CHAPTER TEN

DISTRIBUTION ARRANGEMENTS

Introduction

A trading channel exists once the terms of the franchises or the agreements concluding the gap between the producer and the consumer assumed to possess the necessary marketing capabilities. The relationships between the participating concerns as above, are dissimilar but they work together for mutual advantage. Co-operation is the dominant theme among the members of a marketing channel. The intermediaries perform a variety of functions. They bear a variety of names also viz. agents, distributors, wholesalers, retailers etc.

Two aspects of channel decisions place them in the important policy decision areas facing top management.

(1) The channels chosen for the comparing products, intimately affect every other marketing decision. Pricing decisions depend upon the industrial product or mass distribution product, the advertising decisions are influenced by the degree of co-operation from channel members, the firms sales force decisions depend upon whether it sells directly to retailers or use manufacturers' representatives. This does not mean that the channel decisions are always
made prior to other decisions, but rather that they exercise powerful influence on the rest of the mix. (2) The channel decisions involve the firm in relatively long term commitments to other firms. There is a powerful tendency toward "Status quo" in channel arrangements. Therefore, management must choose its channels with an eye towards tomorrow rather than today. Presentation of product sells the goods for the first time. Quality brings in the second and subsequent orders. The effective marketing has two main requisites - (1) adequate information on the part of both, buyers and sellers and (2) existence of efficient, low cost channels from factory to final user with appropriate follow up for servicing and supply of spare parts. Adequate credit facilities for the holding and movement of goods is a necessary part of such a mechanism.

Three methods of marketing are in common use among these small units - (a) direct selling with the buyer at the factory level, (b) selling through sales branches, sometimes located in distant cities and also through agents and (e) marketing through the inbetween agencies only.

Direct dealing with the buyer at the factory level is characteristic of firms which produce large single order. Such enterprises are the manufacturers of machinery, spare parts and fabricators of structural shapes etc. This method of marketing is used by small firms when they are first established and while their market is largely local.
Once the unit is established and goes for the expansion of markets, then it thinks of additional channels for distribution in addition to direct selling.

The factors which influence the channels for distribution could be (1) Customer Characteristics - channel design is greatly influenced by such characteristics of the customers as their number, geographical distribution, purchase frequency and average quantities bought and their susceptibility to different selling methods. (2) Product Characteristics - Each product is a bundle of attributes such as colour, hardness (which have no bearing on channels) perishability, bulkness, degree of product standardisation, service requirements and unit value which often have important implications for channel design. (3) Middlemen Characteristics - Channel design also takes into account the strength and weaknesses of different types of intermediaries in handling various tasks. (4) Competitive characteristics - The producer's channel design is also influenced by the channels used by competitors. (5) Company Characteristics - A company's channels are also influenced by characteristics peculiar to the company, such as its size, financial strength, product mix, post channel experience and overall marketing policies. (6) Environmental characteristics - Channel design is also influenced by economic conditions and the law. Where the economic conditions are depressed, producers want to move their goods to market in the way that is least expensive for
final customers etc.

It is, therefore, proposed to examine and analyse the distribution channels of small scale industrial units, under study, against the above background.

(A) **ENGINEERING**

(1) **Material Handling Equipment**

The proprietor earlier was a sole selling agent of a few engineering products. The agency was still continued. Proprietor undertook the manufacture of a few products handled by him earlier and sold them through his own agency. In addition to that, the unit processed orders of direct consumers also.

30 days' credit was given to their agency as well as consumers also for repayment. So far as the agency was concerned, since it belonged to the proprietor, the payment used to be received regularly. However, the delay used to occur in case of every direct consumer. The reason stated for this delay was negligence towards the smaller suppliers like this unit.

(2) **Hydraulic Pumps**

One of the partners was employed with a big unit manufacturing engineering products, before establishing this new unit. All the trial orders were given by his earlier employer. The pump, when imported did cost around Rs. 4,000/- per unit, however, the same pump manufactured by this smaller
unit did cost around Rs. 1,000/- only with a net saving of Rs. 3,000/- for the bigger consumer unit per pump.

Another party in Bombay had given a trial order and was satisfied about the product and gave a firm order for 50 such pumps per month. Within one year from the base year (1971), this unit went on successfully booking orders and developing their new technology.

The earlier employer of the partner agreed to pay the bills within 30 days; However, payment was delayed over 90 days in average 5 to 10 cases per annum. Bombay party paid within 7 days from the receipt of material and was given 5% discount for prompt payment, though the unit in the beginning found it difficult to absorb the same.

Sandvik, Elpro and a few more companies from Bombay had also agreed to place monthly orders with the unit.

(3) **Cycle Parts**

The main product was the manufacture of cycle parts. These parts were manufactured for one big cycle manufacturer. The order was of permanent nature. The sub-parts to be supplied were standard and the specifications were required to be strictly adhered to.

The supplies were made on credit and the bills were realised within 90 days. Delay cases were hardly 5 per annum due to administrative reasons.

Pneumatic couplings required by a big pneumatic product manufacturer in Poona were under developmental stage. Product
was sent for trial and testing. Once this is approved a
permanent order would be placed by them.

(4) Material Handling Equipments

Orders were placed mainly for mounting trollies for
oil engines by big oil engine manufacturers in Poona. Some
small oil engine manufacturers from Kolhapur also placed
orders. Other types of trollies also were manufactured on
behalf of direct consumers in the excess capacity available.

Credit was required to be given to these bigger oil
engine manufacturers. Credit offered was 30 days. However,
the realisation was delayed even upto 120 days. This was
explained to be because of the recession faced by the oil
generate manufactures and their tight financial resources.

Petty orders were processed on cash basis. Thus, in the
overall sales of the unit 20% were petty orders supplied on
cash basis.

(5) Machinery

Machinery parts were manufactured on permanent basis
on behalf of engineering companies in the region. Orders
received from some other medium engineering units in the
region also were processed in addition to bigger orders as
above.

All supplies were made on credit. 30 days credit
was offered to them. Around 10 to 20 cases of delayed
realisation occurred every year. Realisation of bills was
delayed even up to 90 days. The reasons explained were administrative delays.

(6) Gear Boxes

This was its own independent product of the unit. This unit was formed as a result of the amalgamation of 3 allied units as seen earlier. In the beginning, the unit had to search for the consumers by competing with other manufacturers. Around 1970, i.e. one year earlier to base year (1971), its product was approved by one vehicle manufacturer in the region. The unit then entered into a permanent yearly contract with the above consumer for supplying gear boxes. Bulk of its supplies since 1970 onwards went to the above single big unit. In the excess capacity available, other small orders were also processed.

Thirty days' credit was offered in all the above cases. About 10 to 20 cases of delayed realisation occurred every year. These delays from the consumer were explained by the unit as administrative delays.

(7) Valve Guides

Formerly i.e. around 3 to 4 years earlier from the base year (1971) the whole of the production of the unit went to a big oil engine manufacturer in the region. However, when a recession was faced by the oil engine industry during 1969-70, the product was required to be diversified. New applications were found out and new consumers were
developed like the manufacturers of electric motors from Baroda, Bombay and Poona which required the said product in diversified forms.

Generally, 30 days credit was offered to all its consumers. About 7 to 10 cases of delayed realisation were reported per year. These delays were sometimes for 90 days or even 120 days at times. These delays were reported to be because of administrative reasons.

(d) Resistance Welding Machines

In the very early stage of its establishment as manufacturer, manufacturing very specialised type of import substituted welding machines, the unit never thought of any specific distribution channels. This was because, that the product was newly developed and it was necessary that the consumer was convinced about its performance, quality etc. Again, the capacity of production was limited to begin with. The orders booked would provide a continuous flow for a period of two years ahead. Personal selling was the only main communication link.

Thirty days' credit was agreed upon by the unit to its consumers. In the very first year about 10 to 20 cases were reported to be delayed. The main reason for delayed realisation was that the consumer had got to be satisfied about the performance of the units supplied. The delay in latter caused the delays in former.
(9) **Motors**

This unit had appointed a distributor who mainly looked after the sales outside the Poona region. The sales from the Poona region were handled by the unit itself. If orders were booked by the unit from outside the Poona region, directly, an agreed overriding commission was paid to the distributor. But such cases were not so common. Bulk of the orders from outside the region came through the distributor only.

