CHAPTER VI
MARKETING IMPLICATIONS AND SWOT ANALYSIS

The findings of the study concern the following broad strategic areas:

1. Freight Charges
2. Flexibility
3. Transit Time
4. Reliability including Loss/Damage Enroute
5. Settlement of Claims
6. Customer Satisfaction
7. Wide Reach.

These areas can be linked to the present marketing mix of the Indian Railways.

Freight charges concern the pricing strategy while the transit time and wide reach form a part of the distribution network strategy. Flexibility and settlement of claims are covered in the process dimension. Reliability and loss/damage, enroute, are the ingredients of the service quality along with the process of delivery. Customer satisfaction impinges upon more than one element of the marketing mix. Though it is, primarily, dependent on the people of the service organisation, it has a direct relationship with the quality of service and the process of delivery.

The service quality consists of the following broad elements:

- Tangibles
- Reliability
- Responsiveness
- Assurance
- Empathy

Having linked the findings to the elements of the marketing mix, individual areas, in each of these marketing elements where the cement companies are facing problems with the Railways, can be identified.
6.1 Pricing

The pricing of rail transport, when compared with other modes of transport, poses the following problems for the cement companies:

a) Railway freight, from the originating station to the destination station, is higher as compared to road, particularly, for short lead destinations. For such destinations, the difference is of the order of 30%.

b) Handling charges at the destination station are additional charges which are payable in case of rail movement but are not payable in case of road movement.

c) Secondary freight, for transporting cement by road to the stockyard/dealers' premises, involves additional cost for transporting/storage/stacking of cement. Railways do not provide any stacking/storage facilities even at the major unloading stations.

d) Siding and shunting charges are levied by the Railways as per the old agreements with the cement companies. The benefit of charging freight for through distance to the dead end of the siding should be given to the cement siding owners to reduce the incidence of siding/shunting charges payable by them.

e) Demurrage and wharfage charges are levied for movement by rail. The cement companies do not pay these charges for road movement. These charges need to be reviewed to take care of the genuine problems of the cement industry.

f) There are heavy delays on the part of the Railways in settlement of claims. A large number of cases are being referred to the Railway Claims Tribunals by the customers due to the procedural delays. The system of settlement of claims adds to the cost of cement and, therefore, needs review.

g) Cost of warehousing at the terminals where cement rakes are unloaded, is, substantially, high, as the rakes have to be removed within the free time allowed by the Railways. Cement stocks are kept by the cement companies in private warehouses, in the city areas, which are quite far away from the nearest railhead.

h) As the size of the railway rakes has increased during the past few years, the cement sidings, which are old, need to be remodelled to handle the heavier and longer rakes. The cement companies would like the Railways
to share the cost of remodelling of their sidings, as according to them, the increase in rake size, is a decision of the Railways alone.

i) The Railways have to train their frontline staff by upgrading their skills so that the customers do not have to pay any hidden charges.

j) Gauge conversion and electrification are operational decisions of the Railways. Therefore, the cost of the electrification and the gauge conversion of the sidings should be borne by them.

k) The cost of commercial and train examination staff, posted in sidings, should be borne by the Railways, and not by the siding owners, as issue of railway receipts and examination of wagons are functions to be performed by the Railways as a part of their service to the cement companies.

6.2 Distribution

This concerns the reach of the railways for transporting cement to a large number of points.

a) To increase the reach of the railways, flexibility is required by the cement companies in the following areas:

i) The cement companies feel that they should be allowed to change destination of the rake, whenever it is necessary, so that the uncertainties of the cement market can be taken care of by the cement companies to some extent.

ii) At present, the minimum rake size is 38 BCN i.e. 38 x 56 = 2128 tonnes. Cement industry would like that rake load benefit should be allowed by the Railways by reducing the rake size for those destinations for which sufficient demand is not available during certain periods of the year.

b) More two point block rake destinations should be permitted. Some three point block rakes combinations should also be allowed by Railways to look after the smaller customers.

c) The Railways should permit clubbing of demands by different consumers, at a destination, more freely.

d) Allowing loading, without operating restrictions, for movement towards the North-Eastern States. Cement should be exempted from such restrictions, as it is an essential commodity.

e) Movement of smaller lots of cement to individual points should be permitted.
f) The transit time for rail movement from the loading point to the final destination of cement should be reduced.

g) Railways should provide warehousing at the railway goods sheds so that multiple handling charges of cement can be reduced.

