CHAPTER-V
SALES STRATEGY

Sales executives are responsible for many activities. They participate in setting selling and profit objectives, formulating sales-related marketing policies, and designing personal-selling strategies. They build and develop a sales organisation, to carry the sales program into effect. They integrate the sales organization with the distributive network and other company marketing units (Such as advertising, Sales promotion and physical distribution.)

In discharging their responsibilities, sales executives pay inadequate attention to selling and profit objectives. Designing excellent and skillfully implemented control mechanisms increase the chances that the sales organisation will focus upon achieving selling and profit objectives. The sales budget is the key control mechanism, and quotas, properly set and administered, stimulate sales personnel to achieve sales and profit objectives. In setting sales territories sales and profit objectives. The sales budget is the key control mechanism, and quotas, properly set and administered, stimulate sales personnel to achieve sales and profit objectives. In setting sales territories management makes the control of sales operations more effective.
Sales analysis is the part of sales strategy. It detects strength and weakness, and each type of sales analysis shed light on a different aspect. Analysis of sales territories answers how much is being sold where. Analysis of sales by products answer how much of what is being sold. Analysis of sales by customers answers who is buying how much. All sales analysis relate to how much is being sold, but each answers the question in a different way. Sales analyses identify different aspects of sales strength and weakness but they can not explain why strengths and weakness exist\(^2\).

Tyre companies allow local sales managements considerable input into national level decisions on planning training, administration, and control, this reflects beliefs that success requires localized selling operations, but, of course, head office of tyre companies still influence these decisions. For example, when the product mix of an overseas subsidiary is similar to that of the U. S. Parent company, it is likely that U. S. ideas and decisions will be transplanted to the overseas market.

Product mixes are most similar when the company first enters on overseas market. This is because companies enter overseas markets with products already established in the home market; later they diversify as they gain experience in home market and still later they diversity as they gain experience in the new markets. J. K. Tyres for example entered
Asian countries with a year long test market of a radial tyres as J. K. tyres developed Asian markets, exporting from India gave way to subcontracting production in Japan and New Zealand to comply with that country’s Investment decisions.

The forms in which sales management policy is stated influences the likelihood of transfer when polices are in writing, translation help to moves sales ideas from market to market and give local managers the option of using them.

Other documents often transferred internationally include compensation packages, training manuals and administrative reports.

This chapter contains following contents:

(a) Determination of market characteristics.
(b) Measurement of market potential/demand projections.
(c) Market share estimation
(d) Studying of business trends
(e) Sale methods and policies.

DETERMINATION OF MARKET CHARACTERISTICS

The tyre industry is characterized by the dominance of a few large companies: at present, the three largest are Goodyear (based in the USA); Michelin (based in France) and Bridgestone/Firestone
(headquarters in Japan). All are global, but have strengths/weaknesses in various significant markets\(^3\). There is a further group of about four major tyre companies which are regional, rather than global.

Tyres may be divided into:

- Truck tyres (very significant market for natural rubber)
  - * Passenger tyres
  - * Aircraft tyres (a highly demanding sector which consumes considerable quantities of natural rubber most airliner tyres are reconditioned several (6 or more) times]
  - * Earthmover [Tyres have to be able to survive in a very hostile environment and employ large qualities of natural rubber]
  - * Agricultural
  - * Other
  - * Radial play construction (requires more natural rubber than :)
  - * Crossply construction
  - * Original equipment (that is for new cars and trucks, etc)
  - * Replacement
  - * Retreads
The Non-Tyre Industry: The non-tyre sector can be sub-divided into automotive and industrial sectors. It is expected that the former will be subject to considerable rationalization to meet the needs of the automotive industry which is demanding global supply and the out-sourcing of R & D activities to its suppliers.

The USA currently dominates corporate activity within this sector, but Japanese and South Korean firms are also very active. Suppliers to the automotive industry can be categorized by being global in character, highly involved in R & D, manufacture products of accredited quality, and are highly cost effective.

Manufacturers within the industrial sector on the application of knowledge, have the ability to achieve global distribution and offer a package of products.