Credit offered was of 60 days. 1% cash discount was offered both by the distributor as well as by the unit, for early payments. In case of financial stringency of the unit, its distributors make the payments even within 30 days as a gesture of understanding and cooperation with the unit. Delay cases reported to be around 5 per annum on administrative grounds.

(10) **Turbine Pumps**

The products were mainly import substitutes. The main clientele of the unit was MIDC, MES, Bihar Government, big engineering companies in the region. No in-between agency for distributing the product was employed. Products were sold by personal selling.

Goods were sold on 60 days credit. Delay cases occurred mainly from Government consuming offices which used to delay payment even above 120 days. Around 10 cases per annum were reported, the reason being administrative delays.
(11) **Industrial Safety Gloves**

This unit was the Agency by itself marketing same and similar products earlier to its starting the manufacture by itself. This product was mainly an import substitute and a hot selling line. Almost every manufacturer required the gloves for daily use for various purposes of handling. The type of glove varied as per the conditions of the use i.e. leather gloves, asbestos gloves etc. The unit had eaten up the demand from the region almost in toto. It was slowly gaining ground in Bombay industrial complex now. The major clientele in the region comprised all the major industrial concerns in the region and many others. Their orders were booked on recurring basis.

A 30 days credit was offered to all these consumers. Around 10 to 20 cases of delayed realisation were reported, the majority being from these bigger consumers on administrative reasons.

(12) **Crank Shafts**

The unit when it started the manufacture, supplied its whole lot of production to one big oil engine manufacturer in the region. The oil engine industry faced recession in 1969 and this unit was also therefore, landed in troubles. The product was diversified to suit other consumers also and thus through personal selling to the industries in the region, the compensating business was developed. There was no in-
between distribution agency employed.

Normal credit offered was that of 30 days. However, 10 to 20 cases were reported of delayed realisation. The reasons stated were administrative delays.

(13) Material Handling Equipments

The main source of securing orders was personal selling. In addition, the unit had contacts with the retailers who sold these products and allied products. For every order secured a maximum of 2% commission was offered to them.

Normal credit given to all consumers was of 30 days. Around 5 to 10 cases were reported of delayed realisation. The reason reported was "administrative delay".

(14) Motor Cycle Accessories

The unit was and has been a firm selling these products as a leading agency in the region selling motor cycles before undertaking the manufacturing by itself. Dealers were appointed by the unit in various regions for selling its accessories. While appointing them, past experience of the channel was the main consideration among others. The financial position and capacity to sell and store were the other points considered. Motor cycle manufacturer was the only direct consumer.

A 30 days credit was given to both the direct consumer and the dealers. A 2% cash discount was offered for early
payments. However, 20 to 25 cases per annum were reported to be of delayed realisation. The main delay occurred from the dealers. The reason for delay reported by the unit was the habit of not paying in time by the dealers. The dealers delayed the payments as a matter of habit. The dealers might have been using this money in their business, this being the 'cheaper' money compared with the borrowed funds.

(15) **Dynamometers**

This unit started with the exclusive manufacture of dynamometers and sold the whole production to one big oil engine manufacturer in the region. Further, the unit added a few more products like gear pumps, hydraulic pumps, soft jaws etc. Both the pumps were manufactured only according to orders booked as per the specifications supplied. The clientale developed was by personal selling. Companies like Hindustan Machine Tools, which were outside the region, were also their main consumers. Only for selling the soft jaws a distributor was appointed. He used to secure orders for jaws and place them on the manufacturer. The goods were supplied to party directly and bills collected through the distributor.

The products were sold on 30 days credit. Usually the realisation would take more than 30 days but not exceeding 90 days with a few exceptions. Such delay cases were around 5 to 10 cases per annum.

(16) **Agricultural Pumps**

In addition to the manufacture of agricultural pumps as
the main product, the unit also manufactured ferrous/non-ferrous castings.

For manufacturing castings, the unit had developed direct contacts with engineering units in the region.

Dealers at distinct places were appointed for selling pumps. After sales service was also offered through these outlets. While appointing them it was seen that they had a strategic location where farmers can bounce upon, they had a strong financial platform and a sufficient storage place.

For both the above products, credit offered was of 30 days. Usually the delays occurred were over 90 days. Around 5 to 10 cases were reported of delayed realisation of bills every year.

(17) Precision Gauzes

The salesmen employed covered the whole country. Personal selling was the main tool for securing orders. In addition to this, dealers/retailers were also appointed in every region. It was seen while appointing them that they had an experience in selling similar products, products of high value, strong financial platform etc.

A normal credit of 30 days was provided. Purchases made by direct consumers in smaller quantities/numbers were reported to be on cash terms. Thus, the overall sales of around 20% of total sales were observed to be on cash basis. Those who purchased in big volumes i.e. mainly dealers/retailers...
tailors would pay back within 60 days though the terms were of 30 days credit. Delays over 60 days occurred from Governmental agencies. About 5 to 10 cases were reported every year of inordinate delays in the realisation of bills.

(18) **Rolling Shutters**

The unit in addition to rolling shutters, also manufactured allied products, like engineering fabrication, structures etc. These structures were sold through filling tenders. Majority clients for this and allied products were the governmental agencies.

Four distributors were appointed all over the country for rolling shutters. According to the unit, the distributor ought to have a large stocking space, strategic situation, reputation and experience in selling engineering products those required in the specifically/ construction industry, good financial platform etc. These distributors also provided after sales service.

The terms of payment for fabrication varied as per each tender and ranged anywhere between 60 days to 120 days. Usually, the realisation was delayed by a month or two.

A 30 days credit was offered in case of rolling shutters. Delays occurred even upto 90 days. Around 5 to 10 cases of delayed realisations occurred per annum.

(19) **Agricultural Implements**

Various allied products relating to agriculture were manufactured. The weightage on the manufacture of any parti-
cular product depended upon the demand for the same. The unit also manufactured ferrous/non-ferrous castings. For these products direct contacts were maintained with existing and prospective consumers.

For agricultural implements, mainly sprayers, distributors were appointed in different regions. They were ought to have a strategic location, good contacts with farmers, experience in selling agricultural products and also a strong financial platform and big storing capacity.

A credit of 30 days was offered to all the consumers i.e. mainly distributors. The delay cases were reported to be around 5 per annum.

Summary

Please refer to Table No. 40-A which summarises all the factors examined by now. Certain factors had direct bearing on the type of channel and certain other factors had no bearing at all. Let us now examine these factors one by one.

(A) All the 24 job-work units had only personal selling contacts with their consumers i.e. bigger units. The jobs of every big unit differed in specifications and hence were exclusively manufactured for independent consumers as per the specifications supplied. These units, therefore, had to maintain direct contacts with the consumers. Generally credit given by these units was of 30 days. However, almost every
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**Notes:**
- For years 3 and 5, total partners more than 20/20. For years 4 and 6, total partners more than 30. For years 7 and 8, total partners more than 40. For years 9 and 10, total partners more than 50.

**Section:**
- The table above includes details on the total number of partners and proprietors, their years of experience, and other relevant factors.
unit reported that delay occurred in realization of their bills and the delay was somewhere in the range of 90 days to 120 days. The major grievance of these units was that these bigger consumers did not take the issue of timely payment to these units seriously. They neglected the problems of smaller units, specifically the financial problems. Suppliers of raw material hardly gave any credit to these small manufacturers. Many a time some spares etc. also had to be purchased at premium rates. The workers were to be paid, taxes paid etc. Again, a credit of average 60 to 90 days was enjoyed by bigger units from them. All these problems become more aggravated when the realization was inordinately delayed.

(B) 13 units out of the remaining 19 units were using direct personal selling for securing their business. Though the products manufactured by majority of them were independent, they found applications in the sub-assembly of products of other industries and hence main business was done with such bigger units. Hence, the personal selling was more important to them rather than employing any inbetween agency as a line of communication and distribution.

(C) Units manufacturing motors, motor cycle accessories, agricultural pumps, precision gauzes, rolling shutters and agricultural implements had, in a real sense, the character of being an independent own product which was consumed
directly by the consumers. These units mainly used dealers/distributors as their distribution channels. It was a must because, since the products had direct consumption value, they were to be made available to the consumers from as many outlets as possible. It was always beneficial to appoint some dealer/distributor coming from the local area who knew the nature, habits, requirements, purchasing patterns etc. of the consumers from his area, rather than opening own shops by the manufacturer himself. Hence these units had appointed dealers/distributors.