6.3 Process

a) Railway rules should be made more flexible in the following areas:

i) The rules are very rigid and old. Very little discretion is allowed to the officials, particularly, to the frontline staff. More discretionary powers should be given to the frontline staff to take care of the problems on the spot.

ii) The rules, regarding levy and waiver of demurrage/wharfage charges are very rigid and need to be made more flexible to take into account the genuine problems faced by the customers in unloading / removing the consignments at the railway goods sheds.

b) Maintenance of goods sheds/mineral sidings and circulating areas for unloading and removal of consignments is unsatisfactory. Little attention is being paid by the Railways to this aspect, resulting in inconvenience to the customers, in unloading and removal of the consignments from the Railway premises.

c) Credit/debit system for demurrage hours at the cement loading points should be granted by the Railways on the same lines as they have granted to the steel plants.

d) Delay in decision-making on concessional schemes like Station-to-Station Rates Scheme, Volume Discount Scheme and Own Your Wagon Scheme. The delay in decision-making in individual cases is turning the cement companies away from the Railways. The Own Your Wagon scheme is not customer friendly. Therefore, the cement companies are not opting for the scheme.

e) The provisions regarding penal charges for overloading of coal wagons have been made more stringent in the revised Indian Railway Act. Payment of large amounts of penal freight by cement companies is being resented by them.

f) Lack of transparency in application of the railway rules. Customers are not made fully aware of the railway rules, which concern them. The rules are
also not applied, uniformly for all. This attitude of the Railways causes dissatisfaction.

g) Procedure of allotment of wagons is complicated. The frontline staff do not explain to their customers why wagons were allotted to some customers while other customers were kept waiting.

h) The railway rules are complicated and inflexible. The approach of the officers and staff is bureaucratic and unhelpful.

i) The railway receipts are not issued in time by the siding clerks. On weekends and holidays, the Railways do not accept payments by cheque. Bank drafts cannot be issued by the banks on Sundays/holidays. As a result, the consignments remain held up in the railway premises, causing delay in dispatches.

j) Demand of bank guarantee by railways for payments made by cheque. This rule needs to be modified, as cheques of reputed companies should be accepted without any bank guarantee.

k) Availability of forecast of supply of rakes for loading cement is poor. The customers cannot make timely arrangements for loading of cement at the sidings in the absence of the forecast.

l) Information about cement rakes in transit is presently, not available. However, it can be given by giving Freight Operations Information System (FOIS) terminals to the major cement customers of the Railways.

m) Delivery of consignments on indemnity bonds is not normally, permitted by the Railways as there are a number of formalities to be observed by the customers. This facility should be made available with few formalities for reputed companies.

n) Settlement of claims is invariably delayed. In a number of cases, the Railways reject even genuine claims.

o) Door-to-door service is not available: The railways cannot reach the consignments to the final destination/godowns/stock yard of the cement customers. The cement companies are, therefore, hesitant to use the railways when they have an option to move cement by road.

p) Multiple handling in rail movement: This results in damage/loss of consignments. Multiple handling should be reduced to make the Railways more user friendly.
6.4 **Product**

Important dimensions of this marketing tool for rail transportation of cement are:-

a) Availability of wagons/rakes in time: The Railways do not guarantee supply of rakes on the days determined by the cement companies.

b) Carrying capacity of wagons: For certain qualities of coal, the railway wagons are not capable of carrying coal up to the marked carrying capacity. Despite representations made by cement companies, the Railways are not reducing the carrying capacity for transportation of such qualities of coal.

c) Railways should plan for movement of cement in bulk for large consumption areas like Delhi, Kolkata, Chennai, Bangalore etc. Specially designed wagons should be provided for this purpose.

d) Rake size flexibility for customers having a minimum monthly demand of 1000 tonnes. The minimum quantity to be carried in rake should be reduced from $38 \times 56 = 2128$ tonnes to about 1900 tonnes, till as per an agreed time frame, adequate facilities for loading / storage are developed by the cement companies at the two ends.

e) More 2/3 point rake combinations with the benefit of rake load freight charges should be given up to the last point of the destination of the rake.

f) Increasing the maximum distance of allowed for movement of mini' rakes. The maximum distance for movement of mini rakes should be increased from 300 kms. to 400 kms. irrespective of the zonal railways on which the movement takes place.