Products include conveyor belting, power transmission belting (as used to drive car alternators), hose, extruded profiles for the white goods market (refrigerators/washing machines, etc), flooring, footwear (especially high quality, sports and waterproof), electrical insulation (cables,), medical goods, etc. Footwear tends to be manufactured in natural rubber producing countries. From the standpoint of natural rubber, an especially important sector is the manufacture of engineering components for use in sound and vibration control in structures, aircraft, rocket motors, locomotives, ships, docks, flood control barriers, etc\(^4\).
**Retreading of Tyres** : Retreading is very important of tyres especially with truck and aircraft Industries.

Retreading a tyre costs around 20% of the price of a new tyre. It is more prevalent in truck and bus segments due to their high prices. A tyre can be retreaded at least 3 times. According to some estimates, retreading has reduced demand in the replacement market by around 10%. As technology for retreading improves, it could act be a dampener to growth in replacement market.

**Radialisation** : In FY01, 63% of passenger car tyres produced in India were radials and the industry is further expecting "radialisation in this segment to over 70% in the coming two years. While in the commercial vehicles segment they are expecting 13-15% radialisation by that time.

**Peculiar Features of the Tyre Industry** :

**High Capital Cost** : The sector is capital intensive. A 1.5mn tyre per annum radial tyre plant costs Rs 8 bn, while a 1.5 mn crossply tyre would cost Rs 4-5 bn.

**Distribution Network** : With typically higher margins in the replacement market, companies need to invest in brand building and distribution network, which acts as an effective entry barrier. A nationwide distribution network and strong brand recalls are factors
critical to tyre sales. Domestic companies enjoy the advantage of an existing distribution network. Thus new entrants will have to spend higher on marketing, distribution and advertising to maintain brand visibility among foreign major.

**Cycle Nature**: Due to high minimum economic size, demand supply mismatches constantly exist. Tyre industry has a derived demand due to dependence on a cyclical auto industry. Price of petrochemical-based raw material and natural rubber also tend to be cyclical.

**Technology Intensive**: Tyre manufacturing involves sophisticated technology and now with the advent radial tyres, technology has assumed importance in tyre manufacture. Global spending on R & D is higher (more than Rs 10bn per annum by each major producer). All foreign cars introduced in India are launched on radial tyres. Tyre technology is moving fast. There is more and more emphasis on creating environment friendly tyres that will be easily disposable with minimum pollution.

The tyre industry has evolved from the more basic cross ply to the more sophisticated radial tyres. Nylon cords that impart low weight and additional strength to the tyres have also replaced Cotton ply. This industry is strongly linked to the automobile sector, this industry is also driven by agricultural and infrastructural activity that takes place in the region, as these two have an impact on the transport sector.
India Vs Global Market: The global tyre market currently is estimated at US $ 70 billion while the Indian market is around Rs. 100 million. The global market is dominated by Good year Sumitomo with a share of 22%. On the other hand, the domestic industry is dominated by MRF Ltd. Several mergers and acquisitions have characterized the global market, in the recent past[5]. This is essentially to acquire technology, gain wider access to markets and be competitive. Indian players are also reengineering their businesses and looking at strategic tie-ups in this segment.

In terms of technology, radial tyre usage has been catching up at a quick pace in the global market. Almost all the automobile segments have shifted to radial tyres and the usage of cross ply is restricted to trucks and buses only. On the other hand, in the domestic market, the radial tyres are being used only in the passenger car segment while the rest of them still stick to the cross ply variety. This is because of the lower price of cross ply and its re-treadability. In addition, the poor quality of roads in India restricts the use of such tyres.

Current Scenario:

Pricing Scenario: Pricing is influenced by the demand. Since the tyre demand has not significantly increased in the last one year, many of the tyre companies are offering discounts between 20 to 40 percent to car
manufacturers, but the car companies are trying to squeeze more discounts. The cheap imports of non-radial tyres from China are also adding to the present woes of these tyre manufacturers.

**Exim Scenario**: The export market for India has been predominantly to the USA that accounts for nearly 30% of exports from the country. These are mostly of the cross ply variety. However, of late India’s share in the US market is being threatened by China and Japan. These two countries are able to offer prices that are lower than that offered by Indian manufacturers. In addition, these two nations are logistically better placed than India when it comes to exporting to the USA. Domestic tyre manufacturers are also facing threat from imports from China and South Korea. The landed cost of tyres from China is lower than the Indian price by 30%. In addition, tyres from South Korea are imported at 30% customs duty while from other countries the duty levied is 35%. Thus in both cases the domestic tyre manufacturers are feeling the heat.

