4.1 Kirloskar Brothers Limited (KBL)

4.1.1 Incorporation: 15th June, 1920 at Kirloskarwadi (Satara District - Maharashtra).

Registered Office: Udyog Bhavan, Tilak Road, Poona 411 002, Maharashtra.

Factories:
1) Kirloskarwadi - District Sangli (Maharashtra).
2) Karad.
3) Devas.
4) Kirloskar Press, Poona.

Paid up share capital as on May 31, 1981 - Rs.30,661,576
Total capital employed as on May 31, 1981 - Rs.33,188,178

4.1.2 Objectives:

Manufacture of agricultural equipments, sluice valves, power driven pumps, sugarcane crusher, concrete mixers, vertical turret lathe, horizontal boring machine pneumatically sealed compressors etc. The company's products are marketed under the trade name 'Kirloskar'.
4.1.3 KBL is a multi-product company, having achieved a turnover of more than Rs. 60 crores in the year ended 1983. The company was established in 1920 by late Mr. Laxmanrao Kirloskar to manufacture iron ploughs.

Beginning with the manufacture of iron ploughs, the company today manufactures a large variety of sophisticated industrial products. The products can be divided in six categories:

1) Pumps
2) Valves
3) Machine Tools
4) Compressors
5) Agricultural Implements
6) Others

The company makes thousands of pumps every year in different sizes, types and materials of construction for a variety of applications. The pump types include monoblock, end suction, horizontal split case, chemical and process non-clog, mixed flow, multi-stage, paper stock, vertical turbine, submersible and other designs.
The company manufactures valves from 50mm to 1200 mm size range and in different trim combinations.
The types of valves include - sluice, reflux, cast steel, gate, check, butterfly and pump valves.

The company manufactures sophisticated machine tools like vertical turret lathe, rotary surface grinding machines and key-way milling machines.

The company also manufactures a wide range of (hermatically) sealed compressors for refrigerators, airconditioners) bottle coolers and water coolers manufacturing.

The company claims total inhouse manufacturing capabilities. It has a Pattern Shop equipped to manufacture all sorts of wooden and metal patterns, foundries having facilities like medium and high frequency furnaces capable of producing various grades of grey iron, steel, alloy steel, stainless steel, bronze, and non-ferrous alloy castings. The machine shop has a number of large and modern tools for Jig boring, planing, milling, grinding and special purpose machines for operations like thread grinding etc. They also have heat treatment like
muffle furnace, salt bath furnace etc.

For the most important aspect of manufacturing, quality control, the company has Radiography, magnetic particle testing, Ultrasonic and dye penetration testing in the non-destructive laboratory, besides testing in destructive laboratory. There are special machines for dynamic balancing of rotating components. There is a separate standard room and a Hydraulic Research Centre, the largest of its kind in Asia.

4.1.4 As far as the marketing aspect is concerned, the company's strength lies in a wide distribution network comprising of ten Regional Offices, twelve Stocking Centres and over 450 dealers all over the country.

The company has also entered foreign markets. It sells products in more than 61 countries in the world. They include highly developed countries like UK, USA and countries in Africa, West Asia, Australia. Around 10% of the company's total production is exported.

For selling the products in overseas markets, the company has distribution arrangements and contacts with Sigmund Pulsometer Pumps Inc (SPP) in USA and Gaam Engineering in Australia. The company also has joint ventures in Malaysia, Kenya and USA mainly for manufacturing and marketing of pumps.
4.1.5 The Marketing Organisation of the company at the Head Office is as under:

**Marketing Organisation at Head Office**

**Vice President (Marketing)**

- Senior executive
  - Administration Division
  - General Administration
  - Marketing Policy
  - Recovery
  - Publicity
  - Market Research Cell

- Executives (Marketing)
  - Industrial Spares Div.
  - Sealed compressor & fluid power div.
  - M/C Tool Div.
  - Industrial Pumps Divn. Div.
  - Sealed compressor & fluid power div.
  - Agency Products Div.
  - Servicing Dewas Products Div.

- Manager
  - Projects and Contracts Div.

4.1.6 For different products, different marketing methods are adopted:

Industrial pumps, sealed compressors and agro products are marketed through dealers. Since 1970, very large pump sets, valves and fire fighting sets are sold directly. The reasons behind such direct selling are,
a) the technical sophistication required by the customers

b) advent of engineering consultancy which has changed the character of the market at pre and after tendering stage and their having decisive role in the placement of orders. Large vertical turbine pumps are marketed in India through Voltas Limited. For Machine Tools direct marketing is adopted.

This method of marketing since 1970 has resulted in marked improvement in sales, market share, better contacts with the customers and recovery of dues in much shorter period as claimed by the company executives.

For Hermetically sealed compressors, nearly 75% of the total sales is to Original Equipment Manufactures (OEM). OEM Sales require considerable pre-sale (application engineering) efforts and effective after sales service regarding inwarranty replacements and training of OEM personnel. For this purpose direct selling is adopted.
4.1.7 Feedback on Questionnaire:

It must be appreciated that the number of questions asked are quite large in number. Further, the same questions are asked to executives in charge of different product lines. As such, the answers are further multiplied.

It has therefore, been decided that the feedback here will be given in brief in the form of questions and answers. They are then followed by observations and recommendations for that particular point. The same procedure will be used for other companies, product lines etc. It may happen that some questions are not relevant to a company. Such questions are then omitted.

The Environment Audit:

Macro Environment:

1. Economic - Demographic:

Question 1: What does the company expect in the way of inflation, material shortages, unemployment, credit availability in the short run, immediate and long run?

Answer 1:

Inflation:

For Compressor: Prices of copper and steel are increasing for the last two years by 20% per annum.
For Valves:

Inflation rate is higher. It is 25 to 30% for the last two years.

For Machine Tools:

Inflation rate in machine tools is also at around 25% per annum.

For Pumps:

Because of inflation, prices increase and it becomes difficult to convince the customers.

Observations:

- The company carried out a study and found that inflation rate in last five years was 60% to 70%. As against this, the company's total price rise was about one hundred and ten per cent. In comparison, the price rise of major competitor's was at about seventy percent. This was more applicable for pumps and valves.

- It seems that price rise is mostly done on an arbitrary basis without keeping track of rate of inflation. This could be on account of various reasons, one such being is lack of proper costing procedures. However, because of such rises, prices are tending to be competitive.
Another reason for this shortcoming is on account of use of raw materials in manufacturing. Procurement of raw materials may not be correct, the prices of raw materials are higher or purchases are not made at right time and in right volume. As a proof to the above points made, it has been noticed that the proportion of cost of raw materials to total cost is 90% for KBL whereas in other companies it is 60%.

Recommendations:

It is imperative that the company should keep a track on the various environmental factors which affect their performance. A trend could be observed which should actually work as a pointer to their future strategies and action plans.

Material shortages and availability of credit:

Compressors:

Material shortages has become an acute problem.

Valves:

In case of valves material shortage is not a serious problem. However some trouble is experienced at the time of buying the components from suppliers within the country.
Machine Tools:

This division faces the problem in case of imported material.

Pumps:

For pumps division also material shortage is a serious problem. Either, they have to block up the capital or purchase at higher rate.

Observation:

- Material shortage has become a serious problem for all products. But it seems that the company is aware of it. For example, steel plates were a problem for pumps division. A plan was prepared for different sizes on the basis of estimated orders. Estimated orders were communicated to purchase department.

- It may be possible that there is no perfect coordination between manufacturing divisions, and purchase department. It may be that latest methods of store control are not adopted. Data on which purchases should be based is not sufficient.

Recommendations:

Communication between purchase department and manufacturing department should be improved. For solving the problem of steel plates, the company has taken appropriate steps. Similar steps
are necessary for other types of material.

- Latest methods of store control should be adopted.

- Purchases should be based on the information like orders in hand, estimated orders for a specified period, work in progress, availability of stock of raw materials, materials ordered but not received, trends in the availability of materials up to date index of suppliers, evaluation report of suppliers etc.

Considering the sales and manufacturing programmes, and exhaustive purchase plan should be prepared.

**Availability of Credit:**

**Answer:** Availability of credit has become an important problem, for almost all divisions. With the Reserve Bank of India's policy for reducing inflation, it is likely to become more serious. Along with the credit, recovery on due date is also a problem. Following three factors make the problem of credit more serious:

- Debtor's level is higher. It is one hundred and seven days.

- 80% of the company's business is done with the government. Therefore the company has to give credit facility to customers, but it finds it difficult to get credit facility from suppliers.
Delay in the delivery of products also contribute to the problem.

Sales, purchase and manufacturing departments had discussed this problem of delay in delivery. It was found out that order booking was not in proportion to the manufacturing capacity. Now periodical meetings of these departments are conducted. Before making an offer, all information is collected.

**Observation:**

Availability of credit has become an important problem of the company. One of the reason for this being debtor's level is very high. Sales are not balanced with public and private sector undertakings. 80% of the business is done with the government. This leads to delayed payment and increases interest burden on the company.

- The company's machinery of collecting dues seems to be inadequate to go after recoveries.

- As compared to some of their competitors the company seems to be accepting orders without advance or with less advance.
Recommendations:

The company should try to aim at private sector where recovery would be faster. Breakdown of the present market catered, which is at present 80:20 for government to private, should be changed within next five years to 50:50 which will help in reducing debtors level.

- Debtors level should be reduced. Even if it is reduced to 70 days, that would mean considerable savings in terms of interest which is otherwise paid on account of high debtors level.

- No order should be accepted without advance. The company should insist on taking at least 30% of advance before accepting an order.

Unemployment:

Answer:

Though there are large number of vacancies, all divisions of the company find it difficult to get right kind of people.

Observation:

It was observed that non-financial incentives and promotion policy of the company are not attractive. This makes it difficult for the company to get right kind of people.
Considering the manufacturing and sales programme, a long term recruitment plan should be prepared. Job analysis and job specifications should be done for each post.

Along with a pragmatic promotion policy, non-financial incentives like better physical conditions in the offices such as cabins, air conditioning, telephones, designations etc. should be provided to attract competent people and retain them.

B. Technology:

**Question 1**: What major changes are occurring in product technology and process technology?

**Answer 1**: Compressors:

No major changes are occurring in product or process technology.

**Valves**:

Considerable changes are occurring in technology. For example butterfly and ball valves are replacing gate valves. New types of valves are also being developed.
Machine Tools:

No radical changes are anticipated in process technology. Technological changes are occurring on account of additional accessories. For example, numerical control on Vertical Turret Lathe.

Pumps:

No major changes are anticipated in technology. Previously, the company was in seller's market. Now new applications for pumps are being developed. Therefore, products have to be modified. Improvements in models are taking place twice a year.

Observation:

It seems that the company is aware of the technological changes and is taking steps in the right direction. Process changes are occurring in foundry technology for making several types of metals and non-metals. However, the company is somewhat lagging behind in acquiring latest process technology.

Recommendations:

To keep in line with the latest technology, the company should have continuous feedback on the
latest technologies for all the products from
developed countries.

**Question 2**: What are the major generic substitutes that might replace the product?

**Answer 2**: For most of the products, no major substitutes are likely to develop for next five to ten years.

**Observations**

As the company deals in industrial products and as there had been hardly any design changes over last two decades, it is unlikely that any other product will make these products obsolete. Few design changes and changes in the materials of construction may take place.

### C. Political Legal

**Question 1**: What laws are being proposed that may affect marketing strategy and tactics?

**Answer 1**:  

**Pumps**

They have to watch political movements. Major share of agricultural products depends on loans. Therefore, government policy has to be considered.
For simple agricultural pumps, the government is insisting on local procurement. Price ceiling by government for simple agricultural pumps is a problem.

**Compressor**

Main customers are small original equipment manufacturing industries. If they get exemption from excise duty, their demand for compressors increases. Therefore, they have to consider the provisions in the budget every year. Similarly Amendment to Income Tax Act regarding perquisites to executives are important from the company’s point of view, as it will help in improving demand for air conditioners. Therefore, demand for compressors is also likely to increase.

**Machine Tools**

For Machine Tools, there is a favourable change in government's policy. Government has restricted import of identical machines (which are manufactured in India). This will help in improving the domestic market for machine tools.

In general, the high excise duty increases the cost of production. Sales Tax, as and when it changes, affects pricing.
Observation:

Today, every industry is affected by political decisions. No industry can overlook this fact. It is therefore imperative that a close observation on these changes will have to be kept.

Recommendations:

- As government is insisting on local procurement for pumps, manufacturing units should be established in different states, wherever it is possible.
- Because of ceiling if the operations are in loss discontinue the product or sub contract it.

Question 2: What federal state, local agency actions should be watched?

Answer 2:

Valves:

D.G.T.D. and D.G.S&D. represent at the central level. However, the company has not entered into rate contract with D.G.S & D as there are many conditions and cumbersome procedures.

Machine Tools:

It is necessary to consider expansion programmes of heavy engineering industries and the government
policy on these industries. This affects demand for machine tools.

**Pumps**:

For pumps, actions and policies of marketing federations and land development banks are watched.

**Observations**:

The company is aware of political changes, amendments to various acts and working of the agencies which will affect its business. However, it is somewhat reluctant to develop contacts with the institutions working at the central level.

**Recommendations**:

Out of the total market, a major share is looked after by these agencies from the State Government sector. As such, a different marketing mix may be specifically developed for each of the product to cater to these segments.

**D. Social - Cultural**

**Question 1**: What attitude are the customers taking towards the products such as those manufactured by the company?
Compressor:
Customers think that delivery, quality and service of the products are better, however prices are high.

Valves:
In general, reputation is good. Customers are satisfied with the quality of the product, but they think that prices are higher.

Machine Tools:
In case of machine tools also, customers think that quality of the product is better, but price is high and delivery is prolonged.

Pumps:
In general, reputation of the products is good. Customers are happy with the quality of the product and after sales service, particularly the private sector. Government sector feels that prices are higher.

Observations:
In general, the company has reputation for quality products. But, for all the products, prices are higher, and the company is aware of this fact. As
the competition is increasing, higher prices may affect sales in future.

Recommendations:

A continuous exercise to reduce the prices for all the products keeping the quality same should be aimed at. Alternatively, if the service and delivery are improved, higher prices may be justified.

Question 2: What are the major market segments? What are their expected rates of growth? Which are high opportunity segments?

Answer 2: In all, there are twenty market segments which the company has identified. By applying end user as a variable for segmentation, following are the important segments for pumps and valves:

1) Agriculture and irrigation.
2) Thermal power generation.
3) Oil refining.
4) Mining.
5) Fertilizers.
6) Sewage and drainage.
7) Paper and pulp.
8) Sugar industry.
The product wise break up of the segments and their importance as well as their approximate growth rates are as under:

**Compressors:**

For this product important segments are:

1) Refrigerator Manufacturers - approximate growth rate of this segment is 10%. Areas of high opportunities are metropolitan cities and other urban areas in India.

2) Other appliances manufacturers - Market growth rate is approximately 30%.

3) Air conditioner manufacturers - approximate market growth rate is 30%.

**Valves:**

For valves, there is a big product line having nearly twenty types of valves which are required by the market. The company is dealing in only seven types of valves. These valves are marketed all over India and abroad. For this product, market is increasing by ten to twelve per cent. However, as the company is dealing in only seven types of valves, it is difficult to determine the market share.
The market segments are - irrigation, water supply, fertilizers, paper and pulp and others. At present, water supply is offering good opportunities, but in near future, more opportunities will be available in process industries.

**Machine Tools :**

For machine tools, for the product range which the company offers, company's market share is 60% to 70%. Geographically the markets are concentrated in certain pockets of India. As an individual buyer, Railways are the one of the major customers. They hold high opportunities for the future also.

**Pumps :**

For pumps, market is increasing by 15% per year. At the same time, the price rise of 10% is also there. Competition is increasing, therefore some also products of the company are going out of the market. For pumps, important market segments are agriculture, process industries, thermal power station and others. High opportunity segment is the market of thermal power stations.

**Observations :**

It seems that almost all divisions of the company are aware of their major market segments. However, no systematic effort is made to find out market size and growth rate of each segment. In case of pumps, the competition is
increasing. There is no systematic procedure for phasing out the products.

**Recommendations:**

A continuous exercise should be made to find out:

i) Market size of each segment.

ii) Growth rate and competition in each segment.

iii) Margins enjoyed in each segment.

The company should concentrate only on such markets which give them high value and high margin. Those products which are becoming unprofitable should be discontinued.

**Customers:**

**Question 1:** How do the current customers and prospects rate the company and its competitors, particularly with respect to reputation, product quality, service, sales force, prices?

**Answer 1:** Almost for all the products, the reputation of the company is excellent. The product quality is satisfactory, service is average, prices are higher and customers think that personal contacts are less.
<table>
<thead>
<tr>
<th>Product range</th>
<th>Price</th>
<th>Distribution</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>KBL</td>
<td>Higher</td>
<td>Very wide</td>
<td>All tools are used</td>
</tr>
<tr>
<td></td>
<td>with different materials of construction.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Manufacturers</td>
<td>Few models only.</td>
<td>Lower than KBL.</td>
<td>Personal selling is used which is cheaper and effective.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Discounts higher.</td>
<td></td>
</tr>
</tbody>
</table>

**Observation:**

In general the company's reputation is good, particularly with respect to the quality of the product, but prices are higher. Company's dealers are not satisfied with the assistance rendered to them by Regional Office and engineer's visits. The company's competitors are giving due importance to personal selling. Whereas, the company is somewhat lagging behind in this respect. It seems that effectiveness of various promotional tools is not properly evaluated.

**Recommendations:**

As compared to competitors, the prices of products are higher, the company should try to offer non-price, benefits as pre-sales and after-sales service.
Assistance by the Regional Offices to dealers should be improved.

The number of engineer’s visits to customer’s units should be increased.

**Question 2**: How do different classes of customers make their buying decision?

**Answer 2**: 

**Compressors**: There are two types of customers for this product.

- **a) Original equipment manufacturers**: This class of customers generally takes a committee decision, and major consideration in decision making is price.

- **b) Unorganised sector**: This group of customers consider image of the company and recommendations of the mechanic. Promotion given to the products by the company can also influence their decisions.

**Valves**: For this product, customers can be divided in two categories:

- **a) Government sector**.

- **b) Private sector**.
The government sector gives major consideration to price. But nowadays, government is also allowing technically competent units to participate in the price bid. The private sector along with price also considers other factors like efficiency, delivery period, credit facility etc.

**Machine tools :**

The customers can be divided in two classes:

a) Government sector.

b) Private sector.

The government sector gives more emphasis on price of the product. The decisions of this sector are rather slow. Whereas the private sector considers quality of the products more important along with delivery.

**Pumps :**

The farmers, previously used to purchase the products by name and reputation of the company. Now they also consider quality and efficiency of the products. When pumps are purchased on cash basis or through loan from commercial banks, price becomes important consideration. Similarly, when pumps are purchased for government projects, price is an important consideration. The private sector gives more importance to quality.
Observation:

It seems that the company is aware of different types of customers, factors they consider while making purchases and their changing preferences.

Recommendations:

To collect more information about the customer's needs, periodic visits to the customers are required to be made. In the customer's units, contacts will have to be made with the people, from design, purchase, manufacturing and service personnel as each of these are involved in buying decisions.

Question 3: What are the evolving needs and satisfactions being sought by the buyers in this market?

Answer 3: As the company caters for industrial market, today the need seems to be towards system selling.

Compressors:
Customers want a trouble free product and immediate service.

Valves:
Customers want reliable products and efficient after sales service.

Machine Tools:
Customers want sophistication in machines.
Pumps:

When customers are buying new products, they want that at least for one year it should not give any trouble and there should be efficient after sales service.

Observation:

Customers for all the products want efficient after sales service. The Dealership Effectiveness Study shows the complaints of dealers regarding maintenance problems and replacement for in warranty failures.

It seems that though the company is aware of the evolving needs of the customers, it is rather slow in responding to it. It is pre-occupied with the important problem of keeping delivery schedule and therefore the important aspect of after sales service is somewhat neglected.

Recommendations:

In case of pumps, the company is taking steps to improve after sales service by giving trainings to the service engineers of the dealers as well as to the mechanics. Similar steps should be taken for other products also. Rather than being in product selling, the company should go in for offering turn key services.

C. Competitors:

Question 1: Who are the major competitors? What are the objectives and strategy of each major competitor? What
are their strengths and weaknesses?