g) Multiple handling of cement consignments before reaching the consumer: By providing warehousing facilities at the unloading points, the Railways can reduce the multiple handling of cement consignments.

h) The size of the block rake should be varied to some extent depending on the loading and unloading facilities at the two ends, till, as per an agreed time frame, adequate loading facilities are developed by the cement companies inside their plants for loading of heavier rakes.

i) The long lead traffic should be segmented by the Railways and targeted for hundred percent movement by rail. The Railways should give priority to this movement for diversion from road to rail by taking necessarysteps.
j) "Own Your Wagon' scheme has a number of flaws due to which it is not
popular with the customers. This scheme should be made customer
friendly.

k) The Railways should supply only such wagons as are fit for loading in all
respects. If some wagons are marked sick after loading these get unduly
delayed in reaching their destinations.

l) Supply of clean and watertight wagons for loading should be ensured by
the Railways.

6.5 Physical Evidence

Physical evidence of rail transport includes

a) The wagons/rakes supplied for transportation of cement.

b) The railway receipts issued after booking of consignments.

c) The goods sheds and offices at cement handling points on the Railways.

d) The stations/yards sidings at the originating points of cement traffic.

e) The railway locomotives used for hauling the rakes.

f) Railway staff, in uniform, at the cement handling points.

6.6 People

The provision of railway transport service for cement involves the railway
employees who render this service. The behaviour of the railway employees
towards their customers and the accessibility of railway officers to the
representatives of the cement industry determine the quality of service rendered
by the Railways to their customers. Thus recruitment, training and motivation of
the railway staff and officers are important dimensions for determining the type of
interaction between the Railways and the cement industry.

6.7 Productivity and Quality of Service

These two elements, often treated separately, are strategically interrelated
because neither of the two elements can be addressed in isolation. The Railways
have been trying to keep their costs on passenger traffic under control by
subsidizing the same from the revenues earned from freight traffic. This has
resulted in increase of freight rates for most of the commodities. Over the past few
years, cement industry feels that the railway freight rates for cement have become
uncompetitive with road rates, mainly, because of this factor.
Service quality refers to the degree to which the rail transport service for cement satisfies the customers. Service quality is essential for the Railways to have product differentiation and build customer loyalty.

Reliability of rail transport and loss/damage to consignments enroute are the two major factors affecting the quality of service rendered by the Railways to the industry.

6.8 Promotion

This means the system adopted by the Railways to communicate with their customers. For a long time, the Railways have been working in monopolistic conditions as the demand for rail transport was more than the supply. The situation has now changed radically. Communicating with customers, has become very important for them to maintain their share in the transport system. The problems of communication between the Railways and the cement industry are:

a) Lack of adequate information about availability and movement of rakes till these reach their destination.
b) Change of policies by the Railways to have bigger size of rakes for movement of cement traffic without giving adequate opportunity and information to the cement industry to remodel their sidings to suit the bigger size of rakes.
c) Changes made in the demurrage/wharfage rules without consulting and taking into account the problems of cement industry have made the cement customers unhappy.
d) Non-involvement of the cement industry in implementing the 'Engine-On-Load' concept for loading and unloading of cement.
e) Non-involvement of private parties including the cement industry in designing or improving warehousing and terminal facilities for handling of cement traffic.
f) Own Your Wagon scheme should be made user friendly and acceptable to the customers by better communication with them.
g) Availability of railway rules and procedures, freely to the cement industry, is not being ensured by the Railways.
6.9 SWOT Analysis

Strengths

- Indian Railways is owned by the Government of India. It derives a lot of strength from the Central Government.
- It has a history of more than 150 years of service to the nation.
- The Railways have a strong organisational structure as well as a culture of its own.
- It employs about 1.5 million people and is the largest employer in the country.
- The Railways are an essential part of the economic infrastructure of the country and have come up to face the challenges posed before it from time to time.
- There are no privately owned railways in India. Thus Indian Railways owns all the railway tracks in the country.
- The Railways have a separate budget which is presented to the Parliament every year. An independent budget gives it the required flexibility in financing its projects through its earnings.
- Railways are, particularly, suitable and economical for carrying passenger and freight traffic over long leads.
- The passenger fares are lower than the same on any other railway system in the world. The railways are, particularly, suitable for the mass transportation of passengers and goods.
- The railways are about 4 to 6 times more energy efficient than the Roadways.
- The railways are environment friendly. Movement by rail causes much less pollution than the same caused by road movement.
- Indian Railways is a vehicle for socio-economic development of the country.