**Government Policies**: The recent budget policy of the government has also not brought much relief to the tyre manufacturers. The major issues of concern are high import duty on raw materials, ban on import of used tyres, lack of exemption in import duty for steel and polyester tyre cords (currently being imported) and imports of tyres from South Korea at lower duty.
Crystal Gazing: The future is expected to see many strategic alliances among the domestic and global players to enable them to have access to latest technology and expand their distribution network. A better distribution will also ensure easy availability. The introduction of newer auto models will significantly have a bearing on the tyres demand. The tyre companies will also be looking for tie-ups with the OEM's for better stability and long-term relationship. For instance, the international player Bridgestone has a tie-up with TATAS for supply of tyres for its model 'India'. Bridgestone has entered the Indian market in association with Associated Cement companies and has set up a manufacturing plant at Kheda in Madhya Pradesh[8]. Hyundai's associate tyre manufacturer is reported to set up operations at Sriperumbudur, in Tamil Nadu. Other multinational tyre companies are also likely to enter the Indian market viz. Michelin with J.K. Tyres and Pirelli of Italy, with Birla Tyres. Such arrangements are very essential if one has to remain competitive. The government's emphasis on improving the road infrastructure will facilitate the road transport sector that in turn will brighten the prospects of the tyre industry in the coming years.

The new Goodyear GT3 is the First tyre on the market using a new starch-based filler material called Bio TRED, which uses common corn as its “Feedstock.” The tyre is more environment friendly as it uses less of carbon black and Silica.
J.K. to Focus on Tubeless Car Tyres in the Market: J.K. Industries Ltd. is aiming to strengthen its tubeless car tyre category in first time in the market. The company will launch ten tubeless produces (SKUS) and boost its sales fourfold, from the existing 3,000 units a year. At present the company range is priced between Rs. 1,800 and Rs. 4,000, while the new price points will be upwards of Rs. 2,600.

While international car market has shifted to tubeless tyres, it is still a nascent segment in India. J.K. Bridgestone and MRF feel that once car-makers adopt the tubeless option and experience the convenience and safety features the segment grow by leaps and bounds.

The growth of tubeless tyres may well represent a second shift in the tyre market, which has already moved to radial tyres from conventional nylon-based tyres. By 2005, radial tyres will account for 88% of the market up from around 70% over the last decade.

According to J.K. Industries Ltd. general managers (marketing) Neeraj Bhatia, the company has already covered 400 dealerships and plans to cover 1,000 dealers by July 2003, JK’s service network is made up of 4,000 dealerships including 2,500 multi-brand car-tyre dealership and 100 exclusive car tyre outlets.
MEASUREMENT OF MARKET POTENTIAL/DEMAND PROJECTIONS

Demand determinants:

* Growth of automobile industry will increase vehicle population and thereby the demand for tyres in the OEM as well as the replacement markets\[10\].

* Relative importance of road transport and long distance travel by road leading to increased need to replace tyres.

* Development of export market will also enable higher capacity utilization levels.

* Economic scenario and credit availability will determine ability to purchase automobiles and in turn spur demand for tyres.

* Retreading saves up to 80% on original cost and this will have a negative impact on fresh demand.

* Radialisation increases the life of tyres and reduces the need for a replacement, which may inhibit volume growth.

Growth of Automobile Industry: Tyre is a demand-derived product. Its fortunes are closely linked with the automobile segment as can be seen from the 95.5% correlation coefficient between the sales of vehicles and tyres. Therefore the growth or fall of automobile sector is reflected in growth or fall of tyre industry. In FY01, tyre production went up by mere 2.6% yoy on the back of sluggish demand in the automobile sector.
The whole tyre market is dominated by the truck/bus segment, which formed 20.3% of total production volumes in FY01 (21.7% in FY00). This figure has dropped from a high of 28% in FY95 as the segment faced sluggish conditions since FY98. The truck/bus tyre recorded a negative growth of 4%.

On the other hand, sales in the motorcycle segment have grown robustly since FY95 on the back of increasing demand for motorcycles (20% you in FY01) from amongst others in the two-wheeler segment.

**Fluctuations in Raw Material Prices**: Prices of natural rubber, carbon black and the nylon tyre cord directly affects the prices of the tyre since these inputs constitute of 60% of the total cost. Variable cost is very high leading to thin profit margins. The price of RSS-4 variety of natural rubber remained lower as compared to previous year during most of the year.