Answer: 1:

Compressors - Shriram, Refrigerators are the major competitors of this product. Their strategy is to retain hold in air conditioner market by offering lower price and longer period of credit.

Valves:

There are six to seven major competitors. They include AJDCO, FOURRES, IVC, M & M etc. Their strategy is to make a product required for a particular market segment.

Machine Tools:

Major competitors are Cooper Engineering, East European machines, Bharat Fritz Warners etc. Their strategy is to offer low price product.

Pumps:

AKAYS, JYOTI etc. - For industrial pumps the major competitors are Jyoti, Mather & Platt, KSB, AKAYS etc. These competitors concentrate on a limited number of products. They have foreign collaborations which help them in getting imported parts and technical know how. While for agriculture pumps, the competition comes from around 300 manufacturers from small scale sector. Almost for all the products, the competitors cite strength is price, that is their prices are
lower than the prices charged by KBL. Their major weakness is that they do not have a wide distribution network, as KBL has.

**Observation:**

All the divisions are aware of their major competitors and their strategies. They know that competitors' strength lies in the low price charged by them. However, it seems that not much efforts are made by KBL for price reduction. Similarly, the competitors, particularly for valves and pumps, try to make a product required by particular market segments. KBL lacks in concentration on a particular market segment. It appears that no systematic effort is made to find out the most beneficial segments for various products.

**Recommendations:**

The company should make systematic efforts for determining the major market segments and concentrate on them. Then only it will be possible for them to develop a right price mix in relation to the competitors' prices.

**D. Distribution and Dealers:**

**Question 1:** What are the main trade channels bringing products to customers?

**Answer 1:** In general, the products reach a customer through the following channel.
Manufacturer - Regional Distributor - Area Dealer - Customer.
For different products as well as for different market segments, different types of channels are used.

Compressors:
Direct sales are made to original equipment manufactures. To small scale industries, sales are made through dealers or sales offices.

Machine Tools:
Products are sold directly to customers. The company is considering a proposal to sell Grinders and key way Milling machines through competent all India organisations to cover whole of India.

Valves:
Products are sold through dealers and sub-dealers and in some cases direct selling is resorted to project consultant like EIL, NTPC etc.

Pumps:
In case of pumps, there is no direct selling. For industrial pumps, there are district dealers and for agricultural pumps there are area dealers.
Observation 1

Major sales of the company's product take place through intermediaries. It seems that channels are well designed and they do not call for any change at present.

Question 2: What are the efficiency levels and growth potentials for different trade channels?

Answer 2: Growth potential is very large for the company and the intermediaries for all the products.

Observation 2:

Majority of the dealers were appointed more than twenty years back when the company was in the sellers market. As such, it seems that either they have become complacent or they have also diversified into other more remunerative areas.

Recommendations:

Regular evaluation of the performance of all intermediaries should be carried out to assess their qualitative as well as quantitative performance. A continuous two way communication should be established between the company and the dealers. The company should offer periodic training to the staff of intermediaries to see that they are fully equipped to fulfill the objectives of the company. This is more relevant in view of the fact that a major share of the company's business is through intermediaries.
E. Suppliers:

Question 1: What is the availability of different key resources used in production?

Answer 1:

Compressors:
There is material shortage. Credit is also not easily available. Getting trained manpower is also a problem.

Valves:
There are difficulties in getting trained manpower.

Machine Tools:
For machine tools, there is no problem in getting materials and manpower. But finance is a problem.

Pumps:
There is shortage of materials. Finance is also a problem. As far as manpower is concerned, there is shortage of qualified and experienced people.

Observation:
To solve the difficulties of material shortage, the company has already taken steps. Previously, purchases were concentrated. Now it has, in many cases at least three suppliers. Thus, it is resorting to scattered purchasing. To solve the problem of shortage of trained
manpower, the company has started many training programmes. That is, it is aware of the problem and taking steps to solve it.

Availability of finance is a common problem faced by all the divisions. The debtors level of one hundred and seven days further contributes to the problem.

**Recommendations:**

---

Material requirements and stocks in hand should be assessed regularly. Along with the scattered purchasing, it is necessary to have more effective materials management. Every six months or a year, the company should assess its requirement for trained personnel. An exhaustive long term programme for recruitment and training of such personnel should be undertaken.

---

Availability of finance and management of the same holds a major key towards the successful performance of the company. As already recommended systematic steps should be taken to reduce the debtor's level, which to some extent will help in solving the problem of availability of working capital.

**F. Facilitators:**

**Question 1:** What is the outlook for the cost and availability of transportation services? Warehousing
services and for financial resources?

**Answer 1**: "There is not much trouble regarding transportation service. Warehousing facilities of the company are excellent, but cost of raising finance is increasing." This was the common answer of all the divisions.

**Observation**: There are no problems in warehousing and transportation, for the company. It seems that the tight financial position of the company affects almost each and every operation.

**Recommendations**: To solve the problem of finance a tight control over the expenses and generation of funds should be kept.

**Question 2**: How effectively is the advertising functioning? What trends are occurring in the advertising agency services?

**Answer 2**: "The company has no complaints against the advertising agency as they act as per the company's advice".

The company had conducted an advertisement effectiveness study to determine the effectiveness of various media used by it for advertising. As per the findings of the
study, now more emphasis is given on holding seminars and personal discussions with the customers instead of newspaper advertising. The company uses all the promotional tools for increasing sales. This was the common answer of all the divisions.

Observation:

It was noticed that advertising is not done consistently. Even though the annual plans are prepared, very seldom they are executed. Not all the products are properly advertised.

Recommendations:

The company should ask the advertising agencies to give a regular feedback about the effectiveness of each of the promotional tools which are used by them for the company. The company should ensure that every rupee which it spends on promotion fulfills the objectives and to achieve them, it should put the agency to the task.
MARKETING STRATEGY AUDIT:

A. Marketing objectives:

question 1: Are the corporate objectives clearly stated and do they help logically to the marketing objectives?

Answer 1: The common answer of all the divisions to this question was that modern concepts of corporate management are recently applied in the company. Even though, there are no specific marketing objectives, the company has got enough resources to reap the marketing opportunities. The people working in the company know what it wants. But, it would be better to have clear cut marketing objectives for different divisions.

Observation:

It is rather surprising that such a big company has no clear cut well stated marketing objectives. In the absence of such objectives, marketing planning and budgeting becomes difficult.

Recommendations:

The marketing objectives should be defined clearly. Each division must have a clear cut idea about what it has to achieve. A continuous evaluation of the
objectives should be carried out and depending on the environmental conditions necessary changes should be made in them.

B. Strategy:

Question 1: What is the core marketing strategy for achieving the objectives? Is it a sound marketing strategy?

Answer 1:

Compressors:

To achieve the objectives, the strategy is to strengthen the distribution network of the company.

Valves:

Product and market diversification is the strategy to achieve the objectives.

Machine Tools:

The strategy is to keep contacts with major customers and find out if they have any expansion programmes.

Pumps:

For this product, the strategy is to convince the customer, that it is the right product, which he is buying and also to convince him the justification of pre-sales and after sales service.
A common strategy for all the products is to achieve a minimum fifteen percent increase in the turnover over the last year.

Observation:

The strategy of achieving fifteen percent increase in sales over the last year is target oriented. It is not related to profits nor to achieve certain market share. The marketing environment may offer more opportunities and it may become possible to increase sales more than fifteen percent per year very easily. However, as the sales target is fixed, the marketing people may not try their best to explore the opportunities offered by the environment. On the other hand, the marketing environment may pose different threats like recession due to which to achieve an increase in sales may become impossible. Under such circumstances, if the targets are not revised, there may be frustration among the marketing people.

Recommendations:

The company's strategy should be evaluated continuously on the basis of the changes that are taking place in the marketing environment. In any case, it should be changed to profit orientation with some relationship to market share.
Question 2: Are enough resources budgeted to accomplish the marketing objectives?

Answer 2: Yes, enough resources are budgeted to achieve the objectives but all the divisions feel that manpower is inadequate to achieve the objectives.

Observation:

Almost all the divisions complain about the shortage of manpower. This is a common complaint and should be taken seriously.

Recommendations:

A critical review should be taken to find out whether the various divisions of the company really need additional manpower or if there is any problem of the productivity of the marketing personnel.

Question 3: Are the marketing resources allocated optimally to prime market segments, territories and products of the organisation?

Answer 3: A common answer from all the divisions was that, because of large number of products, large coverage and less manpower, no systematic efforts are made for optimal allocation of resources. Only in a few cases, plans are prepared for resource allocation in the beginning of the year.
Observation :

For a multi-product company selling products all over the country, it is necessary to have optimum allocation of resources. It is rather surprising to note that systematic efforts are not made in this direction. This could be because of lack of proper co-ordination between the company's Head Office and Regional Offices. It is likely that because of this, the Head Office might not be getting sufficient feedback from the Regional Offices.

Recommendations :

Resources allocation plan should be prepared for all the products and market segments and it should be revised periodically to make necessary changes as per the changes in the marketing environment.

Question 4 : It seems that the emphasis given on the various elements of marketing mix, while allocating the resources is lop-sided. Sales force and service are somewhat neglected. The dealership effectiveness study carried out by the company shows that dealers feel that promotion is inadequate. Very few personal visits are made by the company engineers and maintenance problems are not given proper attention.
Recommendations:

The emphasis of the company on the product quality is quite justifiable. However, equal emphasis should be given to the sales force and service. Personal selling as a promotional tool should be used more to ensure public relations, market feedback and actual selling.

MARKETING ORGANISATION AUDIT:

A. Formal Structure:

Question 1: Is there a high level marketing officer with adequate authority and responsibility over those company objectives that affect customer's satisfaction?

Answer 1: Yes, the company has mixed organisational set up. Organisation structure of the company has been given on page number 107 in Section IV.

Observation:

The company is catering to a large number of market segments. The organisation chart is designed on the basis of products. As such, it might have become difficult for the company to concentrate on the market segments which are offering the best potential.
Recommendations:

It would be beneficial if the organisation structure is re-designed in terms of 'end-use basis'. This way the staff members can be held responsible for specific market segments and this move will help in exploiting the market potential in the best possible manner.

B. Functional Efficiency:

Question 1: Is the product management system working effectively? Are the product managers able to plan profits or only sales volume?

Answer 1: A common answer of all the divisions to this question was that product management system is working well but the product managers are able to plan sales volume only.

Observation:

Through the discussions with the people working in the company, it has been observed that the approach of the company is mostly target oriented. No systematic profit planning and contribution analysis are done. Therefore, it is difficult to determine the high margin generators, particularly in case of a multi-product company.
Recommendations:

As already recommended, a shift from target orientation to profit orientation should be aimed at. Product management should be associated with planning of profits as well as sales volume.

Question 2: Are there good communication and working relations between marketing and sales?

Answer 2: "There are no separate marketing and sales divisions as such". This was the common answer of all the divisions.

Question 3: Are there any groups in marketing that need more training, motivation, supervision and evaluation?

Answer 3: A common answer of all the divisions was that marketing staff requires systematic training supervision and motivation for each product and market.

Compressors:

Training and better assessment of the performance is required.

Valves and Pumps:

Sales force at regional offices needs training and motivation. At regional offices, no separate sales
force is allotted for machine tools. Therefore, as the staff for other products is not familiar with machine tools, it lacks in efforts for increasing sales of machine tools.

Observation:

Almost all the divisions think that sales force requires more training and motivation. Financial motivators provided by the company are quite adequate. It seems that there are not sufficient non-financial motivators due to which there is lack of effort on the part of salesmen.

Recommendations:

To improve the performance of salesman and to motivate them for increasing sales, recommendations are as follows:

--- Regular refresher training courses should be conducted for sales personnel.

--- Non-financial motivators like recognition, rewards, entertainment allowance should be introduced.

--- Separate individuals should be allotted for the sale of machine tools.

--- For valves sales force, more training should be given in application engineering, marketing etc.
C. Interface Efficiency:

**Question 1**: Are there any problems between marketing and manufacturing, that need attention?

**Answer 1**: A common answer given by all the divisions was as follows:

There are no major conflicts between marketing and manufacturing. However, as the company deals in a large number of products, co-ordination becomes difficult. There are some problems about production planning and quality control. Sometimes there are differences in attitude between Head Office and Regional Offices. There are difficulties of communication of information between the two.

**Observation**:

It seems that problems between manufacturing and marketing are due to lack of co-ordination between the two and less emphasis on quality control by the former. Whereas, the problems between Head Office and Regional Offices are due to lack of proper communication of information and more emphasis on achieving targets at any cost.
Recommendations:

To solve the problems between manufacturing and marketing, periodical meetings of manufacturing and marketing executives should be held for taking major decisions about production planning and quality control. Committees consisting of marketing and production executives should be constituted. To solve the problems between Head Office and Regional Office, system of communication of information between the two should be improved. This can be done by increasing the number of reports to be sent by the regional offices to the Head office and conducting frequent meeting of product managers and regional managers.

Question 2: What about Marketing and Research and Development?

Answer 2: A common answer of all the marketing divisions was that there are no serious problems between the Marketing and Research and Development. However, R & D department takes a long time to develop a product and perfect it. Therefore, the company's entry in the market is delayed and thereby it misses the marketing opportunities, particularly in case of pumps and valves.
Observation:

It seems that there is no systematic effort that is made towards product development. This could be applicable to existing products for improvements as well as for development of completely new products.

Recommendations:

A separate cell called as 'New Product Cell or Growth Cell' should be set up and marketing and research people should be made members of it.

Question 3: What about marketing and finance management?

Answer 3: "In general there are no major conflicts between marketing department and finance department. However, adequate financial provisions are not available. This may be due to the facts that the company has to give credit facility to customers. Recovery of debts is rather slow and debtors level is higher". This was the common answer given by all the divisions.

Observation:

Even though in general there are no major conflicts between marketing and finance, as it happens in majority of the companies, in this company too the marketing people feel that necessary co-operation is lacking from Finance
Department, mainly in the following areas:

a. Periodic availability on break down of expenses. Profitability by products, territories, customer groups and intermediaries.

b. A continuous strain on the marketing people to reduce the expenses, especially in the areas of advertisement, sales promotion, travelling, entertainment and discounts offered.

c. The overlapping in the areas of recovery. The marketing people feel that their job is over as soon as orders are received and they should not be bothered about the recoveries. This is one of the reasons which is creating trouble in these two departments.

Recommendations:

A better co-ordination than prevailing is required, between these two divisions. For this, periodic meetings between the marketing and finance people should be arranged at different levels. If necessary, the finance department should have a separate cell for recoveries.
II. MARKETING SYSTEMS AUDIT :

A. Marketing Information System :

Question 1 : Is the marketing intelligence system producing accurate, sufficient, and timely information about the developments in the market place?

Answer 1 : "Very recently, a separate Market Research Cell" has been created. Therefore, no comment can be made on its working." This was the common answer given by all the divisions.

Observation :

It is surprising to know that the marketing people have not realised the importance of market feedback for decision making. The company has taken a long time to set up a separate market research cell.

Recommendations :

For getting the right type of information, it is necessary to define the problem and specify which type of information is required. Therefore, it is necessary to give adequate emphasis on the marketing research. The Market Research Cell should be fully equipped in terms of men and resources. The Marketing Executives from time to time should look over the information received and see to it that it is of use to them.
**Question 2**: Is the market research being adequately used by the company decision makers?

**Answer 2**: All the divisions have given a positive answer that is, the findings of marketing research are used for decision making.

**Observation**: 

As the new system for marketing research is introduced recently, it seems that the importance of marketing research has been realised.

**Recommendations**: 

Every division should inform the Marketing Research Cell about the information required, when and for which level, for decision making.

**B. Marketing Planning System**:

**Question 1**: Is the marketing planning system well conceived and effective?

**Answer 1**: A common answer was given by all the divisions that for the first time in October 1980, a five year plan was prepared. In the preparation of this plan the main marketing executives were involved. However, some executives expressed a fear that the plan will remain only on paper.
Observation:

It seems that the company so far had been only doing annual planning. No long term plans were prepared. The planning of long term growth strategies was thus lacking. Such an exercise was never done before. Because of this fact, some executives suspect that the plan may not be implemented seriously.

Recommendations:

The management should take care to see that the above long term plan does not remain only on paper. This will help in creating confidence among executives about the implementation of long term planning. Similarly, there should be regular monitoring of this plan and updating of the same in case of changes in the marketing environment.

Question 2: Is the sales forecasting and market potential measurement soundly carried out? Are the sales quotas set on a proper basis?

Answer 2: As per the answers given by all the divisions, sales forecasting is generally an extension of last year's performance. No systematic effort is made to find out the market potential. Just fifteen per cent increase over last year's performance is normally expected. Quotas are also based on last year's performance.
Observation:

Forecasting is based only on last year's figure. Environmental changes are not given due consideration. Market may grow than last year or because of recession sales may come down. There is no scientific base for fixing quotas.

Recommendations:

For sales forecasting and fixing quotas, market research information should be used and changes in the marketing environment should be given due consideration.

C. Marketing Control System:

Question 1: Are the control procedures (monthly/quarterly) adequate to ensure that the annual plan objectives are being achieved?

Answer 1: A common answer from all the departments was that control procedures are adequate. Monthly reports are received by the Head Office from the Regional Offices. However, meetings with the regional managers are very infrequent. Therefore, there is no regular use of control procedure to achieve the planned performance. Sometimes, because of less manpower, there are difficulties in implementing the control procedures.
Observation:

It seems that the control procedures are mostly on paper. Due to infrequent meetings between product managers and regional managers, a co-ordinated approach is lacking. The discipline for marketing control too is lacking.

Recommendation:

Number of meetings with regional managers should be increased. Quarterly review of the performance of marketing operations should be taken and it should be discussed in the meetings. The control procedures should be implemented seriously. A separate cell may be created for this purpose which could be headed by a person like 'Marketing Controller'.

Question 2:

Is provision made to analyse periodically the profitability of different products, markets, territories, and channels of distribution?

Answer 2: "Provision is made to analyse periodically the profitability of different territories, but not of different products, markets, and channels of distribution". This was the common answer given by all the divisions.
Observation:

It seems that the company is going after targets and not profitability. Profitability of different channels of distribution, products and markets is not analysed properly.

Recommendations:

For a multi-product company serving wider markets, it is necessary to ascertain the profitability of different channels of distribution, products and markets at least twice a year. This would help in locating most profitable products, markets as well as the channels of distribution. The marketing control cell should carry out this exercise.

Question 3:

Is provision made to examine and validate periodically various marketing costs?

Answer 3: A common answer from all the divisions was that advertising costs and debtors levels are periodically examined.

Observation:

Marketing costs excluding brokerage comes to around 3% to 4% of sales. Cash discount is around 10% of sales. It seems that various marketing costs and their relationship to sales is not worked out by the company.
Various marketing costs and their relationship to sales should be worked out. Recovery of debts is rather slow.

D. **New Product Development System**

**Question 1**: Is the company well organised to gather, generate and screen new product ideas?

**Answer 1**: All the divisions have given a positive answer to this question, that is, the company is well organised to gather new product ideas. The chart showing the steps the company takes while introducing new product is enclosed.

**Observation**: The enclosed chart has been introduced recently. However, in the last ten years, the company has introduced very few new products.

**Recommendation**: The market information system should be geared up to give feedback on new products for which there are good opportunities at present and also in future.

**Question 2**: Does the company do adequate concept research and business analysis before investing heavily in a new idea?

**Answer 2**: "Recently the company has developed a new product profile system. Before introducing a new product,
PROCEDURE FOR INTRODUCTION OF NEW PRODUCTS

1. ORIGINAL RECOMMENDATIONS FROM PRESIDENT VP (M)/HQ/DIVISIONS/ DEALERS/CUSTOMERS
2. TENTATIVE SELECTION OF A NEW PRODUCT.
3. COLLECTION OF DATA/STATISTICS/MARKET SURVEY/VISIT TO END USERS, CUSTOMERS, FILLING UP PRODUCT EVALUATION FORM.
4. APPROVAL BY THE NEW PRODUCT SELECTION COMMITTEE.
5. FINALISATION OF COLLABORATION/PURCHASE DRAWINGS, FINAL DECISION TAKEN BY PRESIDENT SR. VP (KOV), VP (M).
6. TECHNICAL DETAILS OF PRODUCT ESTIMATES COST RANGE SENT TO KOV R & D FOR PROTO TYPE DEVELOPMENT.
7. FIELD TRIAL TEST OF PROTO TYPE FOR MINIMUM 3000 HRS.
8. TESTING OF PROTO TYPE AT WORKS.
9. RESULT OF FIELD TRIAL/COST SENT FOR FINAL APPROVAL OF PRESIDENT/VP (M).
10. RELEASE OF CATALOGUES, TECHNICAL MANUAL ADVANCE INFORMATION TO R & D/DEALERS.
11. INTRODUCTION FOR COMMERCIAL MARKETING.
consideration are given from all the angles that is marketing, technical and finance". This was the common answer given by all the divisions.