Weaknesses

- Though the Railways is a large organisation, its size makes the organisation bureaucratic, causing delays in the decision making process.
- The reliability of service provided by the Railways is not as good as that of the roadways.
- The speed of transit for cement consignments is not as good as that of the roadways.
The railway transportation system is perceived as rigid, lacking the necessary flexibility.

The rail freight is higher than the road freight for the same distance if the total delivered/landed cost of the cement is taken into account.

The loss/damage to consignments is higher if moved by rail.

The Railways' customers do not get adequate information about the supply of wagons, their movement after loading and their expected arrival at the destination.

In view of their insistence on trainload movements, the railways are not considered to have a wider reach than the roadways.

The time taken by the Railways for settlement of claims is excessive causing dissatisfaction to its customers.

The movement by rail involves multiple handling of cement consignments while the roadways provide door-to-door service.

The railways do not cater to the requirements of small customers who have no option but to move their cement by road even over long leads.

The Railways levy demurrage/wharfage on the consignments if these are not loaded, unloaded or removed from the railway premises within the free time allowed.

The commercial rules of the Railways are complex, inflexible and are not interpreted properly by the railway staff.

Siding and shunting charges, levied on railway siding holders for handling of wagons in the sidings, are considered as an unnecessary financial burden on the siding owners.

The behaviour of the railway frontline staff is not friendly towards the customers.

The condition of railway unloading terminals, approach roads and circulating areas is poor. These get worse in the monsoon seasons.

Opportunities

Railways should design special wagons for movement of cement in bulk to the major cement consumption centres in the country.

An emphasis, by Railways, on capturing the entire cement traffic, moving over long leads, is necessary because this segment can be moved, more economically, by rail.
• “Own Your Wagon Scheme” of the Railways can be made customer friendly in order to invite greater private participation in making more wagons available for loading cement traffic.
• To effectively compete with the roadways, the Railways should accelerate the provision of railside warehouses, built on railway land, with the help of government and private warehousing agencies. Such warehousing will reduce the landed cost of cement to the cement companies.
• Railways should adopt a flexible pricing system by making suitable changes in their rules.
• The strategy of granting Station-to-Station rates for individual streams of traffic should be made more effective by full delegation of authority to the General Managers of the Zonal Railways.
• A large number of two point/three point combinations should be permitted from time to time keeping the pattern of demand for cement transportation in view.
• Due to the imposition of a restriction by a number of State Governments on the overloading of trucks beyond the carrying capacity of 9 tonnes for each truck, more traffic is being attracted towards railways. Railways should use this opportunity to attract additional cement traffic by adopting customer friendly strategies and by making sufficient number of wagons available for loading.
• Customers, having a monthly requirement of more than one thousand tonnes, should be specially segmented by the Railways for moving their cement requirements by rail as these customers prefer rail movement over road.
• The railway rules should be made more flexible and customer friendly. The frontline staff should be given more powers to redress a majority of the grievances of the customers. A number of customers are waiting for this improvement on to the Railways so that they can begin the movement of their cement requirements by rail.

**Threats**

• Competition is resulting in continuous loss of cement traffic to roadways over the past few years.
• The present infrastructure of inland waterways and coastal shipping system in the country is inadequate. Efforts to improve the system are on way. These
improvements can result in the Railways losing some more cement traffic for the North Eastern and some other regions to waterways.

- Planned development of national highways, on a large scale, will help heavy axle trucks to carry cement traffic, even over long leads, in competition with railways.
- The pricing policy of the roadways is highly flexible. The road hauliers can reduce their rates for carrying traffic in the empty direction of movement of trucks. The Railways, bound as they are by their rules, are not in a position to compete with roadways, in this respect.
- Railways have not been able to provide door-to-door delivery of cement traffic so far. Roadways, on the other hand, are working as total logistic providers.
- Due to the bureaucratic nature of its organisation, the Railways are not able to take prompt decisions and are, as a result, losing the goodwill of the customers.
- There are more cases of loss/damage to consignments moved by rail, thereby, causing dissatisfaction to the customers.
- Delayed settlement of claims is acting as an irritant to the customers of railways.
- Non-availability of forecast of supply of wagons for cement loading makes the distribution of cement by the cement companies difficult and uncertain.