**Relative importance of Road Transport**: With the share of railways in carrying freight coming down over the past few years, this has led to higher demand for road transport. Thus, increased usage of commercial vehicles should translate into more demand for tyres. Also, the poor road conditions in most parts of the country and overloading of vehicles would require superior quality tyres.

Retreading is replacing the worn-out thread of the old tyre with new one. The popularity of rethreading stems from the fact that it costs
only 20 percent of a new the but increases its tyres twice during its life
time, while a few flat owners even retread their. In this zealousness to
economic costs, they overlook the reality that retreading reduces the
quality of the tyre.

It is highly popular is the South unlike in the North where the
transporters overload this tucks and have to ply their vehicles in a rough
tersain an environment in which buying a new tyre is the best option.
Through retreading has penetrated 25 percent of the tyre market, it has
not made much of a dent in the rapidly growing two-wheeler and
passengers can segments.

Development of export market will also enable higher capacity
utilisation because Indian Tyre Industry mostly exports Asian countries
like Srilanka, Japan, China, Pakistan etc. these countries having heavy
demand for tyres.

Tyre demand is a derived demand, dependent on the auto industry,
both for OEM and replacement market. The major segments are Truck
and Bus (T & B) Tyres and car tyres. Value share of T & B segment is
about 73%. This segment is highly competitive and margins are typically
lower than in the car tyres segment. Replacement market forms the
largest segment (about 58%) followed by OEM (about 22%) Export
accounts for about 15%. With global demand slowing down, there is a

(179)
consideration of capacities through mergers etc. The domestic tyre Industry broadly mirrors the market characteristics of the global Industry. However, due to rough road conditions, the more rugged, suitable and cheaper cross ply tyres are in vogue. Consumption of natural rubber is, therefore, proportionately higher. The government has decided to impose 10%. Safe guard duty on carbon black and hiking benchmark prices of natural rubber (25-30% of Sales) in February 1999. Its impact was felt only to an extent as prices of these commodities are ruling at historical lows in the global market.

Market potential is the limit approached by market demand as industry market expenditures approach infinity, for a given environment.

Consider the market potential for, tyre industries in a period of recession versus a period of prosperity. In other words, in other words market demand is income elastic. The market analyst distinguishes between the position of the market demand function and movement along it.

Measurement of market potential is done by two methods.

1. Market-build up method

2. Multiple-Factor Index method.

Market-Build UP method: According to this method Tyre marketers identifying all the potential buyers in each market and
estimating their potential purchases. It is straightforward if we have a list of all potential buyers and a good estimate of what each will buy. J.K. Tyre company wants to estimate the area market potential for its Radial tyres. The first step is to identify all potential buyers of radial tyres in the Boston area. The buyers consist primarily of manufacturing establishments that have to shape or radial tyre of their operation.

The company could compile a list from a directory of all manufacturing establishments in the Boston area.

An efficient method of estimating area market potentials makes use of the standard Industrial Classification System (SIC) developed by the U.S. The SIC classifies all manufacturing into 20 major industry groups, each having a two-digit code. Each major industry group is further subdivided into about 150 industrial groups designed by three-digit code. Each industry is further subdivided into approximately 450 product categories designated by a four-digit code. For each-digit SIC number, the census of manufactures provides the number of establishments classified by location, number of employees, annual sales and new worth.

Multiple-factor Index Method: Tyre companies also have to estimate area market potentials. So the method most commonly used is a straight formed index method. A Tyre industry might assume that the market potential for tyres is directly related to number of vehicles.
(Truck, Bus, Tractor, All two wheeler tyres etc). If in India there are 50,000 vehicles, the tyre companies might assume that U. P. will be a market for more than 50,000 total tyres sold.

One of the best-known multiple-factor indicators of area demand is the Annual survey of Buying Power Published by sales and marketing management. The index reflects the relative consumer buying power in the different regions, states and metropolitan areas. Sales and Marketing Managements index of the relative buying power of an area is given by:

\[ B_i = 0.5 Y_i + 0.3 r_i + 0.21 \]

- \( B_i \) = percentage of total national power found in area \( i \)
- \( Y_i \) = percentage of national disposable personal income originating in area \( i \)
- \( r_i \) = percentage of national retail sales in area \( i \)
- \( p_i \) = percentage of national population located in area \( i \).