Observation:

The company has developed a good system for introducing new products in the market. However, at the same time the company has introduced very few new products in last 10 years. It seems that the system is only on paper.

Recommendations:

The new product cell should be strengthened. The company should be continuously on the lookout for extension of the existing ranges as well as for the introduction of totally new products.

Question 3: Does the company carry out adequate product and market testing before it introduces a new product?

Answer 3: "The company gives a new product for trial to selected customer". This was the common answer given by all the divisions.

Observation:

The company tries to take all the precautions before introducing a new product. However, from the dealership effectiveness study, it seems that sufficient help is not
given to the dealers for introducing a new product. There is delay in the delivery of spare parts for new products. This has been the complaint for the new products that have been introduced in the last 10 years.

Recommendation:

The company should be fully equipped with spares, services etc., for smooth introduction of new products. Otherwise it will create a negative image of the company and affect adversely the interest of dealers. Similarly, maximum possible help should be given to the dealers while introducing a new product.

V. MARKETING PRODUCTIVITY AUDIT

A. Profitability Analysis:

Question 1: What is the profitability of company's different products, served markets, territories, channels of distribution?

Answer 1: Profitability of different products and regional offices is normally worked out, regularly. Profitability of different products is as under:
Compressors:

Profitability is more for compressors in air conditioning and in small scale assembling. Overall, the company makes a loss on compressors.

Machine Tools:

Profitability is around 10%. More opportunities are available in southern India.

Valves:

Profitability is maintained. There is no data on sector wise profitability. Overall, the profitability is 5% on an average.

Pumps:

Profitability is around 7.1/2% to 15% for various types of pumps.

Observations:

Profitability is worked out for the products as well as territories (Regional Office) only. However, the profitability is seldom worked out on the basis of customer groups and channels of distribution.
A system (it could be computerised) should be designed for periodic break up of profitability on the basis of products (sizes and materials of construction), territories, customer groups etc. Over the years, this will help in observing the trends for each of these elements as well as will help in making major marketing decisions. The latter would include target marketing, re-designing of channels etc.

**Question 2**: Should the company enter, expand or withdraw from any business segments? What would be the short term and long term profit consequences?

**Machine Tools**:

**Answer 2**: The company should expand in the line of computerised numerical control.

**Valves**:

The company should expand in valves for process industry.

**Pumps**:

The company should expand its industrial markets.

**Observation**:

It seems that the company is aware of changing market conditions. Expanding in markets or withdrawing from some of the market segments is a continuous process. It should be incorporated in the five year plans prepared by the
company. For this continuous feedback from market is essential.

Recommendations:

To take the decisions regarding expanding or withdrawing from the markets, the market information system should be strengthened.

B. Cost Effectiveness Analysis:

Question 1: Do any marketing activities seem to have excessive costs?

Answer 1: "The answer to this was a 'No'. The various marketing costs are 3% to 4% of sales. Every three months, review of the marketing cost is taken". This was the common answer given by all the divisions.

Observation:

It seems that over the years, the company's marketing costs are steady. The company has not tried to change the allocation of resources to various marketing activities. The relationship of expenditure on various marketing activities to sales is not worked out.
Recommendations:

For determining the validity of various marketing costs, they should be compared with the competitors marketing costs and also with the last three years marketing costs and sales of the company.

- MARKETING FUNCTIONS AUDIT:

A. Products:

Question 1: What are the product line objectives? Are these objectives sound? Is the current product line meeting these objectives?

Answer 1: Product line objectives are different for different products. The general objective is to keep the production capacity fully utilised.

Valves:

The objective for this product line is to increase sales and to become second or first in the market. Though the objective is sound, the current product line is not meeting these objectives. One of the reason is that in valves, there is a big product line consisting of around twenty types of valves, specially required by specific customer groups. KBL lacks this type of concentration.
Machine Tools:

The objective is to give machine tools which are good in quality and performance. The objective is sound and the current product line is meeting these objectives.

Pumps:

The objective for this product line is to retain their number one position in pump manufacturing in India. The objective is sound and the current product line is meeting this objective.

Observation:

The product line objectives are production oriented. The current product line is not meeting these objectives as there are long delivery periods and delayed deliveries. There are several problems in manufacturing and distributing which have not been cleared so far. In the present objectives, hardly any thought seems to be given to profits and extension of present line, and introducing new products.

Recommendations:

The company should lay down clear cut product line objectives with special emphasis on profits, extension of existing line, new products etc.
Question 2: Are there any particular products that should be phased out?

Answer 2:

Compressors:

No scientific analysis is done for phasing out the products.

Valves:

Sluice valve and cast iron valves should be phased out as their sales are going down.

Machine Tools:

Drilling machine should be phased out as it has become a burden on the company's resources. The company prices are higher compared to competitor's prices.

Pumps:

Few series of pumps should be phased out as demand is going down.

Observation:

The company is well aware about the problems of phasing out certain types of products. However, strangely they have continued with these products inspite of declining
demand. It seems that the company is more bothered about prestige than the profits.

**Recommendations:**

Systematic efforts should be made to phase out the products. At the time of dropping the products, its present demand, potential demand, resources consumed, competition, inventory, effect on other products etc. must be considered.

**Question 3:** Are any products able to benefit from quality features or style improvement?

**Answer 3:**

**Valves:**

Butterfly valves are becoming more popular. The valves should be improved as regards to materials used, pressure rating and end connections.

**Compressors:**

More efforts should be made on the new line of oil hydraulics.

**Machine Tools:**

Larger size radial drilling machines, which have larger markets should be developed.
Pumps:

The company is making special efforts on four models of vertical pumps, specially for Thermal power.

Observation:

Customers' expectations are continuously changing. They want more sophistication in products and prompt after-sales service. All the product divisions are aware of changes in customer's demand and technology and are taking steps in right direction.

B. Price:

Question 1: What are the pricing objectives, policies, strategies and procedures? To what extent prices are set on sound costs, demand and competitive criteria?

Answer 1: "Prices are basically cost oriented. Though all the three factors, that is, cost, demand and competitors' prices are considered, the policy is to maintain minimum margin". This was the common answer given by all the divisions.

Observation:

The company's prices are higher. Though the quality of the product is good, competitors also can offer the same quality and offer the product at lesser price. The company is supposed to be the price leader in the market.
In view of the increasing competition for all products especially from small scale sectors, higher prices are going to create problems for the company.

**Recommendations:**

Competitive and demand oriented pricing should be resorted. It should help in controlling costs and predicting profit. Product differentiation can be thought of to keep the prices competitive.

**Question 2:** Do the customers see the company's prices, as being in line or out of line with the perceived value it offers?

**Answer 2:** "This question does not arise in case of custom made products. However, for the majority of the products, the customers feel that the company's prices are higher". This was the common answer given by all the divisions.

**Observation:**

The company's prices are higher and all the divisions are aware of this fact. However, it seems that cost reduction efforts are not made seriously.
As already recommended, competitive and demand oriented pricing should be resorted continuous cost reduction efforts should be made seriously.

**Question 3**: Does the company use price promotions effectively?

**Answer 3**: "The company offers special discount to the customers and dealers." This was the common answer given by all the divisions.

**Observation**:

It has been observed that the dealers complain that the company offers a lower discount than the company's competitors. If we review this, with reference to the prices of the products, the stand taken by the company that net realisation of dealers is always higher will have to be carefully studied. For example, the company's price is Rs. 100/- on which the company offers maximum discount of 30%. It means that the realisation of the dealers is Rs. 30/-. As against this, its competitor offers lower price (Rs. 70/-) for a similar product and gives the discount of 40% to the dealer. The net realisation of the dealers, thus works out to Rs. 28/-, lower than that of the realisation of the company's dealer. This is certainly true. However, with lower prices, the competitor's
dealers are able to sell more than the company's dealers. In this process, their total realisation works out to be much more. Naturally, KBL suffer on this account.

Recommendations:

A more realistic discount structure needs to be designed vis à vis the competitors prices and discount structure. A wide choice should be offered to the dealers in relation to annual volume of sales, single order, cash payment etc. This should then work as a motivation for dealers which in turn should result in the increased sales.

C. Distribution:

Question 1: What are the distribution objectives and strategies?

Answer 1: Almost 80% of the company's business is done through intermediaries. The object is to have as large a distribution network possible and to make available the products of the company in all parts of the country. This was the common answer given by all the divisions.

Observation:

The distribution objectives of the company are very ambitious. The company has very wide distribution network. However,
this strength of the company has not been put to the best use. This is from the viewpoint that the company has hardly added new agency lines where it could have quickly and efficiently used this network.

Recommendaon:

More effective control should be exercised on the existing intermediaries. The distribution set up looks all right on the paper. However, as it has not performed exactly as desired by the company, more pressure should be exerted on it to achieve the desired objectives.

Question 2: Should the company consider changing its degree of reliance on distributors, sales representatives, and direct selling?

Answer 2: "Yes. The company should consider changing its degree of reliance on distributors, sales representatives and direct selling. The distribution network should be flexible". This was the common answer of all the divisions.

Observation:

The company had carried out two separate studies, which have been referred to during this research work. They were,

a) Dealership effectiveness study.

b) Promotion - effectiveness study.
Quoting from the above studies, observations are given below:

-- The dealers over the years have become complacent. Hardly any visits to the customers are made by the representative of dealers. Majority of the dealers were appointed twenty years back, when the company was in the seller's market.

-- A majority of the dealers are not giving adequate importance to the service element. The customers have complained that the dealers hardly provide guidance during the selection of products. Later, when it comes to giving after sales service, it cannot be said that they are doing a good job.

-- The personal contacts with the customers are few. This has affected the business of the company.

**Recommendations:**

No radical changes are desired in the present method of distribution especially on large orders. The personal contacts with the customers either by the company's representatives or that of dealers should be improved.
D. Sales Force:

Question 1: What are the organisation's sales force objectives? Is the sales force large enough to accomplish the company's objectives?

Answer 1: 'To achieve the given target' is the objective of the sales force of the company. The present size of the sales force is inadequate to achieve this objective.' This was the common answer given by all the divisions.

Observation:

The sales force objective is target oriented. All the divisions complain that the sales force is inadequate. The company's competitors give emphasis on personal calls. Therefore, their performance is better. As already mentioned on page number 174 KBL, is lagging behind in this respect.

Recommendation:

i) There should be a long term programme for recruitment and training of salesman.

ii) To improve sales, more emphasis should be given on personal selling.

iii) As already recommended on page number , a critical review should be taken whether various divisions of the company really need additional manpower.
Question 2: Is the sales force organised along the proper principles of specialisation (territory, market, products etc.)

Answer 2: "Sales Force" is organised on proper lines. Specialisation is done on the territorial and product basis. This was the common answer given by all the divisions.

Observation:
It seems that the sales force is organised properly, at least on the paper.

Question 3: Does the sales force show high morale, ability and effort? Are they sufficiently trained and are there sufficient incentives?

Answer 3: "In spite of training and incentives, morale of salesman is low. One of the reasons might be that, recognition and promotions are delayed. At higher level managerial turnover is low, but the turnover, of middle level managers and engineers is high." This was the common answer given by all the divisions.

Observation:
It seems that because of inadequate non-monetary incentives, morale of the salesmen is low.
Recommendation:

The company should evolve different schemes by which the morale of salesman will go up. This may include offering different types of monetary as well as non-monetary benefits, sending them to various training courses and giving them more responsibility.

Question 4: Are the procedures adequate for evaluating the performance of salesmen?

Answer 4: The common answer of all divisions to this question was that performance evaluation of the sales force is done annually. For this purpose, a specific format is used. In this format, there is a provision for quantitative as well as qualitative evaluation of the salesforce. As per the practice prevailing, the superior officer is expected to discuss the evaluation with the sub-ordinate staff and take his concurrence or otherwise on the format.

Observation:

It seems that a good system on performance evaluation is prevailing. However, it is possible that the evaluation becomes subjective even though the format designed aims to make it as objective as possible. This feeling was indirectly expressed by several people interviewed.
Recommendation:

Staff members should be encouraged to have regular dialogue with their subordinates. If a diary can be maintained for recording their achievements or failures, this would help in proper evaluation of sales force performance. At the same time, it will have to be seen that this process is not time consuming and expensive.

Question 5: How is the company's salesforce perceived in relation to the competitor's salesforce?

Answer 5: The company's salesforce is large and well organised. Compared to the competitor's sales force, the company's force is:

- Technically - Superior
- Motivation - Lower
- Marketing effort Lower
- Morale - Lower

This was the common answer given by all the divisions.

Observation:

As covered earlier, the overall effectiveness of the sales force, seems to be average.
Recommendation:

Specific efforts should be made to improve the quality of the sales force.

E. Advertising, Sales Promotion, Publicity:

Question 1: What are the organisations advertising objectives? Are they sound?

Answer 1: "Advertising objectives are very sound and well defined. The objective is to change the image of the company from the manufacturer of agricultural equipments, to that of manufacturer of sophisticated industrial products and make use of all the possible promotional tools." This was the common answer given by all the divisions.

Observation:

Even though it was said that the promotion objectives are clear, when asked to define, very few staff members could come out with the correct definitions. A general comment can be made that promotion as an important tool has not been put to the best use.

Recommendation:

This promotion objectives should be well defined by the top management. As the company is a multi-product and multi-market company, it is necessary to have separate objectives. For different products, markets, customers groups etc.
Question 2: Is the right amount being spent on advertising? How is the budget determined?

Answer 2: "Right amount is budgeted for advertising expenses, but no necessarily spent if the economic conditions change. The advertising budget is set on the basis of percentage of sales method." This was the common answer given by all the divisions.

Observation:

The budget for advertising is based on the percentage of sales method. Therefore, advertising budget fluctuates as sales fluctuate. Sales are the result of advertising, not the cause of advertising. This method of allocating resources to advertising discourages experimentation and aggressive spending. Another thing is that for advertising, the company completely depends on advertising agencies. In such a big company, there is no separate department for advertising.

Recommendation:

1. The budget for advertising should be prepared by considering the objectives for advertising for that product and the specific task which the promotional tool is expected to perform. A comparison could be
made with similar types of companies to decide the actual amount that could be spent on promotion. In any case, a certain minimum amount say 2% of the sales must be spent on advertising.

ii. A full fledged department to look after the total promotion should be established for advertising which should work in co-operation with other departments. It should be manned by people having technical knowledge of the products and experience in advertising.

Question 3: Are the themes and copy effective? What do the customers and public think about advertising?

Answer 3: A common answer from all the divisions to this question was that both the themes and copy of advertising are effective. Recently the company conducted 'Advertising Effectiveness Study' which shows that the customers like advertising themes and copy.

Observation:

It seems that the company takes sufficient efforts to make the themes and copy of the advertising effective.

Recommendation:

Findings of the study should be made use of. They should not remain on paper only.
**Question 4:** Are the advertising media well chosen?

**Answer 4:** All the divisions have given a positive answer to this question, that is, the effectiveness of each media is considered for advertising. However, the company is shifting the emphasis from newspaper advertising to technical magazines. In addition, other promotional tools like holding seminars and printing good quality sales literature are also used.

**Observation:**

It seems that the company has developed a good promotion mix in relation to the markets catered.

**Recommendation:**

The plans prepared for promotion based on the 'Advertising Effectiveness Study' should be properly implemented.

**Question 5:** Is there a well conceived publicity programme?

**Answer 5:** A common answer to this question was that publicity as a promotional tool is occasionally used. Publicity is done through newsletter.

**Observation:**

It seems that the company is not using publicity as a promotional tool effectively.
Recommendation:

A certain amount should be allocated from the promotional expenditure for publicity. This could be used for new product launching or on special achievements etc.
4.13 QUANTITATIVE ANALYSIS:

CAPACITY UTILISATION ANALYSIS:

1. Power driven pumps:

From table number 1, it could be seen that the installed capacity for this product is 1,94,000 pumps per annum. Only fifty per cent of this capacity is utilised. The capacity utilisation in the base year 1976 was 40%. While in the years 1982 it has come down to 35%. In between these years, the peak was in 1977 at 53%. As such, it could be said that the company has not been able to make the best use of the capacity available which results into the distribution of total cost over a smaller production volume. This results in higher unit cost and thereby less competitiveness in the market.

2. Machine Tools:

a. Vertical Turret Lathe: The company seems to be in a happy position as far as this product is concerned. However, over the years the capacity utilisation has varied considerably. The capacity utilisation was 72% in the base year 1976, which went down to 20% in 1979 but again improved in the subsequent years. In 1982, the capacity utilisation was 100%. Therefore, it can be said that the company has been able to make the best use of the capacity installed.
b. **Keyway Milling Machine**: In case of key way milling machine, the capacity utilisation is extremely poor. In the base year 1976, the capacity utilisation was just 3%. In the subsequent years it improved to some extent and in 1981 it was 19%. However, in 1982 again has reduced to 14%. This could be due to the following reasons:

1) There is not much demand for key way milling machine. (This does not seem to be true as there are other manufacturers who manufacture the product).

2) The performance of the machine is not up-to the mark.

3) The prices are higher than other manufacturers as there is no much demand for this product, its manufacturing capacity perhaps has been utilised for increasing the capacity of lathe.

c. **Drilling Machine**: In case of drilling machine also, the capacity utilisation is low. In the base year 1976, it was 15% while in 1981 it was 23% which again shows that the available capacity is not fully utilised. Analysis of this data reveals that the drilling machine is not a good line for KBL.
d) **Hermetically Sealed Compressors** : The performance of hermetically sealed compressors reveals following things:

i) The licensed capacity that was sanctioned in the year 1976 was 1,66,000 compressors p.a. This has come down to 1,00,000 only in the year 1982. It seems that the company might have surrendered a part of their license to the Government because of inadequate demand.

ii) The licensed capacity has fully been converted into installed capacity.

iii) The utilisation of capacity has ranged from 40% in the year 1976 to 36% in the year 1982. The peak was at 48% in the year 1979. It is obvious that the company has not been able to utilise the capacity fully. More detail analysis is done elsewhere.

3. **Valves**:

In case of valves, in the base year 1976, the capacity utilisation was 52%. In 1977 it was 56%. However, in the subsequent four years it was not even 50%. In 1982, the capacity utilisation slightly improved and it was 52%.
Thus, it seems that the company is not able to make the best use of the capacity available which increases the unit cost of the product. Valves market is large and it is growing. It could be thus said that the company's marketing efforts seem to be inadequate which result in the low utilisation of the capacity which in turn results in the higher price.