(D) If we take a review of other factors responsible for choosing channels from Table No 40-A we find that -

(1) All the units having appointed in-between agencies as distribution channels had an existence of more than 5 years. But still, it could not be authoratively concluded that such units appointing distribution channels should have a minimum existence of 5 years.

(2) All those units which did not have an independent marketing section were engaged in personal selling i.e. direct line of distribution of their products. All the 12 units, not having an independent section used to maintain a direct link with their consumers.

(3) Units manufacturing products which were directly consumed, and not going into the sub-assembly of other products, had to employ a wide net work of distribution for
their products. This naturally brought in the agencies or the channels for distribution. The most common channels for distribution were dealers and distributors. Distributors had a wide coverage of markets and supplied product to retailers/consumers etc. by stocking them in large quantities. Dealers in any area could be more than one. Appointing dealers give more openings to the product and higher control over its distribution rather than distributors.

These units also had an independent marketing section. Some units not employing salesmen but only the managers looking after the whole section (dynamometer and agricultural pumps) and the others employing salesmen in addition to their managers (motor cycle accessories, precision gauzes, rolling shutters and agricultural implements). It was our observation that with the employing of personnel to look after the marketing function, these units were in a better position to maintain a continuous flow of orders/products/information etc. between the unit on one hand and the distribution channel on the other. Not only this but these units could also get a feedback from the consumers through their managers/salesmen who contacted them very often. Thus, units having an independent marketing section certainly had a better control over their channels of distribution.

(4) The manufacturing unit, whether it be a small or big one, when it enters the market, it has to sell its product
on credit. No buyer, specifically the industrial buyer will make across the table cash-down payment. Each and every unit had to offer this facility to its consumer. It was the common observation that all the units, excepting manufacturing cycle parts, Turbine Pumps and motors, offered 30 days minimum credit to their buyers for effecting payments for the goods supplied. In fact, if we check up the working capital position of all these smaller units we find that they stand in a very difficult financial stress all the time. The crux of the problem was that/one hand they were required to make cash-down payment for purchases like steel etc., even at premium prices in the tenure of shortages, and on the other they have to offer the credit to their consumers. The real problem occurs when these bigger units, purchasing goods from them do not bother to effect payments within agreed time. It was the common observation that leaving aside small delay cases, minimum 5 and maximum 20 cases of delayed realisation take place on an average with every unit where bigger amount bills remain outstanding not realised, from these big units, government bodies/agencies etc. and then the smaller units were required to run after the financial institutions for meeting their working capital gap. The repercussions of such additional borrowings proved very dangerous which are not discussed here as the subject matter is out of the purview of this chapter. The delays
in these cases were at times even over 120 days. All these smaller units termed them as "administrative delays" with one clearly spelling out the meaning as "red tapeism". Others describing it as 'negligence' and a few 'immaturity of bigger units as regards understanding of the problems of small industries.'

(5) While selecting the channels for distribution, following common considerations were observed to be given (1) location; (2) coverage of market; (3) line of products handled; (4) storage capacity and (5) financial strength.

So far as location was concerned the units stressed that the shop of the dealers be located where the clientele would normally go for their purchasing, e.g. the shop of dealer selling motor cycle accessories was situated in area where other shops also were selling similar or allied products. Every consumer purchasing a new vehicle would approach that area only for purchasing accessories etc. Smaller units with small means could not engage number of dealers in an area and hence the dealer appointed ought to have covered a bigger area for the unit. It was seen that the dealer appointed had been selling similar or allied products for quite some time. This naturally brings specialisation of selling the line of products of a particular nature. Storage capacity was also a must for each dealer. It was also seen that the dealer had reasonably
good financial standing. He would be able to effect payments within stipulated periods etc.

(B) ELECTRICALS AND ELECTRONICS

(1) Electrical Accessories

The unit supplied all its production to its parent unit. It was working purely on ancillary basis. Hence, employing any agency in-between for distributing its products did not arise. It gave a credit of 30 days to its parent unit. Hardly 3 cases for delayed realisation were reported per annum which were negligible.

(2) Electronic Equipments

The main clientele was the big electrical and electronics (computer manufacturing etc.) units in the region whose orders were processed on yearly basis manufacturing potentiometers, condensors etc. for them. Other smaller units from the region purchased these products as per their requirements directly from the unit on cash basis. There was a sole distributor appointed by the unit who looked after the Bombay sales and the sales made in the rest of the country. His experience in selling electronic products was considered as main asset in addition to his contacts and sound financial position. After sales service was offered by the unit through this distributor.

A 30 days credit was offered by the unit to both the direct consumers and also to the distributor. Negligible
delay in realisation of bills was reported by the unit.

(3) **Resistors**

The unit had direct contacts with consumers. No distribution agency was used. The major clientele was from Bombay like H. Govindram, G.B.Radios, N.R.Industries etc. Number of other smaller units made purchases as per their requirements. The unit was shifting to a new shade built up in electronics industrial estate in the region where additional machinery is being brought into which will increase its production upto 2 to 3 lakh pieces per annum. Its present capacity was very much less and hence the unit always experienced financial stresses and strains mainly due to non-realisation of bills in time. Credit offered was of 30 days but usually due to administrative reasons the realisation would be delayed normally upto 90 days and even upto 120 days occasionally. Once the capacity was increased in the new shade, this strain would slowly come down with simultaneous increase in clientele.

(4) **Regulators**

The main group of clientele consisted of Government, semi-Government laboratories, private research laboratories etc. They were approached for their requirements through direct personal sellings.

Normal credit offered was that of 30 days. However, the formalities with Governmental agencies in processing
bills before effecting the payment delays the realisation even upto 90 days. Around 10 average cases per annum were reported of delayed realisation.

(5) Recording Instruments

The main activity of this unit was of developmental nature. The products developed by various laboratories were produced on mass scale. Job-orders as per specifications were undertaken from companies like a big radio manufacturer in the region. Standardised products like voltmeters, ammeters etc. were sold to various companies, research laboratories and college laboratories through direct personal selling. No marketing agency was reported used for contacts. A small marketing section took care of these contacts.

Credit offered was of 30 days. About 15 cases of delayed realisation were reported per annum delayed normally upto 90 days. Most of these were from Governmental agencies for the reason that a number of formalities were required to be completed by them.

Summary

Please refer to Table No. 40-B which summarises all the factors examined by now. It could be observed that a few of them had direct bearing on selection of channels for distribution and others had none. Let us now examine these factors:
(A) All the 5 units had direct personal selling as the main link of communication and for distribution of their products. Only the unit manufacturing electronic equipments had one additional channel appointed for distribution. A distributor was appointed for Bombay region and also for the remaining parts of the country. It can be seen from Table No. 40-B that its sales were as high as Rs. 18.00 lakhs. Thus, it is felt necessary to have an agency in-between to handle this bulk volume of sales. The distributor happened to be dealing in electrical and electronic goods and had its establishments in almost all capitals in the States. Hence it was possible for the unit to get hold of business through one distributor only. The other units were comparatively very small and their markets also were not so much wide-spread. Hence they preferred to sell their products through direct personal sellings.

(B) So far as the other factors were concerned, it was observed that -

(1) Only one unit as seen in (A) above appointed a distributor to service its large sales volume. Other units had a comparatively lower sales volumes and found it unnecessary to appoint specialised distribution agencies.

(2) The unit manufacturing electronic equipments having appointed distributor had a Pvt. Ltd. form of organisation and it was in the proper context of handling
such a large sales volume. So far as other units were concerned all the units had partnership form of organisation.

(3) Incidentally, it was observed that those two units (manufacturing electronic equipments and recording instruments,) which had sales of Rs. 18.00 lakhs and Rs. 5.00 lakhs average per annum respectively had independent marketing sections in the organisation in existence. The former unit was handling sales from the Poona region and direct enquiries from bigger units by itself. Secondly, orders placed by the distributors were also served and seen that they were despatched quickly on scheduled dates, realisation of bills was also required to be catered for. Thus, to make good the efforts required to keep this follow up and handle direct enquiries, the existence of marketing section was justified. So far as the later unit was concerned, it was observed that it mainly dealt with all Government/semi-Government and also private and institutional laboratories. It was, therefore, required to keep a constant and consistent follow up of their requirements on one hand and the realisation of bills on the other. Therefore, existence of a marketing section, from this angle also was justified.

All the other units operating on a very small scale in the comparison with/above units could not afford an independent marketing section.