Suppose U. P. has 4.00% of the Indian disposable personal income, 1.5% of India retail sales, and 20% of Indian population. The buying-powers index for U. P. would be:

\[ 0.5 (4.00) + 0.3 (1.5) + 0.2 (20) = 6.45 \]

Thus 6.45% of the nation's tyre sales might be expected to take place in Uttar Pradesh.
MARKET SHARE ESTIMATION

After estimating total potential and area potential, a tyre company needs to know the actual Industry sales takes place in the market. This means identifying its competitors and estimating their sales\textsuperscript{[12]}.

The tyre Industry association will often collect and publish total industry sales although not listing individual company sales separately. In this way each tyre company can evaluate its performance against the whole industry.

Another way to estimate sales to buy reports from a marketing research firm that audits total sales and brand sales. In this way a company learns total product category sales as well as brand sells. It can compare its performance to the total industry and/or any particular competitor to see whether its is gaining or losing share.

Tyres marketers typically have a harder time estimating Industry sales and market shares. Distributors typically will not supply information about how much of competitors products they are selling. Tyre marketer's simply want to know their share relative to their leading competitor rather than relative to the whole market. They can then concentrate on estimating only their leading competitor's sales and campaigning results.

The market for the tyre industry is directly dependent on the expansion of the automobile industry. Currently in India, rising production
of all types of vehicles has followed increased road transport activity and has resulted in a growing demand for tyres. The emergence of Maruti vehicles, a number of two-wheelers—scooters, motorcycles and mopeds—have diversified the market base for the tyre industry. Earlier, the industry was dependent on truck and bus tyres, which still account for 30 percent of sales in volume and 75 percent in value. But when seen from the viewpoint of growth, motorcycle are recorded as 60% growth in 2002 over the previous year.

Similarly, light commercial vehicles have grown at the rate of 20 percent, passenger cars 22 percent and scooter tyres at the rate of 10%. The picture of market share of various types of tyres in terms of volume of production can be seen from Table 5.1.

Table 5.1: Market Share (%) Volume

<table>
<thead>
<tr>
<th>Type of tyre</th>
<th>2001</th>
<th>2002 (up to December)</th>
</tr>
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<tbody>
<tr>
<td>Trucks and buses</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>LCVS</td>
<td>06</td>
<td>06</td>
</tr>
<tr>
<td>Passenger cars</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>Jeep</td>
<td>08</td>
<td>08</td>
</tr>
<tr>
<td>Motorcycle</td>
<td>28</td>
<td>30</td>
</tr>
<tr>
<td>Scooters</td>
<td>10</td>
<td>09</td>
</tr>
</tbody>
</table>

Source: Industry estimates

There is a high level of competition in the tyre industry. The market shares of different tyre companies in two major segments are provided in Table 5.2.
Table 5.2: Market shares in major market segments (%)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1. Apollo</td>
<td>40</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Ceat</td>
<td>14</td>
<td>17</td>
<td>-</td>
</tr>
<tr>
<td>3. MRF</td>
<td>14.5</td>
<td>64</td>
<td>35%</td>
</tr>
<tr>
<td>4. Dunlop</td>
<td>13</td>
<td>16</td>
<td>20%</td>
</tr>
<tr>
<td>5. Good year</td>
<td>12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Vikrant</td>
<td>6.5</td>
<td>-</td>
<td>10%</td>
</tr>
<tr>
<td>7. Others</td>
<td>-</td>
<td>03</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Adopted from the Economic times Oct, 2003

By all the indications, the future for the tyre industry is bright. The implementation of the Eighth five year plan is expected to provide a boost to agricultural and industrial development. Increased economic activity is likely to result in higher vehicle movement and a consequent rise in the demand for tyres. The rising automobile population and the newer types of vehicles will also lead to increased demand for replacement tyre in the coming years.

Market share of a tyre industry is influenced by many factors, including technology, price (governed largely by supply and demand) and word economic and political changes. The most significant influence was undoubtedly the second world war, which led to the development of a
major synthetic rubber industry in the extraordinarily short period of four years. The tyre Industry is very much depends upon the rubber Industry the new rubber were technologically inferior to natural rubber, enabling it to regain its market dominance for a few years, but within a decade substantial improvements in the performance of synthetic rubber led to its market share passing 50%. The apparently inexorable growth of synthetic rubber market share, which reached almost 71% in 1979, was reversed by the political and economic crises of the 1970s, coupled with the changing technology of radial tyres, which required higher level of natural rubber. Economic and political changes in south east Asia also led to increased natural consumption in the Asia/Pacific region, and by end of the 1990 the market share had reached 35%. It is an interesting exercise to look at the changes that have taken place since then and to examine how the market share may change.