In conclusion, it can be said, that for most of the products, only half of the capacity installed is utilised by the company. The result is that, the total cost is distributed over a smaller volume of production, which increases the unit cost of the product, makes it less competitive and reduces the profit margin.
### QUANTITATIVE ANALYSIS

#### Capacity Utilisation Analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Licensed capacity Qty</th>
<th>Installed capacity Qty</th>
<th>Actual production Qty</th>
<th>Utilisation %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Pumps</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>1,44,000</td>
<td>1,94,000</td>
<td>79526</td>
<td>40</td>
</tr>
<tr>
<td>77</td>
<td>&quot;</td>
<td>&quot;</td>
<td>100257</td>
<td>53</td>
</tr>
<tr>
<td>78</td>
<td>&quot;</td>
<td>&quot;</td>
<td>101283</td>
<td>52</td>
</tr>
<tr>
<td>79</td>
<td>&quot;</td>
<td>&quot;</td>
<td>85857</td>
<td>44</td>
</tr>
<tr>
<td>80</td>
<td>&quot;</td>
<td>&quot;</td>
<td>101627</td>
<td>52</td>
</tr>
<tr>
<td>81</td>
<td>&quot;</td>
<td>&quot;</td>
<td>99278</td>
<td>51</td>
</tr>
<tr>
<td>82</td>
<td>&quot;</td>
<td>&quot;</td>
<td>67341</td>
<td>35</td>
</tr>
<tr>
<td>2) Machine Tools</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Vertical Turret Lathe</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>25</td>
<td>25</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td>77</td>
<td>&quot;</td>
<td>&quot;</td>
<td>13</td>
<td>52</td>
</tr>
<tr>
<td>78</td>
<td>&quot;</td>
<td>&quot;</td>
<td>18</td>
<td>72</td>
</tr>
<tr>
<td>79</td>
<td>&quot;</td>
<td>&quot;</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>80</td>
<td>&quot;</td>
<td>&quot;</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>81</td>
<td>&quot;</td>
<td>&quot;</td>
<td>27</td>
<td>108</td>
</tr>
<tr>
<td>82</td>
<td>&quot;</td>
<td>&quot;</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>b) Key way Milling Machine</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>76</td>
<td>72</td>
<td>72</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>77</td>
<td>&quot;</td>
<td>&quot;</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>78</td>
<td>&quot;</td>
<td>&quot;</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>79</td>
<td>&quot;</td>
<td>&quot;</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>80</td>
<td>&quot;</td>
<td>&quot;</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>81</td>
<td>&quot;</td>
<td>&quot;</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>82</td>
<td>&quot;</td>
<td>&quot;</td>
<td>10</td>
<td>14</td>
</tr>
</tbody>
</table>
### Drilling Machine

<table>
<thead>
<tr>
<th>Year</th>
<th>Licensed Capacity Qty</th>
<th>Installed Capacity Qty</th>
<th>Actual Production Qty</th>
<th>Utilisation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>300</td>
<td>300</td>
<td>46</td>
<td>15</td>
</tr>
<tr>
<td>77</td>
<td>&quot;</td>
<td>&quot;</td>
<td>28</td>
<td>10</td>
</tr>
<tr>
<td>78</td>
<td>&quot;</td>
<td>&quot;</td>
<td>56</td>
<td>17</td>
</tr>
<tr>
<td>79</td>
<td>&quot;</td>
<td>&quot;</td>
<td>47</td>
<td>15</td>
</tr>
<tr>
<td>80</td>
<td>&quot;</td>
<td>&quot;</td>
<td>61</td>
<td>20</td>
</tr>
<tr>
<td>81</td>
<td>&quot;</td>
<td>&quot;</td>
<td>62</td>
<td>23</td>
</tr>
<tr>
<td>82</td>
<td>&quot;</td>
<td>&quot;</td>
<td>44</td>
<td>15</td>
</tr>
</tbody>
</table>

### Hermetically sealed

#### Compressor

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity Qty</th>
<th>Installed Capacity Qty</th>
<th>Utilisation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>1,66,000</td>
<td>50,000</td>
<td>40</td>
</tr>
<tr>
<td>77</td>
<td>&quot;</td>
<td>50,000</td>
<td>47</td>
</tr>
<tr>
<td>78</td>
<td>&quot;</td>
<td>40,000</td>
<td>78</td>
</tr>
<tr>
<td>79</td>
<td>&quot;</td>
<td>60,000</td>
<td>43</td>
</tr>
<tr>
<td>80</td>
<td>&quot;</td>
<td>1,00,000</td>
<td>46</td>
</tr>
<tr>
<td>81</td>
<td>&quot;</td>
<td>1,00,000</td>
<td>42</td>
</tr>
<tr>
<td>82</td>
<td>&quot;</td>
<td>1,00,000</td>
<td>36</td>
</tr>
</tbody>
</table>

### Valves Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Install Qty</th>
<th>Production Qty</th>
<th>Utilisation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>70,070</td>
<td>36617</td>
<td>52</td>
</tr>
<tr>
<td>77</td>
<td>&quot;</td>
<td>31015</td>
<td>56</td>
</tr>
<tr>
<td>78</td>
<td>&quot;</td>
<td>30933</td>
<td>44</td>
</tr>
<tr>
<td>79</td>
<td>&quot;</td>
<td>33417</td>
<td>47</td>
</tr>
<tr>
<td>80</td>
<td>&quot;</td>
<td>31431</td>
<td>45</td>
</tr>
<tr>
<td>81</td>
<td>&quot;</td>
<td>34698</td>
<td>49</td>
</tr>
<tr>
<td>82</td>
<td>&quot;</td>
<td>36434</td>
<td>52</td>
</tr>
</tbody>
</table>
SALES ANALYSIS: Please refer to Table No. 2. The product wise analysis is given below:

a) Power driven pumps:

i) It could be seen from the above table that the sales performance of power driven pumps during the period 1976 to 1982 in terms of quantity has actually declined by 1.66% per annum.

ii) In terms of value, the performance shows an improvement at 21.5% per annum which roughly works out to little over doubling of the turnover during this period.

It could be said that this increase in terms of value is mostly on account of inflation. This could be due to rise in the prices of raw materials, wages and overheads.

iii) During the year 1976, the sales recorded peak when the index for quantity was 152%. However, in the year, 1981-82, the performance has suffered a setback. The index for quantity was 90% which could be attributed to a large extent to recession in the engineering industry.

iv) It has been observed that the market for ** pumps is

** Guidelines for Industries - 1983-84. (Ministry of Industrial development.)
increasing by 12% per annum. However, over the period of six years (from 1976 to 1982) the company's sales performance has varied considerably and in 1982 it has been declined to a large extent. It means that the company's is not able to exploit the market potential.

However, as the company's products are superior in quality, with more efforts on marketing side, the sales can be increased considerably. The company should prepare long term plans for increasing sales. As far as the recession is concerned, the different segments of the engineering industries have to face it periodically. Hence, the company should go on defining the target market and accordingly develop the strategy.

b) Vertical Turret Lathe:

i) The company seems to be in a happy position as far as Vertical Turret Lathes are concerned. During the period 1976 to 1982, the sales both in terms of quantity and value have registered 6% increase per annum. In 1977 and 1978, though the index for quantity was 71% and 94% respectively, in the subsequent years it has improved considerably. Particularly during 1981, the sales recorded peak when the company received export orders.
ii) The company should try to explore both, the foreign market and domestic market, which will help in full utilisation of the capacity.

c) **Hermetically Sealed Compressors:**

i) During the period 1976 to 1982, the sales of compressors, in terms of quantity have increased by 12% per annum. In terms of value the performance shows an improvement at the rate of 27.33% per annum.

ii) However, the increase in sales in terms of quantity and value is not consistent. The 4th column of Table No. 2 shows that, to the base of 100 in the year 1976 the sales in terms of quantity were 126, 218, 195, 234, 202, 173 for the years 1977, 1978, 1979, 1980, 1981 and 1982 respectively. However, this increase is not consistent. Every alternate year, the sales in terms of quantity have declined.

iii) It seems that the performance of this product is directly related to the market condition for the OE products, namely, refrigerators and air conditioners. Specifically for refrigerators, for last few years the market has become highly competitive and tight. Thus, wide fluctuations have been observed in the sales of OE products, which shows similar pattern for the sales of company's compressors.
iv) From 1980, the index of sales in terms of value has increased, reaching to the peak (264%) in 1982, which might be due to inflation and price rise.

d) Valves:

i) The fifth column of the Table number 2 shows that the sales performance of valves, during the period 1976 to 1982 in terms of quantity shows an increase of 1.33% per annum. However, this increase is not consistent. Every alternate year, the sales in terms of quantity have declined.

ii) In terms of value, the performance shows an improvement at 25% per annum.

iii) Except the year 1979, the sales of valves in terms of value, have been increasing considerably, whereas the sales in terms of quantity have increased only marginally. Thus, the increase in sales, in terms of value, is due to inflation and price rise.

**iv) The market for valves, is increasing by 15% per annum. While the company's sales in terms of quantity have increased only by 1.33%. It means that the company's marketing efforts are lagging behind, the competition is increasing and this has resulted in a low growth rate for the company.

** Guide lines for Industries 1983-84.
<table>
<thead>
<tr>
<th></th>
<th>Power driven pumps</th>
<th>Vertical Turret Lathe</th>
<th>Hermetic Sealed compressors</th>
<th>Valves</th>
<th>Spare parts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976 Qty</td>
<td>72897</td>
<td>17</td>
<td>19,739</td>
<td>34,404</td>
<td>6,92,47,809</td>
</tr>
<tr>
<td>Value Rs.</td>
<td>6,44,35,717</td>
<td>1,28,49,848</td>
<td>1,05,52,563</td>
<td>1,83,07,218</td>
<td>100%</td>
</tr>
<tr>
<td>1977 Qty</td>
<td>95,583</td>
<td>12</td>
<td>24,777</td>
<td>38,998</td>
<td>5,44,54,62</td>
</tr>
<tr>
<td>Value Rs.</td>
<td>7,98,23,484</td>
<td>85,60,175</td>
<td>1,19,66,997</td>
<td>2,17,12,636</td>
<td>83%</td>
</tr>
<tr>
<td>1978 Qty</td>
<td>10,000</td>
<td>16</td>
<td>43,034</td>
<td>33,679</td>
<td>5,44,01,026</td>
</tr>
<tr>
<td>Value Rs.</td>
<td>8,83,03,746</td>
<td>1,14,62,875</td>
<td>2,13,87,837</td>
<td>2,33,28,383</td>
<td>79%</td>
</tr>
<tr>
<td>1979 Qty</td>
<td>97,671</td>
<td>19</td>
<td>38,147</td>
<td>36,193</td>
<td>8,48,46,544</td>
</tr>
<tr>
<td>Value Rs.</td>
<td>10,08,96,891</td>
<td>1,40,28,112</td>
<td>1,98,75,817</td>
<td>2,29,63,582</td>
<td>123%</td>
</tr>
<tr>
<td>1980 Qty</td>
<td>06,272</td>
<td>21</td>
<td>46,274</td>
<td>32,500</td>
<td>11,43,46,534</td>
</tr>
<tr>
<td>Value Rs.</td>
<td>13,56,45,871</td>
<td>1,61,09,284</td>
<td>2,53,51,999</td>
<td>3,11,85,341</td>
<td>168%</td>
</tr>
</tbody>
</table>

Contd ... 2
<table>
<thead>
<tr>
<th>Year</th>
<th>Power driven pumps Qty</th>
<th>Vertical Turret Lathe Qty</th>
<th>Hermetic Sealed Compressors Qty</th>
<th>Valves Qty</th>
<th>Spare Parts Qty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>1,00,066 137%</td>
<td>27 158%</td>
<td>40,068 234%</td>
<td>35,302 102%</td>
<td>1,51,223,436 218%</td>
</tr>
<tr>
<td></td>
<td>1,58,140,883 245%</td>
<td>24,943,916 194%</td>
<td>25,941,912 246%</td>
<td>37,665,574 205%</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>65,735 90%</td>
<td>23 135%</td>
<td>34,151 173%</td>
<td>37,862 110%</td>
<td>1,50,590,206 217%</td>
</tr>
<tr>
<td></td>
<td>1,47,764,628 229%</td>
<td>28,416,710 221%</td>
<td>27,849,554 264%</td>
<td>45,732,723 250%</td>
<td></td>
</tr>
<tr>
<td>Average increase Qty</td>
<td>-1.66 (32%)</td>
<td>5% (30%)</td>
<td>12% (30%)</td>
<td>1.33% (30%)</td>
<td>14.5% (30%)</td>
</tr>
<tr>
<td>Average increase Value Rs</td>
<td>21.5% (82%)</td>
<td>3% (30%)</td>
<td>26.33% (30%)</td>
<td>25% (30%)</td>
<td></td>
</tr>
</tbody>
</table>
C. PRODUCT LINE CONTRIBUTION ANALYSIS:

Please refer to table number 3. This table shows that during the period of 1976 to 1982 the contribution of various products of the company towards total sales is as follows:

i) Pumps — 22% to 30%.
ii) Machine Tools — 4.1% to 8%.
iii) Compressors — 4% to 7%.
iv) Valves — 5% to 7.4%.
v) Other (agency) products — 37% to 18%.
vi) Spare parts — 17% to 26%.

The table shows that over the years the contribution of agency products towards the total sales has been declining. In 1976 this percentage was 37%, which has now come down to 23% in 1982.

d. MARKETING EXPENDITURE ANALYSIS:

Please refer to table number 4. This table shows that, during the period 1976 to 1982, the percentage of marketing expenditure to sales is between 1.93% to 2.1%. The percentage of brokerage and cash discount to sales is not even one percent.

*The marketing expenditure figures include the expenditure on advertising and publicity, transportation, conveyance, cash discount and brokerage.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pumps - Sales Rs</strong></td>
<td>6,14,15,717</td>
<td>7,96,23,484</td>
<td>8,63,23,746</td>
<td>10,08,96,091</td>
<td>13,56,15,071</td>
<td>15,01,40,863</td>
<td>14,77,66,626</td>
</tr>
<tr>
<td><strong>Machine Tools</strong></td>
<td>5.6</td>
<td>3.23%</td>
<td>4.6%</td>
<td>4.4%</td>
<td>4.1%</td>
<td>8%</td>
<td>7.16%</td>
</tr>
<tr>
<td>a. <strong>Vertical turret Lathe - Sales Rs</strong></td>
<td>1,26,49,848</td>
<td>85,60,175</td>
<td>1,14,62,675</td>
<td>1,10,28,112</td>
<td>1,61,09,264</td>
<td>2,39,43,916</td>
<td>2,64,16,710</td>
</tr>
<tr>
<td>b. <strong>Others - Sales Rs</strong></td>
<td>17,90,116</td>
<td>6,75,700</td>
<td>18,26,372</td>
<td>15,53,514</td>
<td>35,16,716</td>
<td>8,19,95,675</td>
<td>89,56,336</td>
</tr>
<tr>
<td><strong>Compressors - Sales Rs</strong></td>
<td>1,05,32,563</td>
<td>1,19,66,997</td>
<td>2,13,07,037</td>
<td>1,96,75,814</td>
<td>2,39,51,999</td>
<td>2,39,11,912</td>
<td>2,76,49,554</td>
</tr>
<tr>
<td><strong>Valves - Sales Rs</strong></td>
<td>1,63,07,219</td>
<td>2,17,12,636</td>
<td>2,33,26,383</td>
<td>2,29,63,382</td>
<td>3,11,65,391</td>
<td>3,76,65,574</td>
<td>4,37,32,723</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>37%</td>
<td>37%</td>
<td>34%</td>
<td>27%</td>
<td>28%</td>
<td>18%</td>
<td>23%</td>
</tr>
<tr>
<td>a. <strong>Detergents</strong></td>
<td>1,62,150</td>
<td>12,262</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>b. <strong>Sugar cane crushers</strong></td>
<td>35,15,814</td>
<td>42,43,173</td>
<td>36,30,365</td>
<td>24,76,105</td>
<td>13,76,099</td>
<td>8,16,012</td>
<td>1,03,066</td>
</tr>
<tr>
<td>c. <strong>Plough</strong></td>
<td>16,272</td>
<td>5,36,839</td>
<td>9,67,722</td>
<td>8,61,566</td>
<td>1,36,732</td>
<td>3,59,36,594</td>
<td>43,26,586</td>
</tr>
<tr>
<td>d. <strong>Electric Motor</strong></td>
<td>4,92,23,854</td>
<td>4,06,71,501</td>
<td>4,07,15,445</td>
<td>29,4,15,534</td>
<td>3,93,50,102</td>
<td>5,45,01,559</td>
<td>7,67,26,450</td>
</tr>
<tr>
<td>e. <strong>Engines</strong></td>
<td>5,54,57,164</td>
<td>6,34,73,145</td>
<td>6,62,23,621</td>
<td>6,37,10,501</td>
<td>9,04,19,376</td>
<td>5,05,10,569</td>
<td>7,67,26,450</td>
</tr>
<tr>
<td><strong>Total - Others Sales Rs</strong></td>
<td>10,03,05,054</td>
<td>10,09,37,620</td>
<td>11,05,37,353</td>
<td>16,19,95,08</td>
<td>12,12,84,671</td>
<td>12,27,19,104</td>
<td></td>
</tr>
<tr>
<td><strong>Spare parts - Sales Rs</strong></td>
<td>6,94,97,809</td>
<td>5,74,54,825</td>
<td>5,44,01,026</td>
<td>6,46,18,544</td>
<td>11,13,46,034</td>
<td>15,12,43,136</td>
<td>15,05,90,206</td>
</tr>
<tr>
<td><strong>Service and Job - Sales Rs</strong></td>
<td>26,51,210</td>
<td>35,37,703</td>
<td>74,75,567</td>
<td>50,66,6181</td>
<td>87,17,152</td>
<td>11,44,028</td>
<td>11,10,766</td>
</tr>
<tr>
<td><strong>Alloy cast iron - Sales Rs</strong></td>
<td>21,59,713</td>
<td>41,21,592</td>
<td>50,63,452</td>
<td>1,01,56,466</td>
<td>1,49,35,719</td>
<td>1,49,35,719</td>
<td>1,49,35,719</td>
</tr>
<tr>
<td><strong>Sluice Flasks</strong></td>
<td>10,71,737</td>
<td>16,03,324</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total Sales Rs</strong></td>
<td>21,04,41,596</td>
<td>29,26,60,530</td>
<td>35,05,21,746</td>
<td>47,12,21,121</td>
<td>52,12,06,536</td>
<td>55,90,26,202</td>
<td>16,48,67,325</td>
</tr>
</tbody>
</table>
### MARKETING EXPENDITURE ANALYSIS