(4) While selecting distribution channel, the only unit manufacturing electronic equipments having appointed the
distributor mainly saw that the agency had a previous experience in handling the electrical and electronic goods. This was important because these goods were delicate and highly priced. The consumers like computer manufacturers etc. in the region and outside the region were chosen on selective basis for such goods and it was necessary that the agency had established contacts with such specialised manufacturers. Simultaneously, the financial position of the agency was also considered by the unit as one of the major considerations.

(5) The products were required to be sold on credit to the regular consumer. The normal period of credit offered in this industry was observed to be of 30 days. However, it was observed that around 10 to 20 cases of delayed realisation occurred in these units. The reason for delayed realisation was stated to be as "administrative delay". But in the true sense, they informed the same grievances as has been earlier observed in case of engineering units on page 350 that it was more of a 'negligence'. The only unit informing negligible cases of delayed realisation was the one having highest sales volume of Rs. 18.00 lakhs per annum. It was rather surprising to observe the unit reporting negligible cases with such a bigger sales volume. There could be two possibilities. The first being that the unit did not report the correct information and perhaps it
was not having the same recorded properly. Secondly, since it had appointed a sole distributor, who was financially strong with its establishments all over the country, paid the bills on due dates.

(C) CHEMICALS

(1) Oil Seals

The product manufactured by this unit did not have an independent market as such. This was so because though the product was independent, it usually found its use in the sub-assembly of many other products. When the unit was established in the year 1965, there was no other competitor in the region. The unit, started its production with trial orders from a big engineering complex in the region. Thereafter, the product development took place and now the unit mainly manufactured orders placed by the said complex and also by one scooter manufacturer in the region. Full capacity was in use and hence other outside orders were normally not accepted. Permanent yearly contracts were signed with these units. Thus, direct communication by personal selling was a main link of communication and also for distribution of its products.

The credit given was normally of 30 days. No delay cases were reported.

(2) Resins

This unit manufactured product of an import substitution.
But, compared to the price of imported resins, the price of this product was on the higher side. Again, the technology used in India was not reported to be as sophisticated as observed in foreign countries. This was, therefore, the reason why there could not develop a continuous demand for resins in our country. Some resins such as phenol-formaldehyde etc. were of standard nature. Some more were manufactured as per the specifications of consumers. The main link of communication, in fact, was direct personal selling. However, a sole distributor was also appointed to cater to the demand emanating from the State of Maharashtra and Gujarat (excepting Bombay and Poona). The sales from Bombay and Poona were controlled by the unit itself. The unit was slowly thinking of establishing an all India network to secure orders. The factors considered while appointing this distributor were (1) the experience of the distributor in handling sophisticated chemicals for a number of years, (2) large contacts in the country, (3) strong financial base and a sufficiently big space available at a number of places in Maharashtra and Gujarat for storing the goods.

Credit offered was of 30 days, be it the distributor or the direct consumer. Around 5 to 10 cases of delayed realisation were reported per annum. The reason reported was that of administrative delays.
(3) Rubber Components

Products manufactured by this unit, were mainly, the automobile parts of rubber. To begin with the unit procured order for the manufacture of rubber parts of automobiles from a big automobile spare parts dealer and repairer. Thereafter the unit was manufacturing number of smaller orders from number of units from Poona and Bombay. The car dealer mentioned above also helped to procure more and more orders from Maharashtra State. It was recently, when the survey was undertaken, that the unit had appointed a sole distributor who was to secure business from U.P. and M.P. States.

A credit of 30 days was offered to all consumers. Early payment discount was also offered maximum upto 1%. Around 10/20 cases of delayed realisation of bills were reported per annum. The Bombay parties and a few consumers from Poona also delayed payment of bills even upto 90 days at times by stating excuses for the delay.

(4) Rubber Components

The orders were secured from the Government and semi-Government agencies/Bodies. The usual consumers were the Engineering Complex in the region and the Indian Railways from Government Bodies. Both these organisations placed recurring yearly orders. The other orders also were booked for bushings, rings, tubings, gaskets etc. Erasers were
manufactured on behalf of one selling organisation.

A credit of 30 days was offered to all units excepting railways. Railways were offered 45 to 60 days' credit. No credit was considered for smaller orders (small number of pieces/smaller in value). Around 10% to 20% selling was done on cash basis per annum. Around 5 to 7 cases of delayed realisation were reported due to administrative delays.

(5) Rubber Components

This unit had come up very recently (within 3 years from the base year i.e. 1971). The unit manufactured rubber sheets of a particular type for a big rubber product manufacturer in the Poona region. Thereafter the unit manufactured micro-cellulose sheets for other rubber product manufacturers also. However, this new product was manufactured and sold to one sole distributor who in turn procured orders for this unit.

Credit offered was of 30 days. Negligible cases of delayed payments were reported.

(6) Chemicals

Around a decade back when hardly 3/4 electroplating units were there in the region, this unit manufactured chemicals required by them. Electroplating was also done simultaneously. The unit reported to be doing good till 1970. When the industrial recession on one hand and the idea of having their own electroplating units by bigger units emerged and then units like Bajaj, TELCO etc. established
thier own units, the demand for the product of this unit started declining and the decline continued till to date. It was very difficult for the unit to survive and the unit was now on the verge of diversifying its products.

The unit had adopted to sell the goods strictly on cash-down payments with exceptions. At the most 15 days credit was offered to big units. Even in these, around 15/20 cases were reported to be of delayed realisation.

(7) Chalk Sticks

The main distribution link was personal selling. The main clientele was stationery dealers and educational institutions in the country. The unit had a widespread reputation so much so that the retailers from M.P., Gujarat etc. placed repeat orders by themselves. Thus, the sales were mainly handled by personal direct selling. The unit preferred to keep contacts directly with retailers rather than appointing a sole distributor. The unit was of the opinion that the direct contacts can better satisfy dealers and motivate them to increase the company's sale than through some in between agency.

A normal credit of 30 days was offered to all the consumers. Inspite of this stipulation the common period of realisation of bills was that of 60 days. The delay cases were mainly reported to be from schools/colleges i.e. educational institutions because of their own formalities of
(8) **Dyes**

Various dyes manufactured by this unit were mainly used as raw materials by prominent dye manufacturers like the I.C.I., Sudarshan Chemicals, Tulsi Industries, Dyes Sales Corporation and many others. There was no dearth of demand for the products manufactured by this unit. The main link of distribution of products and also for the communication was personal selling. Yearly orders were placed by these units and only the follow up work remained to be done by the salesmen appointed by the unit.

Goods were supplied on 30 days credit to all its consumers. Around 10/15 cases of delayed realisation of bills were reported per annum on account of administrative delays.

(9) **Polythene Bags**

It used to procure orders both from retailers and direct consumers from the region. The orders booked from the retailers were mostly for the standard sizes of bags. However, orders booked from consumers were according to the specifications stipulated by them. The smaller orders (quantity/value decided by the unit) were met on cash payment basis only. Only the bigger orders booked by industrial units or by the retailers were considered for a credit of 30 days for realisation of bills.
Around 20 cases per annum were reported of delayed realisation of bills. The main reason cited was of administrative delays by the bigger units and retailers.

(10) Foundry Chemicals

The product manufactured was an import substitute. The major clientele was two major steel manufacturers both from Bombay. For a decade, the whole of the production was consumed by these two units exclusively. However, there was a period of lock outs experienced by both the above units almost simultaneously and in the meantime the unit had to appoint a distributor for popularising the product and procuring the orders for the unit. Thus, during this lean period, with the help of this distributor, the unit could secure orders from consumers like Cooper, Hindustan Machine Tools, Hindusthan Aeronautics, Kirloskar Foundries, Indalco etc. The original two main companies resumed their product thereafter and with all this, within coming 5 years i.e. upto 1976-77, the unit is expecting to reach a sales level of Rs. 2.00 lakh from the existing volume of sales of Rs. 0.88 lakh average per annum (1971).

The credit offered was of 30 days. However, the bills were realised in practice anywhere between 30 days and 60 days. Around 10/15 cases of delayed realisation of bills were reported. The reasons informed were the administrative delays.
Aromatic Chemicals

Selling arrangements were exclusively made with the dealers in Bombay. The products were also sold to a few direct consumers from Bombay who have been associated with the unit for long. The major considerations given while making selection of dealers were (1) their financial strength, (2) reputation and (3) past relations with the unit.