STUDYING OF BUSINESS TRENDS

Production of natural rubber (NR) slightly decreased during November 2002 due to adverse weather conditions. The production during November 2002 was 75,410 tonnes as against 75,525 tonnes during November 2001. However, the total production during April to November 2002 was 420,260 tonnes, showing an increase of 2% over the corresponding period of the previous year. The production provisionally estimated for december 2002 in 80,000 tonnes[15].
Consumption of NR increased to 58,470 tonnes during November 2002. The cumulative consumption of NR during April to November 2002 showed a substantial increase of 8.7%. The total consumption during April to November 2002 was 458,110 tonnes against 421,360 tonnes consumed in the same period of the previous year. The increase in consumption was mainly contributed by the automobile tyre sector which registered 14.5% growth in consumption. The average monthly production of tyre dining April to November 2002 has also increased by 16%. The consumption provisionally estimated for December 2002 is 59,000 tonnes.

Rubber goods manufacturing industry imported only 351 tonnes of NR during November 2002 at 13,176 tonnes. The export during November 2002 was 5956 tonnes and the export from April to November 2002 was 33,490 tonnes, whereas the export of NR during the same period least year was only 824 tonnes. The total stock of NR at the end of November 2002 was 135,195 tonnes.

The production of Synthetic rubber (SR) increased 6370 tonnes during November 2002 from 6245 tonnes during October 2002. However, the total production during April to November 2002 showed an increase of 14.8% over the corresponding period of the previous year. Consumption of SR slightly decreased during November 2002 form 17,365 tonnes during October 2002 to 17,160 tonnes in November 2002.
However, the total quantity consumed during April to November 2002 showed an increase of 13.2% the actual consumption being 129,550 tonnes compared to 114,435 tonnes during the corresponding period of the previous year.

In an executive summary prepared by the IRSG, (International rubber Synthetic group) says that global rubber consumption in continuing to recover in 2003, growing by an estimated annual rate of 3% in February. The improvement is evident in most regions, particularly in North America/Pacific. The growth rates of consumption of Synthetic rubber (SR) relative to Natural rubber (NR) are practically the same, following a relatively rapid rise in SR use during last year. The share of SR in all consumption continues to be stable at around 59-60%.

The total supply of rubber in the world is also up in recent months, within NR output recovering along with increasing SR production in Thailand, the leading producing country, has increased, but still shows a negative annual growth rate, compared to growth rates of 8-10% estimated for Indonesia and Malaysia.

A renewal of the decline trend in world NR stocks since the middle of 2002 may explain the recent rise in NR prices global NR Stocks are now only three quarters of the highs of early 2000. With growth of production still exceeding demand, world SR stocks have been rising steadily since the middle of the 1990s. In relation to consumption, NR stocks are now lower than those of SR stocks.
Following a winter break, which made for an uncharacteristic in price movements, the return of buyers once again pushed up NR prices. It is thought that prices were driven by reports of shrinking supply, brought on by adverse weather conditions in parts of South east Asia. The approach of wintering which would naturally reduce output as will. The majority of purchase appear to have been for prompt or near-by delivers, brought on by exporters fearing not being able to fulfill their contracts.

Going into 2003, auto demand appeared to be Slacking, especially in the passenger car and light truck sectors of Europe and the US, respectively. European sales, which had been on a year long decline are still a cause for concern especially as it appears the UK passenger car market may not be able to provide the kind of support in 2003 as it did least year.

Regarding tyre Industry, data from first three-quarters shows that the commercial vehicle sector is falling fast, led by slowing production numbers from Asia and US. The passenger car sectors is managing to hold balance. Bolstered by strong growth from Asia to come from of manufacturers. Judging from Asian Automobile output statistics, fourth quarter tyre production could also seen healthy growth.
SALES METHODS AND POLICIES

Sales-related marketing policies impact upon the functions and operations of the sales management these marketing policies dilenerate the guidelines within which the effort to reach personal-selling objectives is made there are three major types.