**Table numbers**

(Figures in Rs. lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>31,42,28,767</td>
<td>35,19,87,847</td>
<td>35,47,12,655</td>
<td>47,54,24,907</td>
<td>52,36,49,555</td>
<td>56,39,63,366</td>
</tr>
<tr>
<td>1. Brokerage and</td>
<td>21,21,288</td>
<td>18,48,723</td>
<td>32,20,748</td>
<td>52,45,440</td>
<td>61,29,071</td>
<td>36,25,662</td>
</tr>
<tr>
<td>Discount.</td>
<td>(0.7%)</td>
<td>(0.5%)</td>
<td>(0.9%)</td>
<td>(1.10)</td>
<td>(1.17%)</td>
<td>(0.64%)</td>
</tr>
<tr>
<td>2. Cash Discount.</td>
<td>4,36,466</td>
<td>6,14,264</td>
<td>3,87,791</td>
<td>5,56,139</td>
<td>85,02,754</td>
<td>4,62,105</td>
</tr>
<tr>
<td></td>
<td>(0.14%)</td>
<td>(0.17%)</td>
<td>(0.10%)</td>
<td>(0.11%)</td>
<td>(0.09%)</td>
<td>(0.08%)</td>
</tr>
<tr>
<td>3. Travelling</td>
<td>27,21,228</td>
<td>26,73,002</td>
<td>28,50,828</td>
<td>34,07,781</td>
<td>46,85,860</td>
<td>75,01,393</td>
</tr>
<tr>
<td>expenses.</td>
<td>(0.9%)</td>
<td>(0.7%)</td>
<td>(0.8%)</td>
<td>(0.7%)</td>
<td>(0.6%)</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>4. Advertising.</td>
<td>25,34,425</td>
<td>11,73,148</td>
<td>18,00,395</td>
<td>18,58,222</td>
<td>42,68,037</td>
<td>36,99,909</td>
</tr>
<tr>
<td></td>
<td>(0.8%)</td>
<td>(0.5%)</td>
<td>(0.5%)</td>
<td>(0.4%)</td>
<td>(0.8%)</td>
<td>(0.65%)</td>
</tr>
<tr>
<td>TOTAL EXPENDITURE</td>
<td>78,13,347</td>
<td>71,09,137</td>
<td>82,59,762</td>
<td>1,10,67,582</td>
<td>1,55,85,722</td>
<td>1,52,89,069</td>
</tr>
<tr>
<td></td>
<td>(0.8%)</td>
<td>(1.93%)</td>
<td>(2.3%)</td>
<td>(2.3%)</td>
<td>(2.9%)</td>
<td>(2.7%)</td>
</tr>
<tr>
<td></td>
<td>KEL</td>
<td>JYOPT</td>
<td>L &amp; F</td>
<td>INR</td>
<td>R &amp; C</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----</td>
<td>-------</td>
<td>------</td>
<td>-----</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>1. Current Assets to Current liabilities.</td>
<td>2.88:1</td>
<td>2.98:1</td>
<td>2.84:1</td>
<td>1.69:1</td>
<td>2.17:1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2521.47</td>
<td>2924.24</td>
<td>1305.47</td>
<td>1152.63</td>
<td>2656.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1137.00</td>
<td>938.61</td>
<td>634.29</td>
<td>604.17</td>
<td>1054.76</td>
<td></td>
</tr>
<tr>
<td>2. Acid test ratio (C. Assets-stock C. Liabilities).</td>
<td>1.30:1</td>
<td>1.30:1</td>
<td>1.09:1</td>
<td>0.56:1</td>
<td>1.41:1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2521.47</td>
<td>1924.24</td>
<td>1205.47</td>
<td>1152.63</td>
<td>2656.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1137.00</td>
<td>938.61</td>
<td>634.29</td>
<td>604.17</td>
<td>1054.76</td>
<td></td>
</tr>
<tr>
<td>3. Volume of sales to net tangible worth.</td>
<td>7.82:1</td>
<td>5.68:1</td>
<td>3.25:1</td>
<td>4.12:1</td>
<td>4.25:1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5330.61</td>
<td>4335.44</td>
<td>1656.31</td>
<td>1185.14</td>
<td>2666.78</td>
<td></td>
</tr>
<tr>
<td></td>
<td>690.70</td>
<td>397.38</td>
<td>494.30</td>
<td>286.05</td>
<td>662.19</td>
<td></td>
</tr>
<tr>
<td>4. Fixed Assets to Net tangible worth.</td>
<td>1.96:1</td>
<td>1.32:1</td>
<td>0.71:1</td>
<td>2.02:1</td>
<td>1.30:1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1317.64</td>
<td>757.38</td>
<td>365.34</td>
<td>578.73</td>
<td>860.62</td>
<td></td>
</tr>
<tr>
<td></td>
<td>690.70</td>
<td>397.38</td>
<td>494.30</td>
<td>286.05</td>
<td>662.19</td>
<td></td>
</tr>
<tr>
<td>5. Share holder funds to External liabilities.</td>
<td>1:2.28</td>
<td>1:1.05</td>
<td>1:1.83</td>
<td>1:1.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>406.70</td>
<td>171.38</td>
<td>657.38</td>
<td>206.05</td>
<td>662.19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>254.56</td>
<td>105.00</td>
<td>384.72</td>
<td>301.16</td>
<td>562.19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>136.72</td>
<td>69.1</td>
<td>577.38</td>
<td>206.05</td>
<td>562.19</td>
<td></td>
</tr>
<tr>
<td></td>
<td>690.72</td>
<td>397.38</td>
<td>494.30</td>
<td>286.05</td>
<td>662.19</td>
<td></td>
</tr>
<tr>
<td>7. Stock turnover ratio (Inventory to cost of goods sold).</td>
<td>1:2.15</td>
<td>1:2.1</td>
<td>1:2.57</td>
<td>1:2.63</td>
<td>1:2.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1355.10</td>
<td>1204.64</td>
<td>606.00</td>
<td>766.26</td>
<td>160.79</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2973.37</td>
<td>1783.36</td>
<td>596.12</td>
<td>614.66</td>
<td>3881.68</td>
<td></td>
</tr>
</tbody>
</table>

*Figures in Mr. Indian.*
<table>
<thead>
<tr>
<th></th>
<th>REL</th>
<th>OCT</th>
<th>M &amp; F</th>
<th>JUN</th>
<th>JUL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Material</td>
<td>55.66</td>
<td>54.05</td>
<td>40.52</td>
<td>40.76</td>
<td>67.40</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>2,914.91</td>
<td>1,742.56</td>
<td>508.08</td>
<td>461.66</td>
<td>3,821.88</td>
</tr>
<tr>
<td>2. Salaries &amp; wages</td>
<td>14.15</td>
<td>13.69</td>
<td>13.26</td>
<td>15.09</td>
<td>15.02</td>
</tr>
<tr>
<td>and other benefits to employees</td>
<td>740.74</td>
<td>441.61</td>
<td>265.55</td>
<td>190.00</td>
<td>820.44</td>
</tr>
<tr>
<td>3. Excise duty</td>
<td>9.92</td>
<td>6.06</td>
<td>4.00</td>
<td>227.86</td>
<td></td>
</tr>
<tr>
<td></td>
<td>519.43</td>
<td>163.09</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Other operating expenses</td>
<td>13.21</td>
<td>13.92</td>
<td>16.41</td>
<td>22.42</td>
<td>7.46</td>
</tr>
<tr>
<td></td>
<td>566.20</td>
<td>698.42</td>
<td>265.62</td>
<td>164.87</td>
<td>407.74</td>
</tr>
<tr>
<td>5. Sub-total</td>
<td>4,762.28</td>
<td>2,797.48</td>
<td>1,692.20</td>
<td>526.53</td>
<td>5,131.92</td>
</tr>
<tr>
<td>6. Depreciation</td>
<td>1.40</td>
<td>1.67</td>
<td>1.74</td>
<td>3.12</td>
<td>1.25</td>
</tr>
<tr>
<td></td>
<td>70.50</td>
<td>53.96</td>
<td>25.39</td>
<td>36.59</td>
<td>68.54</td>
</tr>
<tr>
<td>7. Interest</td>
<td>5.51</td>
<td>5.91</td>
<td>0.75</td>
<td>5.99</td>
<td>2.70</td>
</tr>
<tr>
<td></td>
<td>265.48</td>
<td>190.61</td>
<td>2.12</td>
<td>70.74</td>
<td>147.36</td>
</tr>
<tr>
<td>8. Sales (Income)</td>
<td>5,236.49</td>
<td>3,225.63</td>
<td>1,454.07</td>
<td>1,101.14</td>
<td>5,662.78</td>
</tr>
</tbody>
</table>

Highlighted figures show %'s to income.
Table number 5 gives the inter firm comparison, with the company’s major competitors, namely Jyoti Limited, Mather & Platt Limited, KSB Pumps Limited and Best & Crompton Limited.

It must be noticed here that except for KSB, all other companies are multi product companies. All the companies do not manufacture the same products. However, pump manufacturing is the major activity of all these companies. All the companies are limited companies and are, therefore, comparable.

The comparison has been done with the help of ratio analysis. Table 5 gives various ratios for these companies for the recent year (1981).

Following observations are made:

1) In terms of turnover, B & C is the largest company followed by KBL, Jyoti Limited, M & P Limited and KSB in that order. M & P has registered the highest pre-tax profit to sales (23%) followed by KSB (13%) B & C (3.45%), Jyoti Limited (1.6%) and KBL (1.2%). As all these companies are in industrial marketing, disparity in pre-tax profit needs closer scrutiny.
11) The cost of goods sold, in terms of % to sales is the highest for B & C (67.4%) followed by KBL (55.66%), Jyoti Limited (54.05%), KSB (40.78%) and M & P (40.52%). This could be considered as one of the major reasons for the slower pre-tax profit of KBL, Jyoti and B & C.

iii) Few other ratios which need scrutiny are, — Volume of sales to nett tangible worth. — Stock turnover ratio.

For these two ratios KBL seems to be much better off as compared to other companies.

iv) The low profitability of KBL is alarming and besides the higher cost of goods sold could be due to several other factors such as high overheads, higher debtors level and interest thereon.
4.2 SATHE BISCUITS AND CHOCOLATE LIMITED:

4.2.1 Introduction:
Incorporation - 1949.
Registered Office - 820 Bhawani Peth, Pune-411 002.
Factory - Dhanori, Pune.

4.2.2 Objectives and Activities:
Manufacturers of biscuits, bread, cocoa, chocolates, preserved food and allied products.
The company manufacturers biscuits and other bakery products, chocolates and allied products. The distribution of the goods is made through dealers. The products reach consumers through area distributor-wholesalers-retailers. For selecting a town for selling the goods, help of 'Market Index of Town' is taken. For deciding the number of dealers, factors like nearness to market, size of business and other activities of the dealer are considered.
For selecting the distributors, factors like financial position, size of business, other lines handled etc. are considered. The company has more than one hundred direct dealers.

4.2.3 The marketing organisation of the company is as follows:

```
MARKETING DIRECTOR

Field Manager        Sales Manager
Sales representative  Sales representative
```

The company's total sales force consists of sixteen people. The Marketing Director looks after all the operations of marketing like what to sell, where, at which price to sell etc. The Sales Manager, looks after correspondence, past records, and decides whether to distribute goods or not. The field manager looks after the complaints of the dealers.
4.2.4 FEEDBACK ON THE QUESTIONNAIRE:

MARKETING ENVIRONMENT AUDIT:

A. Micro Environment Audit:

Question 1: What does the company expect in the way of inflation, material shortages, and credit availability in the short run and long run?

Answer 1:

a) Inflation:

The company gets benefits from inflation. Inflation does not create adverse effect on its working and compared to other industries, the rate of inflation is less.

b) Material Shortages:

There is no problem of material shortages. Famines and floods also do not have much effect on the availability of materials.

c) Credit Availability:

Purchases are made on cash basis and banks give credit, therefore, credit is available.
Observation:

1) As agricultural products are used as raw materials, non-availability of materials is not a problem.

2) The company deals in consumer products, hence the turnover is quick. As such short term finance is not a problem.

3) Inflation to some extent is beneficial as it increases income of the people and thereby demand for various products. However, when the rate of inflation is high, real income of the people decreases, operations cost of business increases and profits are affected. It seems that the company has not taken much serious view of inflation.

Recommendation:

The company should try to increase sales which will help in increasing production and full utilisation of the capacity. This in turn will help in distributing total cost over a larger volume of production.

Question 2: What effect will the forecasted trends in the size, age, regional distribution of population have on the business?

Answer 2: Such factors do not affect business. Biscuit is used as a snack by all age groups. In fact, poor people purchase more biscuits compared to rich.
The marketing of consumer products like biscuits is directly related to population. As the population is increasing, the market for such products is also increasing. However, it seems that the company has not considered carefully the factors affecting demand for its products and product mix.

**Recommendation:**

The company should develop a growth strategy to get major share of the market.

**B. Technology:**

**Question 1:** What major changes are occurring in product technology? In process technology?

**Answer 1:** No changes are taking place either in process technology or product technology.

**Observation:**

**Lots of changes are taking place in process technology.** Those changes are in the area of microwave baking, conservation of fuel energy and increasing the production capacity for getting the advantages of large scale operations. However, it seems that the company is not aware of such changes in the process technology.

---

**David Pei - Micro Wave Baking - The Indian Baker Magazine, Feb. 1982.**

202
**Recommendation:**

The company should keep a track of the developments in product and process technology.

**Question 2:** What are the major generic substitutes that might replace the products?

**Answer 2:** No such substitutes are there. If ready made snacks are developed, they may become substitutes.

**Observation:**

Biscuit is convenient food and it is used as a snack by all the age groups. As such, in near future, development of substitute for biscuits, seems difficult.

**C. Political-Legal:**

**Question 1:** What laws are being proposed that may affect the marketing strategy and tactics?

**Answer 1:** There are no such laws which may affect the marketing strategy and tactics.

**Observation:**

It seems that, the company has neglected the fact that biscuit making is reserved for small scale sector. As such, the
organised sector will be facing competition from the small scale sector. This could be conclusively proved by the fact that in the last three to four years, the overall biscuit industry has grown at the rate of 12%, whereas, the units in the organised sector have registered a growth rate of only 3% to 4% per annum. The small scale industries will have an advantage of low cost of operations but may face a problem in marketing.

**Recommendation:**

The company should keep a watch on the laws proposed by the government. It should collect and up-to-date data relating to such matters and try to interpret its bearing on the working of the company in the short run and long run. This will help in developing long term marketing strategy.

**Question 2:** What federal state and local agency actions should be watched?

**Answer 2:** In some states like Andhra Pradesh, there are supply corporations. These corporations help various industries in securing raw materials. If such corporations are developed in Maharashtra this company would like to keep contact with them.
D. Social-Cultural:

**Question 1**: What attitude is the public taking towards business and towards products, such as those produced by the company?

**Answer 1**: The attitude of the public is favourable regarding the business and the products produced by the company.

**Observation**: This favourable attitude is due to the preference of the people to the ready made food, which is increasing the demand for such products.

**Question 2**: What changes are occurring in consumer lifestyles and values that have a bearing on the company's market?

**Answer 2**: Now there is more and more emphasis on ready made food which has helped in increasing the demand for the products as manufactured by this company.

**Observation**: As already observed, because of the changing life styles and values of people, demand for convenient food like biscuits is increasing.
The company should think of producing more ready to eat products (like bread).

Task Environment:

a) Markets:

Question 1: What is happening to market size, growth and geographical distribution?

Answer 1: Size of the market is increasing. Though the company distributes the products all over India, because of the type and size of the package, its operations are mostly localised.

Observation:

The market will be catered distinctly and differently by the organised sector and unorganised sector. It has been observed that the biscuits which are preferred by the masses and thereby give advantages of large scale operations attract competition from both sectors.

Recommendation:

An organised unit like Sathe Biscuits should go in for product differentiation and develop specific marketing strategy for different geographical markets.
Question 3: What are the major market segments? What are their expected rates of growth?

Answer 3: The company's operations are concentrated in Maharashtra and major sales are made to household customers.

Observation:

It seems that the company has not done a proper exercise in market segmentation. Because of this, it is not in a position to know the behaviour of various market segments. Therefore, the company is not in a position to define its target markets correctly. This results in lack of specific marketing strategy.

Recommendation:

The company should define its various market segments properly and decide the target markets.

B. Customers:

Question 1: How do the current customers and prospects rate the company and its competitors particularly with respect to reputation, product quality, sales force and prices?

Answer 1: The company has good reputation among its customers. Compared to its competitors, the product quality and sales force are average. However, because of the type of package, prices of different manufacturers are different. The company's prices are lower than the brand leaders but higher than the prices offered by the small scale sector.
Observation:

Under the given circumstances as far as price is concerned, the company has adopted a right strategy.

C. Competitors:

Question 1: Who are the major competitors? What are the objectives and strategy of each major competitor? What are their strengths and weaknesses? What are the sizes and trends in the market share?

Answer 1: The company's major competitors are Parle, Britannia and small manufacturers.

Parle and Britannia have a strategy of selling biscuits in expensive, attractive packing and at higher prices. Small manufacturers have a strategy of selling at lower price.

As regards the strengths are concerned, Britannia gets benefits of the name and modern methods of marketing. Parle's advertising is well planned. These companies have created good demand for their products through advertising. However, these companies have higher overheads.

Market share of Britannia is around 40% and that of Parle's is 30%. Over the years, this share has been more or less stable.
Observation:

It seems that the company has identified its competitors, their strengths and weaknesses properly.

Recommendation:

While planning the marketing strategy, the company should keep in mind the competitors' strengths and weaknesses.

Question 2: What trends can be foreseen in the future competition?

Answer 2: Competition is increasing, more from unorganised sector.

Observation:

As the government has decided to encourage the small scale industries, the large and medium scale units will have to face competition from small scale industries.

Recommendation:

This factor of increasing competition should be considered while preparing long term plans for marketing.

D. Distribution and Dealers:

Question 1: What are the main trade channels bringing products to customers?
Answer 1: For distributing the products area wise, state wise distributors are appointed. Then, through the wholesalers and retailers, products are sold to consumers. Thus, the main trade channel is as follows:

The company \(\rightarrow\) Area distributor \(\rightarrow\) Wholesaler \(\rightarrow\) Retailer \(\rightarrow\) Consumer.

Question 2: What are the efficiency levels and growth potentials of different trade channels?

Answer 2: As the value of the product is small, it is uneconomical for the company to approach the consumers directly. Therefore, the company thinks that middlemen are must and they are performing effectively.

Observation:

As the value of the product is small and the number of customers is large, it is better to use middlemen. However, direct selling is beneficial when the customer is making bulk purchases (like hotels). But it seems that the company has not considered this alternative channel carefully.

Recommendation:

To big customers like hotels, method of direct selling should be adopted. Some concession in price can be given to encourage purchases by them.
E. Suppliers:

**Question 1:** What is the outlook for the availability of different key resources used in production?

**Answer 1:** All the factors are available for production. However, sometimes the quality of the raw materials is not good and in future there may be shortage of packing materials.

**Observation:**

The company is well aware about the position on the availability of raw materials.

**Question 2:** What trends are occuring among the suppliers in their pattern of selling?

**Answer 2:** Suppliers are now insisting on large or fixed quantity.

**Observation:**

The company has rightly observed the changing trends among the suppliers in their pattern of selling.

**Recommendation:**

The company should ensure minimum market size to meet the suppliers demand.
F. Facilitators:

**Question 1:** What is the outlook for cost and availability of transport service?

**Answer 1:** Transport is easily available but the cost of transport is increasing.

**Observation:**

Almost all the industries have to face this problem of increasing transport cost.

**Question 2:** What is the outlook for the cost and availability of warehousing facilities?

**Answer 2:** There are adequate warehousing facilities.

**Question 3:** How effectively is the advertising agency performing? What trends are occurring in the advertising agency services?

**Answer 3:** Most of the advertising is done through newspapers. Therefore the company has to depend on the agency. It would however, like to approach the newspaper directly. Such trend is found in advanced countries.
The company is giving emphasis on press advertising whereas as its competitors are using television and magazine media frequently and effectively. Their advertising themes are also more attractive and effective.

**Recommendation:**

The company should conduct media research for advertising. If it has to depend on agency for advertising, the services of the agency should be evaluated from time to time.

**MARKETING STRATEGY AUDIT**

**A. Marketing Objectives:**

**Question 1:** Are the marketing objectives stated in a clear form to guide marketing planning and subsequently performance measurement?

**Answer 1:** The marketing objective of the company is to sell more and more expensive biscuits, which are difficult to copy.

**Observation:**

The marketing objectives of the company are product and production oriented. They should be demand oriented. The company should find out whether the average customer will be able to purchase such costly biscuits frequently or not.
Recommendation:

The company should re-define its marketing objectives in terms of demand for its products. It should do the product portfolio analysis to decide which products have more demand.

Question 2: Are the marketing objectives appropriate, given the company's competitive position, resources and opportunities?

Answer 2: A positive answer was given to this question.

Observation:

It is observed that with the increase in population, the demand for consumer products like biscuits is increasing continuously. Considering the company's competitive position, these objectives do not seem to be proper.

Recommendation:

As already recommended, marketing objectives should be re-defined with respect to market shares or demand.

B. Strategy:

Question 1: What is the core marketing strategy for achieving the objectives? Is it a sound marketing strategy?
Answer 1: The strategy of the company is to sell cheaper biscuits in local markets and expensive biscuits in the distant market.

Observation:

It seems that the company has not done market segmentation properly and studied the requirements of each segment.

Recommendation:

The company should study the changing requirements of each market segment properly and develop a marketing strategy.

Question 2: Are enough resources budgeted to accomplish the marketing objectives?

Answer 2: There are sufficient resources to achieve the marketing objectives.

Observation:

Results do not indicate that there are sufficient resources for achieving the marketing objectives. Other companies in the organised sector have grown at a faster rate than this company. One of the reason for this, is that marketing objectives are not defined properly.

Recommendation:

The company must give adequate importance to developing corporate objectives.
Question 3: Are the marketing resources allocated optimally to the major elements of marketing mix that is product quality, sales force, advertising?

Answer 3: The marketing resources are allocated optimally to the various elements of marketing mix.

Observation:

Though a positive answer was given to this question, it was observed that sufficient emphasis is not given to advertising. However, advertising is discussed in detail latter on.

Recommendation:

The company must carry out any analysis on utilisation of resources to come out with changes, if required.

MARKETING ORGANISATION AUDIT:

A. Formal Structure:

Question 1: Is there a high level marketing officer with adequate authority and responsibility?

Answer 1: The company's marketing director looks after all the activities of marketing. There is a field manager and a sales manager to assist him.
The organisation chart is given on page number 199.
The organisation structure is quite suitable to the activities of
the organisation.

B.

Question 1: Are there good communication and working
relations between marketing and sales?

Answer 1: For the size of the operations of the company
marketing and sales are not different.

Question 2: Are there any groups in marketing that need
more training, motivation, supervision?

Answer 2: As far as training of sales force is concerned,
the company gives them training as follows:

- One day - in - office.
- One day - in the factory.
- One day - in Poona market.
- One month - with other sales representatives.

Sales representatives have to send weekly reports to the
company. They are paid a fixed salary plus daily allowance
or out station allowance. If there is night journey, first
class fare is paid.