A normal credit of 30 days was offered. Around 10/15 cases per annum were reported of delayed realisation of bills. However, the unit had nothing to complain about this. The reasons mentioned for this delay were administrative delays.

Soaps

Since the unit manufactured mass consumption product, the product had to be sold through the number of outlets. Number of retailers were appointed and orders used to be received from them on weekly/fortnightly basis. For crossing a minimum predicated level of sales, every retailer was offered a commission of 2% on additional sales brought in.

Ordinarily, 3% of 5% discount was offered as quantity discount. As far as possible the sales were made on cash basis. The maximum credit offered was around a fortnight and not above. However, there were cases of delayed payments (5 per annum) but negligible on yearly basis.

Fibreglass Plastics

The major production was linked towards a permanent yearly contract to a vehicle manufacturer in the region.
However, bulk orders were received for various parts from companies like Rajdoot Motor Cycles etc. The unit also manufactured its own products like sidecars for scooters etc. For this product, distributors were appointed throughout the country. All the other products were sold by personal selling.

The credit offered was of 30 days to all the consumers. Delayed realisation cases reported were around 5 per annum and were negligible so far as the sales volume per annum was considered.

(14) Polythene Tubing

The unit accepted orders received from bigger units directly. However, the major sales were handled by a network of dealers appointed in the State of Maharashtra.

A credit of maximum 30 days was offered to all of them. Around 5/10 cases of delayed realisation were reported per annum. The reasons stated therein were administrative reasons.

Summary

Please refer Table No. 40-C which summarises the distribution channels of these units and also other factors, studied by now among which certain factors had a direct bearing on the distribution channel and the remaining had no direct relation. Let us now examine observations from Table No. 40-C.

(A) Only four units out of the total fourteen units had
<table>
<thead>
<tr>
<th>Distribution Channels</th>
<th>Capital Rs. lakhs</th>
<th>Sales average per annum (1969-71) Rs. lakhs</th>
<th>Form of Organisation</th>
<th>Period of existence (Base year 1971)</th>
<th>Market-section</th>
<th>Salesmen employed</th>
<th>Credit given (days)</th>
<th>Delay cases (number)</th>
<th>Reasons for delays</th>
<th>Considerations for choosing channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Personal Selling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil Seals</td>
<td>1.00</td>
<td>6.00</td>
<td>Partnership</td>
<td>More than 5 years</td>
<td>No</td>
<td>Nil</td>
<td>30</td>
<td>Negligible</td>
<td></td>
<td>Mah. and Guj. States, Experience, Financial position.</td>
</tr>
<tr>
<td>Rubber Components</td>
<td>7.50</td>
<td>11.00</td>
<td>Proprietary</td>
<td>More than 5 years</td>
<td>No</td>
<td>Nil</td>
<td>30</td>
<td>5/10</td>
<td>Admin.</td>
<td>Recently appointed (1971), Experience, Contacts, Financial position.</td>
</tr>
<tr>
<td>Erasers</td>
<td>0.40</td>
<td>0.80</td>
<td>Proprietary</td>
<td>Within 5 years</td>
<td>No</td>
<td>Nil</td>
<td>30</td>
<td>5/7</td>
<td>Admin.</td>
<td>Contract for erasers only.</td>
</tr>
<tr>
<td>Rubber Components</td>
<td>1.24</td>
<td>2.50</td>
<td>Partnership</td>
<td>Within 5 years</td>
<td>No</td>
<td>Nil</td>
<td>30</td>
<td>Negligible</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>0.14</td>
<td>0.50</td>
<td>Partnership</td>
<td>More than 5 years</td>
<td>Yes</td>
<td>Nil</td>
<td>15</td>
<td>10/15</td>
<td>Admin.</td>
<td>Experience, Contacts, Financial Position.</td>
</tr>
<tr>
<td>Chalksticks MP/UP</td>
<td>0.13</td>
<td>1.06</td>
<td>Proprietary</td>
<td>More than 5 years</td>
<td>No</td>
<td>Nil</td>
<td>30</td>
<td>10/20</td>
<td>School and Govt. Forma-</td>
<td>Experience, Contacts, Financial Position.</td>
</tr>
<tr>
<td></td>
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</table>

(continued)
a direct selling link i.e. selling between the manufacturer and the consumer, for the distribution of their products. These units were (1) oil seals, (2) rubber components, (3) chemicals and (4) dyes. It was also observed that the clientele of these four products was fixed and the contacts with them were established on permanent yearly basis. Only one of these units had an independent marketing section in existence with a manager employed. This unit manufactured chemicals and had employed the manager in a very special, precarious and declining position of its sales. The unit was slowly diversifying and was trying to search out the product complex which would give good and reasonable profits. However, the other units were doing good business and had no independent marketing section in existence. So far as the other factors viz. capital, sales, the years of existence etc. were concerned, there was no uniformity observed in these units.

(B) All the remaining ten units had some form of additional channel to their direct personal selling. (Please refer Table no. A0-C). The unit manufacturing resins had a distributor appointed. Similarly the unit manufacturing foundry chemicals also appointed a distributor. These distributors mostly looked after the company sales in other states other than the State of Maharashtra. All the remaining 8 units had dealers appointed in addition to their having
direct contacts with their consumers for the supply of goods. The units covered under this category were (1) rubber components, (2) unit manufacturing rubber components and also manufacturing erasers on behalf of one dealer, (3) unit manufacturing chalk sticks also appointing dealer for U.P. and M.P. States, (4) polythene bags were sold through retailers in the local market, (5) aromatic chemicals were solely sold through dealers appointed in Bombay, (6) soaps were sold through a number of dealers/retailers in the local market, (7) the dealers were appointed all over the country only for the side cars manufactured by fibreglass plastics, (8) polythene tubing was sold through different dealers in the State. We can, thus, observe various purposes also for appointing dealers/distributors. In short, these agencies either (1) looked after a few products of the unit, (2) the sales in the State of Maharashtra, (3) in other states other than or inclusive of Maharashtra, or (4) making the exclusive sale of company products.

The selection of channels was mainly guided by the nature of the product, competition, the existing or likely coverage of markets, the sales, capacity of the unit etc.

None of these ten units had an independent marketing section. However, this might have been because, in addition to their having established very good direct contacts with a number of consumers and the remaining sales were being
looked after by the channels of distribution with all the necessary care and cure, that the units might not have been required to maintain an independent marketing section, to be managed within their small means. No salesman was also employed by any of these units.

(E) The common credit of 30 days was offered excepting units manufacturing soaps and chemicals. These units gave a maximum credit of 15 days and could recover their money within this period. The remaining 12 units were required to offer the credit and only two of them had negligible cases of delayed realisation. All the remaining units reported minimum of 5 cases and maximum of 20 cases per annum varying from unit to unit. The reasons for delayed realisation reported by all these units were common. They informed that their consumers delayed the payments as a matter of routine. They did not think of how embarrassing would it have been for these smaller units. Hence all these grievances were summarised as "administrative delays" in Table No. 40-4.

A few units which had Governmental and educational institutions as their consumers and had reason to complain about their formalities to be completed.

(F) While selecting and appointing the channels for distribution of their products, the following few common considerations were observed to have been given by these units.
(i) Experience of the channel member in dealing with the same or allied products,

(ii) The location of the channel member,

(iii) The contacts and the clientele of the channel member,

(iv) The financial position of the channel member etc.

(D) PAPER PRODUCTS

(1) Water Proof Paper

There were two main consumers for the product manufactured by this unit. (1) a big matchbox manufacturer (Wimco) and (2) a big tobacco and cigarette manufacturer (Golden Tobacco). In addition, a few orders were also booked by the Government fertiliser factories in recent times. There was neither a marketing section in existence with the unit nor any in between channel for distribution employed.

Credit offered was of 60 days. Around 10/20 delayed cases of realisation of bills reported per annum. The reason for these delays was "administrative delays."

(2) Boxes

There were 3 to 4 major competitors in the region. However, the demand was manifold. Hence, there was no unhealthy competition in this business of manufacturing boxes. There was no in-between agency used for distribution of products. The boxes were manufactured as per the specifications of each and every consumer and hence direct personal selling was
necessary. Thus, no standard boxes could be manufactured and sold in the industrial market. The unit had bagged orders from a good number of units from the region on repeat order basis.

The credit offered was of 60 days. About 5 to 10 cases were reported of delayed realisation of bills. But the unit did not report any bills outstanding for more than 120 days. These were administrative delays.

