitability analysis of various market segments and then decide the target customers.

By considering the trends in the occupancy rates, the company can fix quotas for group business as well as independent travellers like 60% for group business in busy period and rest 40% for independent travellers. During slack period more emphasis should be given on the group business.

ii) To increase the clientele, the company should add more services desired by the clientele. As already pointed out, their clientele is not price conscious. The company should take advantage of this fact to offer services which are profitable to them and which other luxurious hotels in Pune, will find difficult to offer.
iii) The company should define its marketing objectives. They should be explained to the marketing staff. On the basis of the marketing objectives, long term marketing plans should be prepared.
5.5 M/S. L.D. BHAVE AND SONS :

5.5.1 I have studied in detail the performance of M/s. L.D. Bhave and Sons for the period 1978 to 1983.

The conclusions which I have drawn are as follows:

i) M/s. L.D. Bhave and Sons have taken considerable efforts for popularising, use of Liquidated Petroleum Gas for domestic purposes. They have done marketing planning and they have good procedures for controlling all the marketing activities. Over the years this has given them good business. However, this business was profitable till the nationalisation of petroleum companies.

ii) Over the years, the situation has changed. With the increasing government control, they are finding it difficult to manage the activities. On one hand, there is restriction on the number of customers. The commission which they get has remained static over the years. On the other hand, due to inflation, the operating costs of the business have gone up considerably. This
has narrowed down their profit margins. Their business is becoming stagnant and unprofitable.

iii) They have added new lines which are giving them good business. However, there has been no proper thinking on growth strategies.

Recommendations:

Following recommendations are offered to the company to chalk out a growth strategy for the years to come:

i) They may continue in the business of distribution of LPG unless the government takes over the distribution to themselves. As they have large number of customers on their roll, they know precisely how much revenue they can earn by way of commission. In that case, they will have to aim at improving their operational efficiency by having strict cost controls.

ii) It must not be ignored that the time has come when they must think of diversification. Manufacturing is not recommended as they lack the background, experience as well as the will.
iii) They have excellent showrooms and godown facilities in the town. This they should put to use by taking agencies for a number of products. That means, they should remain only in marketing and that too for the local market of Pune.

iv) They must decide clearly what type of products they would like to deal in by defining, their objectives. Consumer durables only are recommended.

5.6.1 After completing the Marketing Audit of the sample units, I have come to a conclusion that the companies covered could give the following picture:

5.6.2 Most of the companies are still product or sales oriented. No doubt, the Indian companies are trying to develop new products and improve quality of the existing products but this is not in relation to the customer. They are not ready to accept the fact that the consumer is the king of the market. That the competition will continuously increase and that the marketing environment will also change continuously. Very few companies give sufficient attention to advertising and sales promotion and make the best use of it.
5.6.3 The philosophy of the Indian businesses is reflected in their marketing operations. Most of the companies do not have clear-cut corporate objectives. The corporate objectives are mentioned in the Memorandum of Association just as a matter of formality. They are static. People working in the company are hardly aware of them.

5.6.4 The situation with marketing objectives is worst. In most of the cases, the marketing objectives are not listed out at all. And if they have any marketing objectives, the marketing staff does not know them. This does not mean that the marketing policies are baseless. The policy makers do have some or other marketing objectives in their mind. The question whether they are right or wrong is also entirely different. However, the objectives behind the marketing philosophy are not known to the marketing staff. As a result, the policy makers have something in mind, the people engaged in the execution of the policy have some another thing in mind. The operations are not well directed and due to lack of adequate communication, this confusion is not noticed at all.
5.6.5 Very few companies have adequate and timely market information. The available market information is not used effectively. Many managements have narrow conception about marketing research. They think that it is costly, time consuming and does not necessarily give accurate results. Thus, an important tool like marketing research which can aid in decision making is hardly put to use.

5.6.6 The condition of marketing planning is very poor. Neither the plans are based on clearcut marketing objectives nor they are prepared by considering the changing environmental factors. Many times, the plans remain on paper. There is no effective machinery to control the actual performance as per the plans. The companies find it difficult to know where actually the things have gone wrong. Hence, the same mistakes are repeated. Especially, for a multi product multi-market company, monitoring of performance is rarely done. Only at the end of the year, the lapses come in the lime light. Perhaps, by then it is late.

5.6.7 The companies take pride to sell the products all over the country. However a systematic analysis to determine the profitability of various markets is not done.
5.6.8 The companies are eager to introduce new products to expand the line of existing products. However, timely decisions regarding dropping unprofitable products are not made. A systematic exercise to determine the profitability of the products is not done. This is true especially of the companies manufacturing entirely different types of products.

5.6.9 Very few companies pay sufficient attention towards development of marketing manpower. Lack of adequate motivation to the marketing people is reflected in their marketing performance. The turnover of the marketing staff is increasing in almost all the organisations. When do not find the job meeting their requirements due to lack of opportunities and the organisational environment, they move over to greener pastures. The company has to reinvest in selection and training which is not only costly but time consuming.

If we study the performance of the successful companies, then relatively they have less of these problems. The management works consciously to identify them and overcome them. For other organisations, this situation cannot be changed overnight but the Marketing Audit can
give them guidelines for the development of strategies.

Every organisation is in the field of marketing whether it is a profit making or non-profit making one, as each one is involved in the process of exchanges. It would be a logical expectation to hope for improvements in marketing performance. At the same time, the environmental conditions are posing threats and opportunities. Competition is ever on the rise. All these factors establish a need for an exercise like Marketing Audit. The Marketing Audit is not only in the theory but has tremendous practical applicability.

Based on the studies, it is observed that Marketing Audit could be used as an effective tool under the following conditions:

a) It will be useful for private as well as public sector undertakings. In India, the public sector is playing an important role in the economic development of the country. However, the performance of this sector is not very encouraging. For example, take the nationalised banks. A common man gets impressed by the increase in the savings and advances after nationalisation.
However, if we consider this in relation to the rate of the inflation and increase in population, the performance cannot be said to be very encouraging. The fact is that especially the government organisations are yet to discover marketing concept. An audit of this nature should bring in the realisation.

b) The marketing audit will be useful for small, medium as well as large companies. A continuous and comprehensive Marketing Audit is no doubt desirable even for small companies. However, as Marketing Audit is a costly and time consuming exercise, small companies may not have sufficient resources for it. Also it is comparatively easy to keep a check on the marketing activities in a small concern. So as and when the time arises, it can evaluate different marketing functions. However, for medium and large companies, a comprehensive Marketing Audit will be more useful.

c) More particularly, the Marketing Audit will be very important tool for a multi-product and multi-market company. An exercise like Marketing Audit will give rise to the best combination of products and markets.
d) While the control function should be a continuous exercise, the Marketing Audit could be periodical. It may not be possible to give the exact frequency with which it should be carried out. This will depend on the availability of manpower, money and time to do this exercise. However, a periodicity of once a year could be considered as ideal.

e) There could be few limitations of Marketing Audit. They include restraints of time, budget, availability of data and co-operation from the marketing people. However, as already explained in Chapter III on page number , they would be minimised. However, the facts are clear that in no way they reduce the practical utility of the Marketing Audit.

Based on this research study, the hypothesis was put to test and it is conclusively proved that:

\*[i] The Marketing Audit can identify the problem areas in the marketing operations of any company.

\*[ii] It can come out with specific recommendations and alternatives to improve problem areas.

\*[iii] The recommendations can lead to improvements in the profitable performance of the company.