Observation:

It seems that the company takes sufficient care regarding the
training, supervision and motivation of the sales force.
C. **Interface efficiency**:

**Question 1**: Are there any problems between marketing and manufacturing that need attention?

**Answer 1**: There are no problems between manufacturing and marketing.

**Question 2**: What about marketing and research and development?

**Answer 2**: There are no problems between marketing and research and development.

**MARKETING SYSTEMS AUDIT**:

**A. Marketing Information Systems**:

**Question 1**: Is the marketing intelligence system producing accurate, sufficient, and timely information about the developments in the market?

**Answer 1**: The marketing information is secured through the weekly reports sent by the sales representatives of the company. There is a procedure for checking the information collected. Thus, accurate, sufficient, and timely information about the developments in the market place is collected.
Observation:

If such market feedback is obtained regularly, it should prove adequate for the company.

Question 2: Is the marketing research being adequately used by the company's decision makers?

Answer 2: The marketing research is used by the company for pricing and looking after complaints only.

Observation:

It seems that the company is not using the marketing research for getting information about the changes in the tastes of customers, competitors activities and other macro-environmental factors.

Recommendations:

The marketing research, conducted by the company should also reveal the changes in the tastes of customers. If the present system of marketing research is not indicating such changes, it should be modified. This knowledge will help the company in deciding its product mix.
B. Marketing Planning:

Question 1: Is the marketing planning system well conceived and effective?

Answer 1: The marketing planning is done mainly on adhoc basis.

Observation:

It is rather surprising to note that even after thirty years of existence and the competitive situation in which the company is, it has not done marketing planning regularly and systematically.

Recommendation:

As already recommended, the company should define its marketing objectives and target markets properly. By using the findings of marketing research and marketing information system, it should prepare marketing plans at least for three years. As per the changes in the marketing environment, changes should be made in the plan.

C. Marketing Control System:

Question 1: Are the control procedures (monthly-quarterly) adequate to ensure that the annual plan objectives are being achieved?
**Answer 1**: At present, there is no system operating for control. However, market share of the company is increasing.

**Observation**: The marketing goals and target markets are not defined properly. Marketing planning is not done regularly. With this, the company is not in a position to fix quota for salesman on a scientific basis. Therefore, the question of control procedures does not arise.

**Recommendations**: The company should prepare marketing plan, both short term and long term which will help in fixing quotas for salesman and controlling the marketing performance.

**Question 2**: Is provision made to analyse periodically the profitability of different products and markets?

**Answer 2**: Every month such an exercise is done. Last twelve month's average is taken for deciding whether to continue the variety or not.

**Observation**: If this is done regularly, it should provide the company right direction.
Question 3: Is there is a provision to analyse the marketing costs?

Answer 3: There is no such provision to analyse the marketing costs. However, the company thinks that as the turnover is increasing in comparison the expenditure on selling is less.

Observation:

As the company does not analyse the marketing costs periodically, it is not able to find out the relationship of various marketing costs to sales.

Recommendation:

The company should periodically evaluate the marketing costs. This, over a period of time will give the company some trends in the marketing costs. The same should be compared with the competitors also. This will help in proper allocation of marketing resources to various marketing activities.

D. New Product Development System:

Question 1: Is the company well organised to gather, generate and screen new product ideas?

Answer 1: For the company, new product means another variety of biscuits and chocolates. Not much systematic work is done for introducing new products as such efforts are costly.
Observation:

This is perhaps one of the reasons why the company is lagging behind the competitors. At the same time, the company has been introducing different varieties of biscuits from time to time. It is rather surprising to note that it has not developed a scientific system for developing new products.

Recommendation:

The company should develop a scientific system for introducing new products in the market. Even though, such efforts are costly, the company will be able to get benefit in the long run. It will safeguard the company's investment risk.

Question 2: Does the company carry out adequate product and market testing before launching a new product?

Answer 2: For the first time to launch a new energy food drink, in paste form the company has done test marketing.

Recommendation:

It seems that the company is going in right direction, as far as the product and test marketing is concerned.
MARKETING PRODUCTIVITY AUDIT :

A. Profitability Analysis :

**Question 1**: What is the profitability of the company's different products and served markets?

**Answer 1**: There is a system for determining the profitability of different products. Prices are fixed in such a way that the dealers get 7% remuneration. As far as the markets are concerned, local markets are more profitable.

**Observation**: It seems that the company has developed a system for determining the profitability of different products. However, proper analysis for determining the profitability of different markets is not done.

**Recommendations**: The company should develop a system for determining, the profitability of different markets.

**Question 2**: Should the company enter, expand, contract or withdraw from any of the business segments?

**Answer 2**: If the government imposes restrictions on the capacity utilisation, the company will have to go in for parallel expansion or concentrate on more expensive biscuits.
Recommendation:

Before entering or withdrawing from any business segment, the company should consider the present and future implications of government policy.

**B. Cost Effectiveness Analysis:**

**Question 1:** Do any marketing activities seem to have excessive costs? Are these costs valid?

**Answer 1:** The marketing activities do not have excessive costs.

**Observation:**

The company has not made proper analysis of marketing costs. The earlier answer is what the company feels about.

**MARKETING FUNCTIONS AUDIT:**

**A. Products:**

**Question 1:** What are the product line objectives? Are these objectives sound? Is the current product line meeting these objectives?

**Answer 1:** The product line objective is to satisfy different classes of customers. They also have a presentation pack in different price ranges.
Observation:

Considering the competitive position of the company and its resources, it seems that it has been able to define product line objectives well.

**Question 2**: Are there any products that should be phased out?

**Answer 2**: Every year two or three varieties of biscuits are phased out.

**Observation**: The company has a systematic procedure for phasing out unprofitable products.

**Question 3**: Are there any new products that are worth adding?

**Answer 3**: Expensive brands of biscuits can be added to the present product line.

**Recommendation**:

Before adding any new product or variety, the company should conduct market research and develop a scientific system for introducing new products.

**Question 4**: Are there any products able to benefit from quality, feature or style improvement?

**Answer 4**: There is no such necessity for any of the products which will be beneficial from quality, style, feature improvement.
Even though a claim has been made earlier about the regular exercise in product line contribution, this answer sounds contradictory.

**Recommendation:**

Improvements should be made as and when required on the basis of market feed back.

**B. Price:**

**Question 1:** What are the pricing objectives, policies, strategies and procedures? To what extent the prices are set on sound cost, demand, competitive criteria?

**Answer 1:** The company fixes the prices by considering the competitor's prices. An effort is made to fix the price between the prices quoted by the brand leaders and small manufacturers. The company thinks that this is the best method for setting prices.

**Observation:**

The company is using 'Competitors party method' of pricing.

**Recommendation:**

The company should define its pricing objectives properly. Continuous product positioning should be done which will help
in fixing prices.

**Question 2**: Do the customers see the company's prices in line or out of line with the perceived value it offers?

**Answer 2**: The attitude of the customers towards the company's prices is favourable.

**Question 3**: Does the company use price promotions effectively?

**Answer 3**: The company changes prices frequently to suit the product mix and to generate demand for different varieties.

**Observation**:

It seems that the company is not much aware about the use of price promotion. They, it seems are equating price reduction with promotion.

**Recommendation**:

The company should have proper objectives and policy for pricing. As and when the price promotions should be carried with respect to target customers and seasonality.

C. **Distribution**:

**Question 1**: What are the distribution objectives and strategies?
**Answer 1:** Distribution is through wholesalers and retailers. It is profitable. The company thinks that to expand the markets, dealers are necessary.

**Observation:**

It seems that the distribution objectives are properly defined.

**Recommendation:**

The company should study the competitors distribution network and if necessary, changes should be made in the present distribution network.

**Question 2:** Is there adequate market coverage and service?

**Answer 2:** Yes, there is adequate market coverage and service.

**Question 3:** Should the company consider changing its degree of reliance on distributors, and direct selling?

**Answer 3:** There is not much scope today in changing the distribution structure. Perhaps, it may need strengthening.

**D. Sales Force:**

**Question 1:** What are the organisation's sales force objectives?

**Answer 1:** The organisation's sales force objectives are to collect information about the market and to satisfy the ego of the distributors by calling on them monthly.
Observation:

The sales force objectives of the company are quite proper.

Recommendation:

It will have to be seen periodically that these objectives are fulfilled.

Question 2: Is the sales force large enough to achieve the objectives?

Answer 2: The company thinks that there is a need to increase the sales force.

Recommendation:

In relation to the market covered the size of the sales force should be decided and if necessary, increased.

Question 3:

Is the sales force organised along the proper principles of specialisation (territory/market, product?)

Answer 3: The sales force is organised territory wise.

Observation:

Considering the company's products and markets covered, this organisation seems to be proper.
Question 4:
Are the procedures adequate for setting quotas and evaluating performance?

Answer 4:
At present, there is no quota setting. Goods are sent as per the orders received.

Question 5: Does the sales force show high morale, ability and effort? Are they sufficiently trained and motivated?

Answer 5: The ability of the sales force is good. For selling the company products, not much training is required. The knowledge about the company and products is necessary.

Observation:
As the nature of the product is simple, company feels that not much training is required for selling the products.

Recommendation:
Training should be a continuous activity. It could be through refresher training programmes or experience sharing.
Question 1: What are the organisations advertising objectives? Are they sound?

Answer 1: The objectives of the advertising is to popularise the name of the company rather than the products.

Observation:

It seems that the company is making efforts towards creating an image. However, for consumer products, brand name is essential. But in this case, company's name and the brand name are synonymous.

Recommendation:

An awareness test could be carried out on its brand image. Alternatively, brands may be taken up for popularising.

Question 2: Are the advertising media well chosen?

Answer 2: The company mainly uses press advertising. Advertisements are given in local and All India newspapers. For drinking chocolate, femal magazines are used.

Observation:

At this stage, it seems that the company has not given much thought to media research. The company is concentrating on newspaper and ignoring other media like television and magazines. The competitors are found to be using magazines and television media frequently and effectively.
For consumer products, advertising is an important tool for increasing demand. The company should conduct media research and accordingly use various media of advertising.

**Question 3**: Is the right amount being spent on advertising?

**Answer 3**: Generally four percent of the sales value is spent on advertising.

**Observation**: It seems that, the amount spent on advertising is sufficient. However, it is not used effectively.

**Recommendation**:

The advertising budgets could be prepared in relation to the effectiveness of each promotool and media.

**Question 4**: Are the advertising themes and copy effective?

**Answer 4**: The company and advertising agency determined the advertising themes and copy. The advertising effectiveness study to find out the opinion of the customers and public was never been done.

**Observation**:

It seems that, the company had not given much thought to the themes of advertising. Over the years, it has been using the same old, unimaginative advertisements whereas the competitors have done fairly well in this area.
4.2.5 QUANTITATIVE ANALYSIS:

Q: CAPACITY UTILISATION ANALYSIS:

A. Biscuits and Bakery Products:

Please refer to Table number 6.

During the period 1966-78 to 1981-82 the capacity utilisation for biscuits and bakery products ranges between 62% and 77% of the installed capacity. Except during the year 1981-82 when the production was 62% of the installed capacity (due to three month's strike in the factory), the capacity utilisation has never been less than 70%.

B. Chocolates and Allied Products:

During the period of 1977-78 to 1981-82 the capacity utilisation was extremely poor, not even 20%. A main reason for such poor utilisation of installed capacity is lack of demand for the company's products.
### CAPACITY UTILISATION ANALYSIS

Table number 06.

1. **Biscuits and Bakery products:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Licensed capacity Tonnes</th>
<th>Inst. Capacity Tonnes</th>
<th>Actual Production Tonnes</th>
<th>% Utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>5000</td>
<td>3000</td>
<td>2,122</td>
<td>70.7</td>
</tr>
<tr>
<td>1978-79</td>
<td>&quot;</td>
<td>&quot;</td>
<td>2,141</td>
<td>71.3</td>
</tr>
<tr>
<td>1979-80</td>
<td>&quot;</td>
<td>&quot;</td>
<td>2,324</td>
<td>77.6</td>
</tr>
<tr>
<td>1980-81</td>
<td>&quot;</td>
<td>&quot;</td>
<td>2,316</td>
<td>77.2</td>
</tr>
<tr>
<td>1981-82</td>
<td>&quot;</td>
<td>&quot;</td>
<td>1,883</td>
<td>62.7</td>
</tr>
</tbody>
</table>

2. **Chocolates and Allied products:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Licensed capacity Tonnes</th>
<th>Inst. Capacity Tonnes</th>
<th>Actual Production Tonnes</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977-78</td>
<td>600</td>
<td>600</td>
<td>107</td>
<td>17.8</td>
</tr>
<tr>
<td>1978-79</td>
<td>&quot;</td>
<td>&quot;</td>
<td>81</td>
<td>14.8</td>
</tr>
<tr>
<td>1979-80</td>
<td>&quot;</td>
<td>&quot;</td>
<td>87</td>
<td>14.5</td>
</tr>
<tr>
<td>1980-81</td>
<td>&quot;</td>
<td>&quot;</td>
<td>92</td>
<td>15.3</td>
</tr>
<tr>
<td>1981-82</td>
<td>&quot;</td>
<td>&quot;</td>
<td>81</td>
<td>13.5</td>
</tr>
</tbody>
</table>
b- SALES ANALYSIS:

b- Biscuit and bakery products:

Please refer to table number ___.

It could be seen from the above table that the sales performance during the period 1977-78 to 1981-82, in terms of quantity has actually declined by 5% per annum.

In terms of value, the performance shows slight growth at 1.66% per annum. This increase in terms of value is obviously due to inflation and price rise.

During the year 1979-80, the performance recorded a peak, when the index for quantity was 110%. However, in the 1981-82, the performance has suffered a setback (index for quantity 80%), due to three month's strike in the company's factory.

* It has been observed that, in the last decade, the market for biscuit industry grew at 10% per annum. Whereas, during the period 1977-78 to 1981-82, the company's sales performance has registered a negative growth rate.

The quality of the company's product is good. The company offers the products at competitive prices. It is also introducing new varieties of biscuits from time to time. Therefore, more efforts on marketing side will help in increasing sales. This will call for concentration in the areas of marketing planning (both short term and long term).

**Chocolates and allied products**

During the period 1977-78 to 1981-82, the sales performance of chocolates and other products, in terms of quantity has declined by 3% per annum.

In terms of value the performance shows very minor improvement by +0.55% per annum.

In the year 1977-78 the sales in terms of quantity recorded a peak. In the subsequent years the sales in terms of quantity have declined considerably.

In terms of value, the sales have shown an improvement, particularly during 1980-81, 1981-82 when the indexes were 113% and 112% respectively. However, during these two years, sales in terms of quantity have declined considerably. This could be attributed to the fact that the cocoa prices have gone up considerably over this period. This has resulted in increased sales turnover in terms of value but decrease in terms of quantity. At the same time, the chocolate industry has grown while this registered negative growth rate.
## SALES ANALYSIS

**Table No. 7**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A) Biscuit &amp; Bakery products (tonnes)</td>
<td>2128</td>
<td>2,078</td>
<td>2,350</td>
<td>2,327</td>
<td>1699</td>
</tr>
<tr>
<td>Value</td>
<td>Rs 1,74,08,000 (100)</td>
<td>17,446,000 (100.22%)</td>
<td>20,91,92,000 (116%)</td>
<td>22,324,000 (128%)</td>
<td>1,65,27,00</td>
</tr>
<tr>
<td>B) Chocolates and Allied products (tonnes)</td>
<td>107</td>
<td>92</td>
<td>92</td>
<td>86</td>
<td>79</td>
</tr>
<tr>
<td>Value</td>
<td>Rs 26,60,000 (87%)</td>
<td>28,20,000 (93%)</td>
<td>34,11,000 (113%)</td>
<td>34,65,000 (112%)</td>
<td></td>
</tr>
</tbody>
</table>

**Average Growth Rates:** per annum

**A)** Biscuits
- Qty = - 5% per annum.
- Value = + 1.66 " "

**b)** Chocolates
- Qty = - 3%
- Value = + 0.5 per annum.
PRODUCT LINE CONTRIBUTION ANALYSIS:

Please refer to table number 8. It seems that during the period 1977-78 to 1981-82 the contribution of biscuits and other bakery products ranges between 85% to 88% and that of chocolates between 12% to 15%. Over the years this pattern has almost remained same.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A) Biscuits and other bakery products.</strong></td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
</tr>
<tr>
<td></td>
<td>1,74,08,000</td>
<td>1,74,46,000</td>
<td>2,05,92,000</td>
<td>2,23,24,000</td>
<td>1,85,27,000</td>
</tr>
<tr>
<td></td>
<td>(85%)</td>
<td>(88%)</td>
<td>(88%)</td>
<td>(86%)</td>
<td>(87%)</td>
</tr>
<tr>
<td><strong>B) Chocolates and allied products.</strong></td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
</tr>
<tr>
<td></td>
<td>30,76,000</td>
<td>26,80,000</td>
<td>28,69,000</td>
<td>34,91,000</td>
<td>34,65,000</td>
</tr>
<tr>
<td></td>
<td>(15%)</td>
<td>(12%)</td>
<td>(12%)</td>
<td>(14%)</td>
<td>(13%)</td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
<td>RS.</td>
</tr>
<tr>
<td></td>
<td>2,04,84,000</td>
<td>2,01,26,000</td>
<td>2,34,000</td>
<td>2,58,15,000</td>
<td>2,19,32,000</td>
</tr>
<tr>
<td></td>
<td>(2,34,61,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Please refer to table number 9.

This table shows that the marketing expenditure of the company ranges between 3% to 5% of sales.

The expenditure on advertising is around 2.7% to 3.7% of sales. In case of consumer products, advertising plays an important role in increasing sales. The company's expenditure on advertising seems to be quite all right. However, it seems that the resources for advertising are not utilised effectively.

Commissions and discounts also form a very minor percentage of sale which is not even 1%.
### MARKETING EXPENDITURE ANALYSIS

<table>
<thead>
<tr>
<th>Item</th>
<th>1977-78</th>
<th>%</th>
<th>1978-79</th>
<th>%</th>
<th>1979-80</th>
<th>%</th>
<th>1980-81</th>
<th>%</th>
<th>1981-82</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RS</td>
<td></td>
<td>RS</td>
<td></td>
<td>RS</td>
<td></td>
<td>RS</td>
<td></td>
<td>RS</td>
<td></td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>2,04,84,450</td>
<td></td>
<td>2,01,26,201</td>
<td></td>
<td>2,34,61,363</td>
<td></td>
<td>2,58,14,871</td>
<td></td>
<td>2,14,92,700</td>
<td></td>
</tr>
<tr>
<td>1. Advertisements</td>
<td>5,56,326</td>
<td>2.72%</td>
<td>7,72,754</td>
<td>36%</td>
<td>6,26,417</td>
<td>2.66%</td>
<td>9,53,039</td>
<td>3.69%</td>
<td>6,18,922</td>
<td>2.4%</td>
</tr>
<tr>
<td>2. Travelling and conveyance</td>
<td>31,326</td>
<td>0.15%</td>
<td>0,22,756</td>
<td>-11%</td>
<td>41,327</td>
<td>0.17%</td>
<td>35,418</td>
<td>0.13%</td>
<td>35,332</td>
<td>0.1%</td>
</tr>
<tr>
<td>3. Commission and discount</td>
<td>69,042</td>
<td>0.33%</td>
<td>1,02,760</td>
<td>0.51%</td>
<td>1,44,460</td>
<td>0.61%</td>
<td>1,35,747</td>
<td>0.52%</td>
<td>1,09,642</td>
<td>0.5%</td>
</tr>
<tr>
<td>4. Other selling expenses</td>
<td>15,235</td>
<td>0.06%</td>
<td>1,65,419</td>
<td>0.64%</td>
<td>16,481</td>
<td>0.7%</td>
<td>17,39,117</td>
<td>0.85%</td>
<td>17,37,777</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>6,58,694</td>
<td>3.20%</td>
<td>8,98,269</td>
<td>4.00%</td>
<td>8,27,439</td>
<td>3.50%</td>
<td>12,89,623</td>
<td>4.98%</td>
<td>73,37,777</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Table number 9
Table 10 gives inter-firm comparison with one of the competitors of Sathe Biscuits namely Britannia Industries Limited. The other major competitors, Parle's being a private limited company, their annual reports are not available. In biscuit manufacturing, Britannia Industries Limited is the only limited company whose annual report was available for comparison. The company is much bigger than Sathe Biscuits, both production capacity wise and sales wise. However, both the companies are dealing in the same type of goods and are therefore comparable.