(3) **Coated Papers**

This unit procured orders directly from the consumers. As seen earlier, the product manufactured was mainly consumed by biscuit and bread industry. Here again, there was no heavy competition in the region. Unit booked orders directly from its consumers and no in-between agency was used. Major consumers were Sathe biscuits, Parle biscuits, Sathe's Shakti brade etc.

Credit offered was of 30 days only. However, realisation of bills had always been between 30 to 60 days' period. Around 5 cases reported per annum of delayed realisation of bills. The reasons for delay were stated to be mainly the financial problems, raw material supply problems etc. experienced by biscuit and bread industry. The reasons were thus termed as administrative delays.

(4) **Boxes**:

There was no inbetween agency used for the distribution
of products. The boxes were manufactured as per the specifications of each and every consumer and hence direct personal selling was necessary.

Though, as per the terms agreed, the credit offered was only of 30 days, the bills were realised between 30 to 60 days. About 5 cases were reported of delayed realisation of bills per annum. The unit reported that one or two consumers of medium size (names not notified) purposefully neglected to effect payment of bills in time. The possible reason was a "routine neglect".

(5) Cardboard Paper

This unit also, had established direct links with the consumers. In addition, a number of retailers also approached the unit directly. In between agency for the distribution of products was not appointed. Smaller orders (specified by the unit from time to time) were dealt with by the unit on cash basis. Above this minimum level the credit of 30 days was offered. The delay cases of realisation of bills were around 5 per annum. The reasons mentioned were administrative delays.

Summary

Let us examine the observations made from Table No.40-D.

(A) All the units, without any exception, had direct contacts with their consumers and used personal selling as their main channel. These units had different specifications stipulated by their consumers according to their requirements. This
made it necessary for both, the manufacturer and the consumer to be in constant touch with each other for checking samples, approving the manufactured products etc. Hence we found that none of these units used any in-between agencies for distribution of products.

(B) (i) The capital investment differed with every unit though, in general it was observed that it did not exceed Rs. 2,00 lakh in any of the units under observation.

(ii) The sales varied from unit to unit.

(iii) All the units had partnerships excepting the one which had Private Ltd. form.

Thus, neither the capital, nor the sales nor the form of organisation had any similarity observed in these units though all of them were using personal selling and hence the direct selling method.

(C) Only one unit had an independent small section looking after its marketing. Only a sectional manager was appointed who took care of this function independently. No other unit had an independent marketing section. But all the units used the direct selling to their consumers as the main communication link.

(D) Two units (water proof paper and corrugated boxes) having comparatively higher sales offered 60 days credit to their consumers for effecting payment of bills. All the other units
units offered 30 days credit. However, in practice we observed that the usual period of realisation was of 60 days only. The first two units reported around 5 to 15 cases of delayed realisation of bills. However, the next three units reported only around 5 cases of delayed realisation of bills per annum. The former units had a large clientele widely spread over. Hence, though the credit offered was of 60 days, the follow up etc. with these spread out clientele delayed the realisation in practice. As such the consumers also (big units) delayed the payments stating their own financial difficulties.

Comparatively, the spread over/the clientele of next 3 units was smaller and hence follow up was faster (wax coated paper, boxes, cardboard paper). Inspite of this, around 5 cases of delayed realisation of bills were reported. Realisation of bills always took commonly 45 days and in exceptional cases 60 days also, though, the terms stipulated were of 30 days. The reasons stated were administrative, which could not be neatly defined other than negligence.

There was a worldwide shortage of paper causing even artificial shortages resulting into the premium prices quoted in the local markets. The units, therefore, were required to pay in cash even the premium prices and build stocks for at least 6 months ahead to keep their wheels running. On the other hand, consumers took around 60 days to pay the bills.
It became, therefore, extremely difficult for the units to meet their working capital gap. They were every now and then running towards the financial institutions and resorted to heavy borrowings.

(E) MINERALS AND METALS

(1) Spun Pipes

The main link for distribution of their products was between the manufacturer and the consumers directly. No in between agency for distribution of products was used. The main clientele included Zilla Parishads, Municipal Corporations and Government Departments, as also the Private builders and contractors. Out of these, one private construction company from the region used to place permanent recurring orders on the unit. Orders of private builders and contractors were placed as per their requirements. However, the Government business was mainly done through tenders.

The credit offered to private builders and construction companies was only of 30 days. The realisation, in general, would come from them within 90 days. The repayment by Government bodies was as per the terms quoted in their tenders. However, usual Governmental delays were no exception. Especially Zilla Parishads delayed payments inordinately by stating the reason of unavailability of sanctioned funds from Governments etc. Around 20 cases of delayed realisation of bills were reported every year.
(2) **Ceramic Products**

This unit had a period of existence of less than a year from the base year (1971). Beginning of production was reported to be made with the exclusive supply of its products to one big oil engine manufacturer in the region. The credit offered was of 60 days. Negligible delay cases of realisation of bills were reported. This might have been because that the unit had recently started its production, moreover on ancillary basis and the product supplied was an import substitute saving costly imports and hence its consumer paid the bills in time realising importance and the need of the product.

(3) **Cement Articles**

Domestic ovens and cement segrees were the outdated products in real sense due to mass usage of cooking gas manufactured by various oil companies. However, the lower class of population still required the same. But at the same time the cost of the components have gone up so much that even the lower class is not in a position to purchase domestic oven or cement segree with ruling price. Thus, majority market was lost totally on one hand and the consuming market cannot be served by the unit at profitable costs. The unit, therefore, was landed in a complex situation in 1970-71. It had, therefore, started diversifying its products since the year 1970. It started manufacturing grills, blocks,
RCC vases etc. Specific orders were booked for these products from big complexes in the region like Telco, Bajaj etc. and also from Municipal Corporations. This business was developing slowly.

Cement articles required for home use were strictly sold on cash basis. A credit of 40 days was offered to other consumers. However the realisation of bills took around 60 days. The reasons informed were administrative delays.

(4) Castings

The major channel for distributing products was personal selling to their consumers. No agency in between for distribution of product was used. The major consumers were the oil engine manufacturers in the region like Ruston, Cooper etc. Orders were accepted from smaller units also. These smaller orders, were strictly manufactured and sold on cash payment basis. The above two big companies were offered a maximum credit of 30 days. The realisation of bills was delayed for technical reasons. Some of the parts supplied had defects so far as their specifications, their surface linings, hardness, heat treatments etc. were concerned. Hence, unless the replacements were made or reprocessing was effected, the final payments were not released. The usual delays were even upto 120 days. The delay cases usually were around 10/20 per annum for the above reasons.
(5) **Utensils**

The demand for these products has been continually growing with the increase in population. No sophistication or developments in technology as yet have replaced utensils required in day to day use in the houses and hotels. The business was run for generations in this product and thus, the name, the reputation was so well established that neither the unit bothered to think of having any marketing section nor did it approach by itself the distribution agencies. The consumers and the dealers/retailers etc. themselves approached the unit while placing orders. However, wholesalers were appointed at two or three big centres in the State of Maharashtra for handling outside the region sales.

All the wholesalers/retailers/dealers were offered a credit of 30 days. Early payment of bills earned maximum 1.5% discount to the big consumers/channels. The realisation from these agencies was received well in time because of the policy of the unit not to continue supply of goods unless, previous outstandings were fully squared up. But the product was such that it commanded the sellers' market and payment received in time. Those consumers who directly went to the unit for purchasing were sold goods on cash basis only and got around 2% cash discount.

Past experience, financial position, location and storing capacity were the main points considered by the unit while appointing wholesalers.
Even having done this, delayed realisation of bills was still reported. One of the reasons were the financial stingency of some retailers making them unable to pay in time. Same consideration was given at times for those who came into difficulties rarely.

(6) Castings

This unit came into being to process the requirements of one bigger unit in the region. The whole of the production was supplied to the above single consumer. But whenever there was an excess capacity available, other outside orders in smaller quantities were also undertaken. All these outside orders were undertaken on cash payment basis. However, a credit of 60 days was given to its main consumers. The major consumer paid the dues in time. Around 4 to 5 cases of delayed realisation of bills were reported per annum but the unit had no reason to complain about the same.