The comparison has been made with the help of ratio analysis. Table 10 gives some of the ratios which are important from the Marketing Audit point of view. Following observations are made:

1) In terms of turnover, Britannia is much larger than Sathe Biscuits. In the year 1981 Britannia's pre-tax profit to sales was 5% whereas, Sathe Biscuits had suffered a loss (5% to sales). As both these companies are dealing in consumer marketing, this disparity in the profits needs closer scrutiny.

2) The cost of goods sold, in terms of percentage to sales is 96% for Sathe Biscuits and 88% for Britannia Industries limited. This could be one of the reason for the disparity in the profits of the two companies.
3) Another ratio for study is the sales to stocks consumed. The consumption of stocks in terms of percentage of sales seems to be very high for Sathe Biscuits as compared to Britannia. This could be on account of wastage, procurement of raw materials at higher prices (which could be due to low volume of procurement).

4) Another ratio is sales to net worth plus debtors. As this ratio is lower for Britannia, Britannia is in a better position compared to Sathe Biscuits.

5) The low profitability of Sathe Biscuits is alarming. The higher cost of goods sold may be due to higher operating cost.
<table>
<thead>
<tr>
<th></th>
<th>Sathe Biscuits</th>
<th>Britania *</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
</tr>
<tr>
<td>1. Cost of goods sold.</td>
<td>2,58,28,000</td>
<td>92,87,00,000</td>
</tr>
<tr>
<td>2. Stocks consumed.</td>
<td>2,17,36,000</td>
<td>82,05,63,000</td>
</tr>
<tr>
<td></td>
<td>96%</td>
<td>88%</td>
</tr>
<tr>
<td>3. Pre tax profit.</td>
<td>2,07,29,000</td>
<td>47,34,23,000</td>
</tr>
<tr>
<td></td>
<td>80%</td>
<td>54%</td>
</tr>
<tr>
<td>4. Sales to net worth + debtors.</td>
<td>13,62,000 (-5%)</td>
<td>4,25,00,000</td>
</tr>
<tr>
<td></td>
<td>16.61</td>
<td>5.73</td>
</tr>
</tbody>
</table>

4.3 **POONA INDUSTRIAL HOTELS LIMITED**

4.3.1 **Introduction**

4.3.2 Incorporation - 7th August, 1964.
Registered Office - 11 Koregaon Road, Pune-411001.
Hotels run by the company -
   1) Blue Diamond Hotel (Pune).
   2) Hotel Pearl, Kolhapur.

4.3.3 **Objectives & Activities**

The company runs Hotel Blue Diamond in Pune. The hotel is centrally air conditioned, western style and of international standard. The commercial operations were started from April 1970.

The Poona Industrial Hotels Limited runs the Hotel Diamond in Pune and Hotel Pearl in Kolhapur. However, the Marketing Audits were carried out for Hotel Blue Diamond only.

The Hotel Blue Diamond is the only five star hotel in Pune. The hotel is situated off the main road, in a quiet aristocratic setting with green expenses all around on Koregaon Road, Pune.

The hotel has 92 spacious air conditioned rooms on four levels connected by two guest elevators. In addition, the hotel has five conference of banquet areas with seating capacities ranging from 20 to 600 persons. A swimming pool and farm with a capacity of 400 in Buffet style are also available.

For lunch and dinner, there is a restaurant serving Indian, Continental and Chinese Cuisine.
THE ENVIRONMENT AUDIT:

A. Economic/Demographic:

Question 1: What does the company expect in the way of inflation, material shortages, credit availability in the short run and long run?

Answer 1: Inflation does not have much direct effect on their business.

Material shortages: In food industry, there is no such problem. All materials are available at a price.

Credit Availability: Credit facility as such is not required. Generally purchases are made on cash basis. Credit is required for purchasing capital goods like machines. There are sufficient floating funds available with the company.
Observation I.

Majority of the customers of five star hotels like Blue Diamond belong to the organisations, that is company executives. In order to maintain status, they continue patronising these hotels irrespective of inflation. The business could get affected only in case of competition and in Pune that is not possible. (Blue Diamond is the only five star hotel in Poona).

Question 2: What effects will the forecasted trends in size, age distribution, regional distribution of population have on the business?

Answer 2: Starting up of new businesses and more and more industrialisation of Pune areas have a favourable effect on the business of this company.

However, as most of the Rajnish people have left Pune, business of this company has been affected to some extent. If the hotel was located in the heart of the town, the business could have been better.

Observation:

It is true that the hotel does not enjoy the advantage of a centralised location. However, as the clientele comes from higher income group and organised sector which has no problem of conveyance, the business should not suffer.
B. Technology:

Question 1: What major changes are occurring in service technology?

Answer 1: Facilities given to the customers are being improved at tremendous rate. There are continuous developments in the machines used in hotel rooms, kitchen and conference hall (like smoke-soaking machines, washing machines etc).

Observation:

It seems that the company is aware of the technological changes and introduces such changes as soon as possible.

Question 2: What are the major generic substitutes that might replace this service?

Answer 2: This hotel may have to face competition from cheaper hotels suiting to a certain customer group.

C. Political-Legal:

Question 1: What laws are being proposed that may affect marketing strategy and tactics?

Answer 1: Previously Hotel Receipts Tax was levied by the government. After representation and strong resistance from their association, the tax was abolished.
Other measures of the government like restriction on giving visas affect business directly.

Observation:

It seems that the company keeps a careful watch on legislations and measures of the government which might affect the business of the company and is aware of the short term and long term effects of such measures.

The increase in tariffs on account of government duties is likely to affect the company's private clientel but may not affect the organised clientel.

Question 2: What federal, state and local agency actions should be watched?

Answer 2: As it is a service industry, co-operation of airlines and travel agencies is necessary. Besides them, other agencies may not have much impact on their business.

TASK ENVIRONMENT:

A. Markets:

Question 1: What is happening to market size, growth and profits?
Answer 1: The market size is increasing. The hotel industry has a good growth potential. Profits are also increasing. However, there is no scope in Pune, for another five star hotel.

Observation:

The opinion that there is no scope in Pune, for another five star hotel may not be true. However, Pune is becoming a big commercial and industrial centre and the number of three star hotels is increasing. Therefore, it is possible that some of the clientele of this hotel may switch over to other three star hotels which are already there or coming up.

Question 2: What are the major market segments? What are their expected rates of growth? Which are the high opportunity and low opportunity segments?

Answer 2: Tourism industry and business community are two important segments. It is difficult to predict the expected rates of growth as the business from tourism industry depends on various factors. However, a 10% increase is expected per annum.

Observation:

The company is aware of the major market segments. However, it seems that a careful study is not made of the growth potential of different market segments. Analysis of past
records could have shown the growth trends for the major market segments. Hotel industry is quite a well-organised industry and therefore, there should not be much difficulty in collecting the information about growth rate of the industry and factors affecting the business from tourism industry.

**Recommendation:**

The company should analyse from their past records, share of the market taken by the different customer groups. Over the years, it will also reveal the rate of growth or decline of each of the segment. This will help the company in deciding the strategy for target marketing.

B. **Customers**

**Question 1:** How do the current customers and prospects rate the company and its competitors, particularly with respects to reputation, service, quality, sales force and price?

**Answer 1:** There is no competition, therefore, it is difficult to say.

**Observation:**

The company has a strong belief that it has no competition and customers are satisfied with its services. No attempt has been
made to find out customer's opinion about the services offered by the company. Independent talks with some of the customers reveal that the service of the hotel is rated rather lowly. At the same time, as there is no alternative in the star category and the support of the Kirloskar group (of which the company is a part) gives the company a sort of a monopoly, competition from the three star hotels will be a threat which will be increasing in the years to come which the company cannot ignore.

Recommendation:

The company should really strive towards continuously improving the services, for which the customers may be willing to pay more.

Question 2: How do different classes of customers make their buying decisions?

Answer 2: The customers consider facilities given by the hotel, accessibility and to some extent charges of the hotel.

Observation:

Majority of the customers are from organised sector and they are taking their buying decisions mostly on social consideration, that is for status.
Question 3: What are the evolving needs and satisfactions being sought by the buyers in this market?

Answer 3: Customers expect more and better services from the hotel.

Recommendation:

On the basis of the clientel served, services should be designed.

C. Competitors:

Question 1: Who are the major competitors? What are the objectives and strategy for each major competitor? What are their strengths and weaknesses? What are the sizes and trends in market shares?

Answer 1: There is no competition for the hotel in Poona.

Observation:

It is agreed that there is no competition to the hotel in hotel and five star category. However, it will be wrong to say that they do not have competition at all. The three star and four star hotels will certainly compete with this and are actually taking away their customers. This, the company should make a note.
MARKETING STRATEGY AUDIT:

A. Marketing Objectives:

Question 1: Are the corporate objectives clearly stated and do they lead logically to the marketing objectives?

Answer 1: The corporate objectives are stated in the Articles of Association. There are general objectives. There are no specific objectives for marketing.

Observation:

In the absence of clear cut marketing objectives, the marketing planning does not have a sound base. Allocation of budget to marketing activities and evaluation of marketing performance becomes difficult.

Recommendation:

Considering the corporate objectives and the environmental factors, marketing objectives should be listed out. The marketing objectives should be explained to the marketing department and other heads of the departments, particularly purchase and finance. This will help in budgeting, planning and controlling marketing activities.

B. Strategy:

Question 1: What is the core marketing strategy for achieving the objectives? Is it a sound marketing strategy?
Answer 1: A master marketing plan is prepared which keeps on changing as per requirements. Necessary directions are given as per needs. For example, the company gave liberal discounts to secure group business but afterwards found it unsuitable. Now, the company waits for an independent traveller, who is a full payer. The present occupancy is at around 65 to 70%.

Observation:

Strategies should be developed from the trend analysis. It is not acceptable that the individual buyer should be concentrated upon. In case of group business, discounts are necessary. However, here the occupancy is guaranteed. Therefore, the group business could be more profitable.

The group booking and the market thereof as well as the business executives are going to be the main market segment. A proper analysis will reveal the correct picture.

Question 2: Are enough resources to accomplish the objectives?

Answer 2: A positive answer was given to this question.

Observation: In the absence of clear cut marketing objectives, a wrong impression is formed that there are enough floating funds for all purposes.
Recommendation:

The company should define the marketing objectives properly. It will help in the marketing planning, evaluation of marketing performance and better allocation of resources to various marketing activities.

Question 3: Are the marketing resources allocated optimally to prime market segments and services of the organisation?

Answer 3: The marketing resources are allocated optimally to the prime market segments and services.

Observation:

Even though, the company may say so, this may not be the case because internal analysis to find out target markets is not done. This kind of approach is also lacking.

Question 4: Are the marketing resources allocated optimally to the major elements of marketing mix that is service, quality, sales force, advertising and promotion?

Answer 4: Allocation of resources is changed as per the changing circumstances. For example, previously advertisements for restaurants were not given. As Rajnish people have left Poona much promotional effort is necessary.
Observation:

Allocation of resources is flexible. It is changed as per changing circumstances. This policy seems to be all right.

MARKETING ORGANISATION AUDIT:

A. Formal Structure:

Question 1: Is there a high level marketing officer with adequate authority and responsibility over those company activities that affect customer's satisfaction?

Answer 1: The marketing organisation of the company is as follows:

```
           MARKETING DEPARTMENT
           /               |
  Marketing Manager /                 |
       |           Sales Assistant (also acts as Guest Liaison)
       |               |
       |               Steno
```

Observation:

It seems that in the marketing department, there is nobody who is looking after the Public Relations. In a service industry, the Public Relations Officer should be reporting to the Marketing Manager. The Public Relations are a part of promotion.
B. Functional Efficiency:

**Question 1**: Is the service management system working effectively?

**Answer 1**: Each service department has a manager in charge of that department.

**Observation**: This type of arrangement helps in defining the accountability. As the number of services rendered to the customers is going to increase in the future, it will help in proper administration of various services.

C. Interface Efficiency:

**Question 1**: What about the relations between the marketing department and other departments?

**Answer 1**: There are good relations with other departments.

MARKETING SYSTEMS AUDIT:

A. Marketing Information System:

**Question 1**: What sort of marketing information is required. How is it collected and kept up to date?
Answer 1: The marketing information is required about the buying potential of customers, their habits, cultural background and the number of top executives who are in a position to give business to the company and recommend the hotel for conference.

The company does not have a regular system for collecting the marketing information. But, there is a Mailing List which is sub-divided industry wise, area wise in terms of bigger and smaller companies etc. This type of information is quite satisfactory.

Observation:

The company is aware of the type of information which is necessary for conducting the business. However, even after twelve years of existence, it has not established a regular system for collecting the information.

Recommendation:

A regular system should be established for collecting the information not only about the customers but also on the present and proposed actions of the government affecting the business of the company and any other factors. This will help in deciding marketing strategies.
B. Marketing Planning System:

Question 1: What sort of Marketing Planning is done? How quotas are fixed for each department?

Answer 1: Annual plans are prepared for marketing. The marketing planning is based on sales target. As per the changing circumstances, changes are made in the plans. Sales quotas are fixed on the basis of past performance.

Observation:

The quotas that are given to various departments are quantitative. It seems that, the company has never given any type of qualitative quotas like improving the level of service, adding new facilities, changing the image etc. to different divisions or staff members.

C. Marketing Control System:

Question 1: Are the control procedures (monthly, quarterly) adequate to insure that the annual plan objectives are being achieved?

Answer 1: Every month comparison is made between the sales targets and actual performance. If there are any deviations, reasons for it are found and corrective measures are taken.
If this action is taken periodically and control measures are effected then there is nothing to complain.

D. New services development system:

Question 1: How decisions regarding new services to the customers are taken? Is adequate business analysis done before investing in a new idea?

Answer 1: Considering the changing circumstances and expectations of the customers, new services are provided. No cost benefit analysis however is done. If other hotels provide this kind of new service, this hotel has to provide it too.

Observation:

Innovative ideas in marketing are lacking. However, if they could collect up to date data on the services provided by others in Pune and outside, it should suffice.

Recommendation:

Whenever any new service is added it should not be done only because somebody else has done it. A feasibility study should be carried out for each new idea so as to see that it will be an independent profit centre.
Question 1: What is the profitability of the company's different services and served markets?

Answer 1: The overall profitability of the company is determined. Profitability is not determined periodically, service wise as well as customer group wise.

Observation:

The hotel industry is affected by the seasonality of demand. It is rather surprising to note that the profitability is not determined periodically.

Recommendation:

The company must carry out profitability analysis periodically. The past trends can help in revealing the months in which the business is slack. The company then can start marketing efforts, much in advance, to ensure better utilisation of resources during the slack period.

Question 2: Should the company withdraw any service given to the customers?

Answer 2: The Hotel provides standard services, they cannot cut down.

Observation:

In order to get a particular star classification (in this case five star), certain minimum facilities are essential. The
company cannot do away with them.

**Recommendation:**

The company should try to get the best returns from the facilities provided to the customer.

**MARKETING FUNCTIONS AUDIT:**

**A. Pricing:**

**Question 1:** What are the pricing objectives and policies? To what extent are the prices set on sound cost, demand and competitive criteria?

**Answer 1:** The pricing objectives of the company are

1) to cover the cost.
2) to make as much profit as possible.

Pricing depends on the nature and norms of the trade for the service.

**Observation:**

The pricing objectives are vague. They cannot be much helpful in determining the pricing policy.

**Recommendation:**

The company should try to adopt the policy of market skimming
as a large number of customers belong to the organised sector.

**Question 2**: Do the customers see the company’s prices as being in line or out of line with the perceived value it offers?

**Answer 2**: The customers are not price conscious.

**Observation**:

This is true as most of the customers come from either organised sector or higher income group.

**B. Advertising and Sales Force**:

**Question 1**: What are the organisation’s advertising objectives?

**Answer 1**: The advertising objectives of the company are to attract more and more customers.

**Observation**:

The company does not know how to set advertising objectives. Besides attracting more customers, they could also set many other objectives.
Recommendation:

The company should clearly define its objectives.

Question 2: How are the budgets for advertising prepared?

Answer 2: Generally 1.5% of the turnover is kept aside for advertisement. Considering the requirements for advertising, budgets are fixed. The budget may be increased to 5% of the turnover. The company creates advertising on its own.

Observation:

1.5% of the sales towards advertising is meagre.

Recommendation:

The company should increase advertising budget. They may check how much amount is spent by other 5 star hotels.

Question 3: What are the organisations sales force objectives?

Answer 3: The sales force objective is only one to render good services to the customers.

Observation:

As with other questions, the company seems to be weak in defining its objectives.
4.3.5 Quantitative Analysis

a. Capacity Utilisation Analysis:

The annual reports of the company do not give any details on the changes in the occupancy rate. However, during the discussions it was revealed that for the last three years, the occupancy rate has remained steady at 65%.

Product Line Contribution Analysis:

Table III shows that during the period 1977-78 to 1981-82, the contribution of income from apartments towards total sales ranges between 45% to 51%. Whereas the contribution of income from food and beverages towards total sales ranges between 49% to 55%. Over the period of five years no remarkable changes were observed in the pattern of contribution of apartments and food and beverages towards total sales.
## PRODUCT LINE CONTRIBUTION ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1) Apartments Rs</strong></td>
<td>33,26,313</td>
<td>43,56,061</td>
<td>56,29,148</td>
<td>72,14,280</td>
<td>7,206,716</td>
</tr>
<tr>
<td></td>
<td>(51%)</td>
<td>(44%)</td>
<td>(48%)</td>
<td>(45%)</td>
<td>(47%)</td>
</tr>
<tr>
<td><strong>2) Food and Beverages Rs</strong></td>
<td>32,26,218</td>
<td>44,91,362</td>
<td>60,97,449</td>
<td>87,49,061</td>
<td>7,934,297</td>
</tr>
<tr>
<td></td>
<td>(41%)</td>
<td>(51%)</td>
<td>(52%)</td>
<td>(55%)</td>
<td>(53%)</td>
</tr>
<tr>
<td><strong>Total Sales Rs</strong></td>
<td>65,52,531</td>
<td>88,47,423</td>
<td>1,17,26,517</td>
<td>1,59,63,391</td>
<td>1,51,43,143</td>
</tr>
</tbody>
</table>
SALES ANALYSIS:

Apartments:

Table 12 shows that during the period 1977-78 to 1981-82 sales from Apartment have recorded 29% increase per annum. From 1977-78, the sales have increased consistently. The sales recorded peak during the year 1980-81 (index for sales 217%). However, in the year 1981-82 the sales have declined slightly (index for sales was 216).

The increase of 29% per annum, over a span of five years (1977-78 to 1981-82) is partly due to increased occupancy and increases in the charges for apartment.

Food and Beverages:

During the period 1977-78, the income from food and beverages has increased by 37% per annum. The sales recorded peak during the year 1980-81 (index for sales at 246%). However, the sales have gone down considerably in the year 1981-82.

The average increase of 37% per year during 1977-78 to 1981-82 is due to increase in the rates, new restaurants and increase in the number of customers due to rigorous promotion efforts.
## Sales Analysis

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1) Apartments</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
</tr>
<tr>
<td>33,26,313</td>
<td>100</td>
<td>43,56,061</td>
<td>56,29,148</td>
<td>72,14,280</td>
<td>72,08,746</td>
</tr>
<tr>
<td>131%</td>
<td>161%</td>
<td>217%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2) Food and Beverages</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
<td><strong>Rs.</strong></td>
</tr>
<tr>
<td>32,26,218</td>
<td>100%</td>
<td>44,41,362</td>
<td>60,97,419</td>
<td>87,44,061</td>
<td>71,34,244</td>
</tr>
<tr>
<td>139%</td>
<td>188%</td>
<td>271%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Average Increase:** 10% annum

1) **Apartments** = 29%

2) **Food & Beverages** = 37%
4. MARKETING EXPENDITURE ANALYSIS:

Table 13 shows that the percentage of marketing expenditure to sales, during the period 1977-78 to 1981-82, is between 5.4% to 3.4%. The discounts and commission form a very minor percentage of sales (2% to 2.3% of sales). The expenditure on advertising is around 1.4% to 3% of sales.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Rs 65,52,531</td>
<td>Rs 86,47,423</td>
<td>Rs 1,17,26,597</td>
<td>Rs 1,54,63,341</td>
<td>Rs 1,51,43,040</td>
</tr>
<tr>
<td>Discount and Commission</td>
<td>Rs 1,78,317 (2.7%)</td>
<td>Rs 1,75,832 (2%)</td>
<td>Rs 2,79,604 (2.3%)</td>
<td>Rs 3,73,065 (2.3%)</td>
<td>Rs 3,55,472 (2.3%)</td>
</tr>
<tr>
<td>Advertising and sales promotion</td>
<td>Rs 1,92,405 (2.7%)</td>
<td>Rs 1,24,325 (1.4%)</td>
<td>Rs 1,98,688 (1.7%)</td>
<td>Rs 2,43,056 (1.5%)</td>
<td>Rs 3,20,487 (2.1%)</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>Rs 3,70,722 (5.6%)</td>
<td>Rs 3,00,157 (3.4%)</td>
<td>Rs 4,79,292 (4%)</td>
<td>Rs 6,16,122 (3.6%)</td>
<td>Rs 6,75,959 (4.4%)</td>
</tr>
</tbody>
</table>
e) **INTER FIRM COMPARISON 1981:**

Table 14 gives the inter firm comparison of Poona Industrial Hotels Limited (PIHL) with two companies, namely, East India Hotels Limited (EIHL) and Indian Hotels Limited (IHL). Compared to PIHL, both these companies are much bigger, having a chain of hotels spread over various places in India and abroad. Compared to Hotel Blue Diamond, the number of rooms and facilities provided by each of these hotels are also much bigger. However, all these companies are in the hotel industry and are limited companies and are therefore comparable.

The comparison has been made with the help of ratio analysis. The ratios which are important from the Marketing Audit point of view are selected for comparison. Following observations are made:

a) In terms of turnover, EIHL and IHL are much bigger than PIHL. It is interesting to note that there is only a slight difference between the turnover of EIHL and IHL and the percentage of pre-tax profit to sales is same for the two companies (23%), whereas the percentage of pre-tax profit to sales for PIHL is 14. This low profitability of PIHL may be due to the fact that Poona is not a big tourist centre nor a business
centre (like Bombay). This affects occupancy which in turn affects profits.

IHL and EIHL have hotels at business centres or at tourist attractions. As already observed, Poona is not a tourist attraction nor a business centre. This is one of the reasons for low profitability of PIHL as compared to EIHL and IHL.

B) The percentage of stocks consumed to sales is highest for PIHL (23%) followed by IHL (18%) and EIHL (17%). This could be one of the reasons for low profitability of PIHL.

c) Another ratio is sales to network plus debtors. This ratio is higher for IHL (2.21) followed by PIHL (2.11) and EIHL (1.16). Thus EIHL is in a better position as compared to IHL and PIHL.
### INTER FIRM COMPARISON 1981.

<table>
<thead>
<tr>
<th>Items</th>
<th>The Poona Industrial Hotels Ltd</th>
<th>*East India Hotels Limited</th>
<th>*Indian Hotels I</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>1) Sales</td>
<td>1,54,03,341</td>
<td>31,18,06,000</td>
<td>30,63,34,0C</td>
</tr>
<tr>
<td>2) Cost of goods sold.</td>
<td>1,31,85,026 (89%)</td>
<td>17,00,43,000 (55%)</td>
<td>17,58,63,0C (57%)</td>
</tr>
<tr>
<td>3) Stocks consumed.</td>
<td>36,13,490 (23%)</td>
<td>5,40,76,000 (17%)</td>
<td>5,66,07,00 (18%)</td>
</tr>
<tr>
<td>4) Pre-tax profit.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Sales to net worth plus debtors.</td>
<td>2.11</td>
<td>1.16</td>
<td>2.21</td>
</tr>
</tbody>
</table>

* The data on these hotels obtained from the Bombay Stock Exchange directory.
M/s. L.D. Bhave and Sons are the sole distributors of the Bharat Gas (Burma-Shell) in Poona.

The founder of this firm, Mr. Dadasaheb Bhave started his career, by assisting his father in the grocery shop in Sadashiv Peth, Pune.

In 1946, he opened a grocery and provision stores - L.D. Bhave and Sons.

As early as 1946, this grocery shop revealed his care for servicing quality products and prompt service. He sold Burma Shell kerosene only in sealed tins. Therefore, he earned a reputation that kerosene sold from his shop was absolutely free from any kind of adulteration. This grocery shop was also a great success - the turnover jumping from Rs.16 on the first day to Rs.2,300/- per day, within a short time.

Because of increasing government control on distribution of various essential commodities, Mr. Bhave started looking around for entirely new avenues, in the hope of giving up grocery business.

At the same time, Burma Shell were also looking around for a capable agent in Poona, who could overcome the initial
difficulties and establish the new and then a less known LPG fuel in Pune for households.

In 1956, L.D. Bhave got agency for LPG gas. Initially, there were many difficulties. As firewood and coal were available at a cheaper rate, people were not prepared to purchase Burshane. At that time, using Burshane in kitchen was totally a new concept. People had many doubts as regards to its safety and whether another cylinder would be delivered in time or not.

To popularise the use of Burshane, Mr. and Mrs. Bhave made many efforts. They started visiting households and Mahila Mandals to give a demonstration and satisfy all doubts.

In 1958, Mr. Bhave had given the offer of keeping two cylinders with the customer in order to avoid inconvenience caused after a cylinder is used up. He also started many other schemes like return of deposit if not satisfied, acceptance of initial deposit of Rs.125/- in instalments etc.

In 1956, there were only 240 customers. In 1960 number went up to 3,200 customers. Today, the total number of customers is around 30,000. Today, they have eight branches in Pune each having independent telephone and a fleet of vehicles for delivery. Nearly 150 employees have been engaged in serving customers.
FEEDBACK ON THE QUESTIONNAIRE:

The standard questionnaire for marketing audit has been used. However, only the questions relevant to this business have been retained. As in the earlier cases, here the observations have not been offered immediately. This is for a simple reason that as a service industry, the business is small. The observations and recommendations are given at the end.

MARKETING ENVIRONMENT AUDIT:

Macro-Environment:

A. Economic-Demographic:

Question 1: What effect will the forecasted trends in the size, age distribution, regional distribution of population have on the business?

Answer 1: Though the increase in population is advantageous to this industry because of government's policy of ceiling the number of customers with a distributor, the business of an individual unit may be adversely affected.

Question 2: What does the company expect in the way of inflation and material shortages in the short run and long run?

Answer 2: Inflation:

Due to inflation, prices are rising but because of the
convenience, customers have to purchase the gas cylinders. Thus, due to inflation, business is not affected, but the operating costs of business are increasing.

B. Technology:

Question 1: What are the major generic substitutes that might replace this product?

Answer 1: The substitute product to gas energy would include electrical energy as well as solar energy. While electrical energy is already in use even for domestic applications, solar energy may not be found commercially viable. Both these will be costlier than L.P. Gas.

C. Political-Legal:

Question 1: What laws are being proposed that may affect marketing strategy and tactics?

Answer 1: Government intends to change the distribution pattern. It wants to restrict the number of customers with a dealer.

D. Social/Cultural:

Question 1: What attitude is the public taking towards the business and towards the product such as those served by this company?
Answer 1: Attitude of the public towards the products served by this company is favourable. Gas energy for domestic use, has become very popular. This has helped in increasing the demand for getting gas connections. People think that this type of business is very profitable.

**TASK ENVIRONMENT:**

A) Markets:

**Question 1**: What is happening to market size and growth?

**Answer 1**: As gas energy for domestic application is becoming popular, market is increasing. However, due to the policy of Government of restricting the number of dealers with a distributor, an individual unit cannot get benefit of increasing markets.

**Question 2**: What are the major market segments? What are their expected rates of growth? Which are high opportunity and low opportunity segments?

**Answer 2**: Following are the major market segments:

a) Domestic customers.

b) Commercial customers (like hotels).

c) Industrial customers.
Domestic customers are high opportunity segments.

B. Customers:

Question 1: How do the current customers and prospects rate the company and its competitors, particularly with respect to reputation, service and sales force?

Answer 1:

<table>
<thead>
<tr>
<th></th>
<th>Competition</th>
<th>L.D. Bhave &amp; Sons</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Reputation</td>
<td>Not so good (Sometimes no home delivery of gas cylinders to customers.)</td>
<td>Very good reputation for service.</td>
</tr>
<tr>
<td>ii) Service</td>
<td>Many times delayed</td>
<td>Prompt and efficient.</td>
</tr>
<tr>
<td>iii) Sales force</td>
<td>They do not have much organised sales force.</td>
<td>They have a good and organised sales force (total no. of sales force is 150).</td>
</tr>
</tbody>
</table>

C. Competitors:

Question 1: Who are the major competitors? What are the objectives and strategy of each major competitor? What are their strengths and weaknesses?
Answer 1: Dealers of Hindustan Petroleum and Bharat Petroleum are the competitors of this company. However, in this business, there is no much scope for competition. All policies and prices are determined by the Government.

D. Distribution and Dealers:

Question 1: What are the main trade channels bringing products to customers?

Answer 1: The trade channel bringing products to the customers is as follows:

Manufacturer ———> Distributor ———> Customer

Question 2: What are the efficiency levels and growth potentials of the trade channel?

Answer 2: This company is acting as an intermediary and it deals with the customers directly.

F. Facilitators:

Question 1: What is the outlook for the cost and availability of transportation services?

Answer 1: The transportation cost is very high.
Question 2 : What is the outlook for the cost and availability of warehousing facilities?

Answer 2 : The company has its own godowns. Therefore, warehousing facilities are adequate.

Question 3 : What is the outlook for the cost and availability of financial resources?

Answer 3 : They require bank finance to pay the suppliers in advance. However, they can get credit facility easily.

Question 4 : How effectively is the advertising agency performing?

Answer 4 : This company does not do any advertising. Publicity for the services given by the company is not required.

MARKETING STRATEGY AUDIT:

A. Formal Structure:

Question 1 : Is there a formal organisation structure?

Answer 1 : The organisation structure is as follows:
Three partners
General Manager
Chief Accountant
Branch Manager
Assistant Branch Manager

Cashier
Telephone Operator Delivery boys.

C. Interface Efficiency:

Question 1: Are there any conflicts between various branches of the company?

Answer 1: There are good relations between various branches of the company.

MARKETING SYSTEMS AUDIT:

A. Marketing - Information System:

Question 1: Is the marketing intelligence system producing accurate, sufficient and timely information?
Answer 1: Previously, when the company entered in the business, marketing information was required. Now due to the government's policy of restricting monopolies, expansion of the business is not possible.

The marketing information as such is not required.

B. Marketing Planning System:

Question 1: Is the marketing planning system well conceived and effective?

Answer 1: Yes, the marketing planning system was designed when the business started, now it has become a routine procedure.

Question 2: Are sales quotas set on a proper basis?

Answer 2: Previously, when there was scope for expansion of business, quotas were set for branches. Now, setting of sales quotas for branches is not necessary.

C. Marketing Control System:

Question 1: Are the control procedure (monthly, quarterly) adequate to ensure that, the annual plan objectives are being achieved?

Answer 1: Yes, branch sales, commission and expenditures are examined quarterly
Question 2: Is provision made to examine and validate periodically the various marketing costs?

Answer 2: Every week costs of running the business are evaluated.

MARKETING PRODUCTIVITY AUDIT:

A. Products:

Question 1: What is the productivity of the company's different served markets?

Answer 1: Commercial sector is more profitable. For domestic sector, operational costs are high.

MARKETING FUNCTION AUDIT:

B. Price:

Question 1: What are the pricing objectives, policies, strategies and procedures? To what extent are the prices set on sound cost, demand, and competitive criteria?

Answer 1: The government fixes the price of gas cylinders, therefore an individual unit is not required to take decisions regarding prices.
C. Distribution:

Question 1: What are the distribution objectives and strategies?

Answer 1: The distribution objective is to give prompt and efficient service to customers.

Question 2: Is there adequate market coverage and service?

Answer 2: Yes, the company has eight branches spread at different places, throughout the Poona city. Each branch has an independent telephone and a fleet of vehicles to supply gas cylinders to customers.

D. Sales Force:

Question 1: What are the organisation's sales force objectives?

Answer 1: The sales force objective is that, they should treat the customers well, maintain good relations with them.

Question 2: Does the sales force show high morale, ability and efforts? Are they sufficiently trained?

Answer 2: The sales force shows high morale and ability. They are well paid and sufficiently trained.
4.4.3 Given below are the general observations on the organisation and its marketing activities.

i) The L.P.G. manufacturing is under public sector. Only the distribution is in the private sector. M/s. L.D. Bhave and Sons are one of the largest distributors of L.P.G. in the country. Their principles are Bharat petroleum. There is no scope for changing the situation unless the government changes its policy.

ii) The number of customers registered with them is 30,000. These customers are with them since 1972 and after that no addition has been made. Increasing the number of customers as a marketing activity is not applicable to their business. There is on the contrary a move to reduce the number of customers under the provisions of MRTP Act. The new distributorships which are given lately are for maximum 6000 customers.

iii) It could thus be said that the primary concern of M/s. L.D. Bhave and Sons is to retain the number of customers with them. Hence, basically their fight is with government to achieve this objective.

iv) There is a price control on L.P.G. cylinders. The prices are fixed by the government. Over the years
the prices of cylinders have gone up substantially. However, the rate of commission to distribution has gone up only marginally. (As informed, their commission is Rs.3.50 per cylinder at present). It could thus be said that the parameters within which this firm is to operate are very clearly defined, that is 30,000 customers and Rs.3.50 commission per cylinder. Their business depends on the availability and rotation of the cylinders.

v)

The marketing efficiency, therefore, for this company boils down to:

a) Keeping the operating expenses at the lowest.
b) Developing growth strategies.

vi)

The firm has realised that, the major threat to the business is in terms of the government's policy. As such, they are trying to reduce their dependence only on the distribution of L.P.G. They have taken agencies for gas plates (complimentary product to L.P.G). Philips radio’s and tape recorders and other products and carbide tip tools of Sandvik Asia Limited.
a) **SALES ANALYSIS**:

A. **Gas Cylinders**:

Table Number 1 shows that during the period 1978 to 1983, the sales of cylinders quantity wise have decreased by 2.6% per annum. Whereas, value wise, there is an increase of 10% per annum.

However, this decrease in quantity of sales of cylinders and increase in their sales value, does not reflect on the marketing policy of the company. With the government's policy of restricting the number of customers with the dealer, there is nothing much that the company can do.

B. **Hot Plates and Spares**:

During the period 1978 to 1983 the sales of Hot plates and spares have increased by 46% per annum. Yet, the rise in the value of sales has been constant over this period. The rise is partly due to the rise in the prices of Hot plates and spares and the promotional efforts of the company.
# Sales Analysis

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cylinders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qty - 14.5 kgs</td>
<td>3,20,296</td>
<td>3,05,831</td>
<td>3,02,328</td>
<td>3,21,278</td>
<td>2,83,811</td>
<td>2,80,112</td>
</tr>
<tr>
<td>50.0 kgs</td>
<td>5705</td>
<td>5338</td>
<td>5194</td>
<td>5240</td>
<td>4093</td>
<td>4773</td>
</tr>
<tr>
<td><strong>Value (Rs)</strong></td>
<td>3,26,001</td>
<td>3,11,169</td>
<td>3,07,522</td>
<td>3,26,518</td>
<td>2,87,904</td>
<td>2,84,885</td>
</tr>
<tr>
<td>(100%)</td>
<td>(100%)</td>
<td>(95%)</td>
<td>(94%)</td>
<td>(100.15%)</td>
<td>(88%)</td>
<td>(87%)</td>
</tr>
<tr>
<td><strong>Hot Plates and Spares. (Rs)</strong></td>
<td>94,09,946</td>
<td>1,01,77,895</td>
<td>1,11,77,789</td>
<td>1,48,78,471</td>
<td>1,40,21,674</td>
<td>1,36,68,000</td>
</tr>
<tr>
<td>(100%)</td>
<td>(100%)</td>
<td>(108%)</td>
<td>(118%)</td>
<td>(158%)</td>
<td>(199%)</td>
<td>(145%)</td>
</tr>
<tr>
<td><strong>Average increase - per annum</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qty - Cylinders - 26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value - 10%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Hot Plates and Spares - 46%**
MARKETING EXPENDITURE ANALYSIS:

Table Number 16 shows that during the period between 1978 to 1983, the percentage of marketing expenditure to sales ranges between 5.25% to 8.32%.

The expenditure on advertisements is very negligible, not even 1% for the gas cylinders. Advertisements are not necessary. The advertisements are made only for Hot plates.

A major portion of the marketing expenditure is related to the distribution of gas cylinders that is delivery charges and payment to staff.

While doing the marketing audit of this company, the following quantitative data as used for other companies, becomes irrelevant for obvious reasons:

1) **Capacity Utilisation**: The capacity of this company is only on the basis of number of customers with them as approved by their principals. This cannot be increased.

2) **Inter-firm Comparison**: M/s. L.D. Bhave & Sons are the largest dealers of L.P.G. in the country. No one else has a customers list of more than 6000 numbers.

These tables are thus not included.
# MARKETING EXPENDITURE ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td><strong>Rs. 97,56,765</strong></td>
<td><strong>1,06,02,516</strong></td>
<td><strong>1,17,85,398</strong></td>
<td><strong>1,55,08,355</strong></td>
<td><strong>1,49,05,311</strong></td>
<td><strong>1,11,68,00</strong></td>
</tr>
<tr>
<td><strong>Marketing Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertisement</td>
<td><strong>Rs. 13,451</strong></td>
<td><strong>11,031</strong></td>
<td><strong>10,510</strong></td>
<td><strong>12,447</strong></td>
<td><strong>10,780</strong></td>
<td><strong>7,75</strong></td>
</tr>
<tr>
<td></td>
<td>(0.13%)</td>
<td>(0.10%)</td>
<td>(0.8%)</td>
<td>(0.08)</td>
<td>(0.07%)</td>
<td>(1%)</td>
</tr>
<tr>
<td>Delivery charges</td>
<td><strong>Rs. 3,14,650</strong></td>
<td><strong>2,95,255</strong></td>
<td><strong>3,10,595</strong></td>
<td><strong>3,36,162</strong></td>
<td><strong>3,31,000</strong></td>
<td><strong>3,31,000</strong></td>
</tr>
<tr>
<td></td>
<td>(3.22%)</td>
<td>(2.78%)</td>
<td>(2.43%)</td>
<td>(2.18%)</td>
<td>(2.22%)</td>
<td>(3%)</td>
</tr>
<tr>
<td>Payment to staff</td>
<td><strong>Rs. 4,07,258</strong></td>
<td><strong>4,58,005</strong></td>
<td><strong>4,73,855</strong></td>
<td><strong>4,95,729</strong></td>
<td><strong>5,08,000</strong></td>
<td><strong>5,72,000</strong></td>
</tr>
<tr>
<td></td>
<td>(4.8%)</td>
<td>(4.3%)</td>
<td>(4%)</td>
<td>(3.19%)</td>
<td>(3.4%)</td>
<td>(5%)</td>
</tr>
<tr>
<td>Conveyance &amp; travelling.</td>
<td><strong>Rs. 16,974</strong></td>
<td><strong>15,911</strong></td>
<td><strong>18,273</strong></td>
<td><strong>7,170</strong></td>
<td><strong>5,855</strong></td>
<td><strong>8,800</strong></td>
</tr>
<tr>
<td></td>
<td>(0.16%)</td>
<td>(0.15%)</td>
<td>(0.15%)</td>
<td>(0.04%)</td>
<td>(0.03%)</td>
<td>(0.07%)</td>
</tr>
<tr>
<td><strong>Total -</strong></td>
<td><strong>Rs. 8,11,833</strong></td>
<td><strong>7,80,202</strong></td>
<td><strong>8,13,233</strong></td>
<td><strong>8,53,608</strong></td>
<td><strong>8,55,635</strong></td>
<td><strong>9,19,555</strong></td>
</tr>
<tr>
<td></td>
<td>(8.23%)</td>
<td>(7.35%)</td>
<td>(6.9%)</td>
<td>(5.5%)</td>
<td>(5.74%)</td>
<td>(8.28%)</td>
</tr>
</tbody>
</table>