(7) Cement Tiles

This unit manufactured different types of tiles which usually were consumed in mass quantity mainly by the construction industry. Hence it ought to have had wide openings for the distribution of its products. Distributors were appointed at various places in the State of Maharashtra. In addition to these, the unit also booked orders at its end directly from building contractors for the supply of tiles in large quantities.
While selecting the distributors, it was seen that they were in the line of selling goods required for the construction industry for a number of years. They had enough warehousing facilities. Their financial position also was strong enough to see that the payment of bills was made in time or can lift the goods when the unit was in financial strain.

This unit offered 30 days credit for the supply of goods to all the consumers and distributors. Around 10/15 cases of delayed realisation were reported per annum. The reasons were mostly administrative. For early repayment of bills even a cash discount upto 5% was offered. But this hardly worked as motivation for big consumers.

(8) Castings

This unit mainly supplied its production to the unit manufacturing agricultural implements. In the remaining excess capacity outside orders were also processed. A credit of 30 days was given to its major consumer. Outside orders were processed only on cash basis. Negligible delay cases of realisation were reported.

Summary

Please refer Table No. 40-E for summary of the above discussion. Following are the observations:

(A) All the units had direct contacts with their consumers and also secured orders directly from them. Six units out
<table>
<thead>
<tr>
<th>First Name</th>
<th>Last Name</th>
<th>Position</th>
<th>Title</th>
<th>Experience</th>
<th>Age</th>
<th>Gender</th>
<th>Marital Status</th>
<th>Other Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>Smith</td>
<td>Manager</td>
<td>CEO</td>
<td>10 years</td>
<td>45</td>
<td>Male</td>
<td>Single</td>
<td>None</td>
</tr>
<tr>
<td>Jane</td>
<td>Doe</td>
<td>Accountant</td>
<td>CFO</td>
<td>5 years</td>
<td>35</td>
<td>Female</td>
<td>Married</td>
<td>None</td>
</tr>
<tr>
<td>Michael</td>
<td>Brown</td>
<td>Engineer</td>
<td>CTO</td>
<td>8 years</td>
<td>40</td>
<td>Male</td>
<td>Single</td>
<td>None</td>
</tr>
</tbody>
</table>

**Notes:**
- Position: Manager, Accountant, Engineer, CFO, CTO
- Title: CEO, CFO, CTO
- Experience: 5 years, 10 years, 8 years
- Gender: Male, Female
- Marital Status: Single, Married
of them did only personal selling and had no in between agency employed either for communication or for the distribution of products. The remaining 2 units i.e. the one manufacturing utensils and the other manufacturing cement tiles had appointed distributors throughout the State of Maharashtra. The products of both these units were of mass consumption nature and hence required to be distributed through multiple outlets and hence appointed in between agencies i.e. distributors in addition to personal selling.

(B) Unit manufacturing spun pipes had an independent marketing section. But it did not appoint any distribution agency. The 4 salesmen appointed were on the field and collected and promoted business for the unit by personal selling. However, both the units appointing distributors, one manufacturing utensils and the other, cement tiles, did not have an independent marketing section though they had a Statewide coverage of markets.

The spun pipe manufacturer, preferred to have its salesmen doing personal selling of their industrial product required by a specialised class of consumers. However, the manufacturers of consumer products like utensils and cement tiles, being consumed by masses, preferred to have larger outlets rather than putting the burden on salesmen.

(C) While selecting the channels for distribution, these two units, gave following considerations. Both the units saw to it that the channels had been dealing in similar or
allied products for considerably long time i.e. their selling experience in the line of products. The location of the channel was seen by the unit manufacturing utensils. Since it had got to be in the area where similar shops were located and where clientele usually visited for making the purchases of utensils. Storage capacity of the channel was examined by both the units. It was necessary because the goods were to be despatched in truck loads. The turnover and type of clientele/contacts of the distribution channel were thoroughly examined by the unit manufacturing tiles. The main point behind this was to ensure the realisation of bills at all the times. Simultaneously, financial position was also examined. It was examined by both the units.

(D) Unit manufacturing ceramic products had gone into production hardly within one year from the base year, (1971), and had to agree for 60 days credit for the simple reason that it supplied its production to a bigger oil engine manufacturer in the region and the years 1969 onwards were very difficult for the oil engine industry, since it was facing recession. Moreover payment of bills was not usually delayed by the consumer unit. The other unit manufacturing cement articles was passing through a tough time so far as its markets were concerned. It was trying to diversify and establish its foothold in construction business. Hence, the unit must have required to offer more credit than 30 days.
It offered the credit of 40 days and in practice, the realisation was only after 60 days. However, both the above units had negligible cases to report which were remaining outstanding over and above 90 days. One unit more, manufacturing castings gave 60 days' credit. But since it was supplying the whole of its production to its major consumer unit and hardly any delays occurred in the realisation of bills it did not have much of grievance about delay cases. All the remaining units, excepting these three units, offered 30 days' as the normal credit.

Spun pipe manufacturing unit reported around 10/20 cases of delayed realisation of bills per annum. There were two sets of reasons. On one hand the contractors get delayed receipts from their clients and hence they make delay in payments. On the other hand, number of formalities were required to be completed in cases of Government or demi-government supplies and the realisation from them was delayed. The same situation existed with another unit also manufacturing cement tiles.

(F) MISCELLANEOUS

(1) Toilet Soap Paper

The unit had contacts with a few retailers in the region. The sales were routed through them only. Competition for the product was tough in the market. Though the unit was there in the market for more than 5 years from the
base year (1971) it was still not doing a good business in this line of products and also was not happy about its performance. The Proprietor was having negotiations with a few connections he had with industry in 1971 and was trying to shift over to the manufacture of a few basic chemicals which had a mass consumption value, and then to shift to other specialised chemicals. However, the idea was in a very preliminary stage when the survey was conducted (1971).

As far as possible the sale of the product was made on cash basis. However, a credit of a fortnight was given to a few retailers who purchased the product in lots. Around a month was usually taken by them to pay the bills and around 40% of retailers made delay in paying them resulting in a financial strain for the unit.

(2) Writing Pens

Two retail shops were owned by the unit in the region, and were the main outlets for its products. In the year 1970-71, the unit appointed 3 distributors outside the region with a view to cover wider markets. While appointing them it was specifically seen that they were already dealing in stationery items on large scale. Their location and clientele was also taken into account in addition to their financial position. One consumer was there who gave a large order for manufacturing pens on his own brand names. The unit processed such orders also.
The sales from retail shops were on cash basis. The credit given was of 30 days to its distributors. Since they were appointed recently, the unit could not tell us much about delay cases in realising its bills.

(3) **Weights**

Weights of various specifications and denominations were manufactured on behalf of a number of industries in the region, State Transport Organisations etc. Their repairs were also undertaken. The credit offered was of 30 days. Around 10/20 cases were reported of delayed realisation of bills. The reasons quoted were administrative grounds. In fact negligence in paying the bills in time by the bigger consumers was the main grievance.

(4) **Single Edge Blades**

Unit, when surveyed, was in a budding stage. The Proprietor, at present is collecting orders from various traders/retailers etc. from Poona and Bombay for its products and was undertaking the manufacture accordingly. The sales were strictly on cash basis. No credit was offered to any consumer. The unit was trying to reach a sales level of minimum of Rs. 0.30 lakh to Rs. 0.50 lakh per annum in near future.

(5) **Sanitary Ware**

The product manufactured was an import substitute which did not have serious competition in the country. There was a chain appointed of around 250 dealers all over the country.
This will give an idea of coverage of markets by the unit. The main consumers were big, posh hotels, clubs, Government Offices, Company Offices etc., and Hospitals.

Sixty days' credit was offered to dealers. In addition to this chain of dealers, a few big consumers were there who booked orders directly with the unit from the beginning. They were also given 60 days' credit. Around 10/20 cases of delayed realisation of bills per annum were reported. It was the usual habit of a few dealers from the chain to delay the payments, and hence the delay cases.

While appointing these dealers, the following factors were mainly considered:

1. Financial position
2. Location of the dealer
3. Existing clientele/contacts and
4. The line of products handled and its past experience in the line.
5. Pens and Inks

Direct orders for pens, ball point pens, inks etc. were booked by the unit from semi-Government, Government bodies, Banks, Burma Shell Company, various educational institutions in the region etc. A few dealers were appointed in outside the state. While appointing them, their being in the stationery line and location as well as the experience in the line and financial position, were
the factors mainly taken into consideration.

A credit of 30 days was offered to dealers, and big consumers as above. However, the realisation of bills was delayed up to 60 days normally. Around 10/20 cases of this nature were reported per annum. The reasons stated were administrative delays. Across the counter sales were also effected by the unit, but strictly on cash basis.

Summary

Please refer Table no. 40-F for the summary of this discussion. The observations from the Table have been summarised as under:

(A) The unit manufacturing weights used personal selling as the main source of getting business. It had its own shop and the sales were handled through shop and through personal selling.

Three other units i.e. (1) Toilet Soap Paper, (2) Single Edge Blades, and (3) Sanitary Ware were observed to be handling all their business through appointed dealers/retailers. The unit manufacturing toilet soap paper and had contacts with a few retailers through whom the product was sold. However, we saw earlier on page 388 that the unit was now thinking of completely diversifying its products mix to chemicals where the channel structure for distribution might change. The unit manufacturing sanitary ware had a big chain of more than 250 dealers appointed throughout the
country and was selling its products through them only. The unit manufacturing single edge blades cannot be said to have appointed any dealers or retailers. In fact the Proprietor himself went to each and every dealer/retailer of stationery requesting them to try his product. Number of them had agreed to give opening to his product and based upon that now the unit was planning its future production.

Dealers and direct contacts, both were used by one fountain pen and inks manufacturer; whereas the other fountain pen manufacturer had its own retail shops in the region and was handling the sales from the region through them. It appointed in all 3 distributors for handling outside the region sales.

(B) None of these units had any independent marketing section. In fact when we have a look through their meager capital investments and sales figures we can conclude that the non existence of an independent section was justified.

(C) Three units i.e. fountain pens (2 units) and weight manufacturers observed to be giving 30 days' credit to their consumers. The other unit manufacturing sanitary ware gave 60 days' credit. The unit manufacturing single edge blades was doing cash business. It could not afford giving a days' credit/since the unit was very new, product was of consumption nature and the price of each unit of the product was negligibly smaller. Hence fast realisation and turn over of money
was a must for this unit to keep its production cycle running. The unit manufacturing soap paper gave 15 days' credit; still, the unit had financial weakness. It was a must for this unit to get back its money even faster.

Whatever the credit was given as observed above, the delayed cases in realisation of bills was observed to be a great headache to each and every unit. All the units reported around 20 cases of delayed realisation of its bills per annum. The major clientele of these units was dealers/distributors, followed by big units and Government agencies. The main grievance expressed in this group of units was the habit of dealers/retailers/distributors to delay the payments. Except the unit manufacturing sanitary ware all the other units had to depend upon these channels - for their sales turnover and hence these units could not take much stronger. for steps against their channels/distribution for making them pay the bills in time. In fact it was rather observed that the units were under the obligation of their channel members. It is therefore not desirable that the channel members keep such attitude towards the small manufacturers.

(D) While choosing the channel members, following were the common considerations given by units from this group.

(1) Past experience,

(2) Dealings in similar products,

(3) Location/area
(4) Financial position.

(5) Nature of clientele/contacts.

Conclusion

(A) All the job work manufacturing units were moreover working on ancillary basis and processed repeat orders of a few bigger units on yearly basis. This phenomenon of getting necessary business required the direct channel for distribution between the manufacturer and the consumer i.e. personal selling.

(B) The products of thirteen units out of 19 independent product manufacturers from engineering group, all the units from electricals and electronics group and paper products group and products of a few units from chemicals and from the minerals and metals and the miscellaneous group went as either the sub-parts or the raw materials to the final or sub-assembly of other products. We, therefore, find that their main method of selling the products was through personal selling i.e. a direct channel for distribution between the manufacturer and the consumer.

(C) All the remaining units from engineering (motors, material handling equipments, motor cycle accessories, agricultural pumps, precision gauges etc.), chemicals (Resins, Erasers, Chalk Sticks, Foundry Chemicals etc.), minerals and metals (Utensils, Cement tiles etc.) and the miscellaneous (Pens, Single Edge Blades, Sanitary Ware etc.)
groups manufactured products which were directly consumed by the consumers and had mass demand. Hence we find all these units going for maximum outlets possible for their products by engaging different distribution agencies, like distributors, dealers, retailers etc. Depending upon the marketing policy of each unit, the nature of product, the markets and the competition, the decision to appoint either of these channels was taken.

(D) While appointing these channels, following were the major considerations reported to be given.

(1) Location of the agency i.e. it was preferable to have it located in the region where the same or allied products were sold.

(2) Market coverage i.e. the coverage should have been at least to cover the 3/4th of such area around.

(3) Experience in the line i.e. the number of years the agency dealing in similar or allied products which ultimately reflected its contacts.

(4) It was desirable to have a sufficient storage capacity.

(5) The turnover of sales must be reasonably good (compared to similar other agencies) which help realising bills faster.

(6) Sound financial position which could be relied upon.
(E) The average credit offered to consumers by all the units from all the groups (with few exceptions) was for a normal period of 30 days. However due to inflationary price situation, shortages, premium prices etc. the manufacturers had to make cash purchases of raw materials and hence the units frequently landed in financial troubles. Hence at such occasions they relied upon the faster realisation of bills from their agencies at least.

(F) However, as a matter of routine, it was observed that these agencies themselves delayed the payment of bills to the manufacturers. It was a habitual delay by these agencies. The delays occurred from the bigger consumers also. There, it was the negligence shown by these units in making faster payments to small units. There were occasions when these units themselves were in difficulties, but in general these bigger units should understand the financial problems of small units. Finally, there were governmental agencies, which at times - though appreciated the difficulties of small manufacturers, could not hasten payments because of their combursome procedures to be adhered to while making payments. All these delayed realisation of bills make these smaller units run to the financial institutions for bridging their working capital gaps increasing their borrowings and liabilities, further weakening their financial positions.
(G) While selecting the distribution channels it would be worthwhile to decide as to which channel for distribution is required for the products of the unit. Units manufacturing job work, ancillary units, units covering a smaller portion of the local markets may select the direct channel for distribution of their products. The considerations of consumers also has importance for the reason that these units have to manufacture goods as per the specifications supplied by their consumers. Hence direct contacts for giving demonstrations, satisfying their particular requirements is important. Hence such units found the direct channels most suitable.

(H) It is desirable that all the units with their consumers in large number, spread over a wide area having mass consumption products with the requirement of multiple outlets should better employ in between channels for distribution for the smooth flow of their products.

(I) The small units under examination stated various factors considered in selecting their channels for distribution. These factors were - location, coverage, experience, financial position, display facilities etc. But very few units could get the agency satisfying all the above norms. The reason behind this was as follows: That the bigger channels, having their contacts mainly with the large scale industry, would quote terms which would not suit the small
industrial units and further did not entertain them properly. Hence these small units had to negotiate with other smaller distribution channels in the area. It is, therefore, desirable that to overcome these difficulties of the smaller units, that they form a consortium which would strengthen their negotiating position and could come out with a better deal with such reputed distribution channels.

(J) It will be more feasible for the Associations of the small industries that they undertake the responsibility to solve problems for the distribution of products of small scale industry.

(K) The small units may approach the Governmental agencies like Small Industries Service Institutes established in their State which render, among other things, free advise to the small industries on marketing their products.

The National Small Industries Corporation, a Government of India concern, assists the small units in securing Government contracts.

The small industrial units may get registered with Director General of Supplies and Disposals, New Delhi, who place orders of supplies on small scale units, meeting the purchases of Government.

The Corporation, like Maharashtra Small Scale Industries Development Corporation have their show rooms abroad and help the small industries in exports as well as help them to obtain indigenous orders.
It is extremely desirable that the Government should try to impress upon the reputed agencies for distribution to help the small industries around and solve their major problem of distribution of products. 

(L) It is also necessary that the Associations of small industry in consultation and with the assistance from the State Governments may form consumer co-operatives and establish their centres, show-rooms etc. at least in the main cities in each State. This would hasten the process of solving the problem of overcoming the refusal of the reputed channels to entertain the small industrial units. 

(M) The Associations of small industry, the Chambers of Commerce, the Government Agencies and even the Financial Institutions should try to bring necessary influence upon the large industries to sympathetically consider effecting payments of bills for the goods received from them within the stipulated period. Non-realisation of bills in due time makes the small industrial units run after financial institutions to meet their working capital gap. 

The Government Agencies should also take necessary steps to reduce their lengthy procedures of effecting payments to small industrial units. This step by these agencies would also give a considerable relief to small industrial units in overcoming problem of non-realisation of bills on due dates.