1. Product policies (what to sell)

2. Distribution policies (to whom to sell)

3. Pricing policies

Sales related marketing policies vary from company to company. At one extreme, the sales executive's role is not to determine, but to administer, policies laid down by higher management. At the other extreme, the sales executives bears sole responsibility for determining sales related marketing policies-subject, of course to top management's approval.

Sales-related marketing policies directly influence the jobs of sales executives. These policies provide direction as sales executives plan how the company will reach personal selling objectives, as they organize the sales effort, as they manage the sales force, and as they control the sales efforts. Clearly, these policies constitute the company imposed marketing frame work within which sales executives and the departments they lead must operate.
Product policy (What to sell): The products a company sells determine its basic nature. As its organizers Visualize opportunities to make and/or marker certain products, the company comes into existence. As it grows management makes key decisions on products whether to drop old ones, whether to add new ones, whether to expand the product line or add new lines—and on product design and product quality as well as on product related matters such as guarantees and service.

(a) Product line Policy: Product line are classified as either short line or full line. The company following a short line policy handler only part of a line, while the company with a full-line policy handles all or most of the items making up a line.

The extent to which a short-line policy should be pursued is governed by the amount of risk that management is willing to assume the narrower the line, the greater the risk. If a firm concentrates on a single product, the reward can be great, Product Specialization enables the manufacturing division to achieve low unit costs. In turn, this may make the company almost invulnerable to price competition, even though the product is of highest quality. But the penalty for failure is also great. If the product is displaced by substitutes introduced by competitions, the company finds itself “locked out” of the market.

The extent to which full line policy should be followed is determined by such factors as the number of items the sales force can
sell effectively, the need for after-sale service, the desires of middle men and product users, the expenses of promotion, and the effect on production costs. The wider the product line the more the risk is spread.

(b) Change in product offerings: All items in a product line should be reapraised at regular intervals. Reapraisals serve two purposes.

(1) To determine whether individual items are still in time with market demand and

(2) To identify those that should be dropped from or added to the line. Unless the product line is reappraised regularly, market demand may shift, and more alert competitors may capture larger market shares.

(c) Reappraising the product line and line diversification: Management maker reappraisals of the line to growth objectives. These objectives are restricted as an established product line approaches market saturation. They are restricted, too, when the industry is dying, or when competitors succeed in making permanent inroads in a company's natural market.

Some firms diversity to survive, but most diversity to expand sales or to reduce costs. If sales personal are to write orders large enough to justify the higher costs of direct selling, a new products are required. Top management assigns the sales organization a substantially larger task than
previously. When sales volume must be expanded greatly, one solution is to add new products. Sometimes, also, new products are added to stimulate the sales force on dealer organisation. An addition to the line not only has new value, it may help sales people to earn larger commission and help dealers in increasing sales and profit.

(d) **Product Quality and Service policy**: In tyre industry product quality and service are very much related. High-quality products requires less service and low-quality product requires more service. Buyers expect product performance to very with the quality, So manufactures with high-quality products have liberal service policies. Often product quality is a matter of characteristics built into a product that the buyer is unable to judge until after the purchase. Technical features are hidden, and a liberal service policy helps to reduce the customers reluctance to buy. The maintenance and improvement of product quality are important matters for sales department. If quality deteriorates the sales department because the brunt of customer and middleman dissatisfaction.

Many tyre manufacturers at least for a specified period after sales of the tyre product, they do not charge for retreading. “Free” retreading may be provided either under terms of written guarantee of a matter of policy.
Distribution policies: Who to sell.

Distribution policies are important determinants of the functions of sales department. The choice of a particular marketing channel, set the pattern for sales force operations, both geographically and as to the customers from whom sales personal solicit orders.

The decision on the number of outlets at each distribution level affects the size and nature of the sales organization and the scope of its activities. Related decisions concerning cooperation extended to and expected from the middlemen influence sales operations and sales persons jobs.

(a) Policies on Marketing channels: The initial selection, or revaluation, of marketing channels is a matter of determining which channel or channels, affords the opportunity for the greatest profit. channels in other words chosen to obtain the optimum combination of profit factor.

In tyre Industry there are 6000 dealers in the country who stock and market various kind of tyres. These dealers sell tyres to sub-dealers. Apart from the dealer network companies have established depots. These deports, which are spread over a wide geographical area, and managed by marketing personnel and service engineers.
(b) **Sales volume potential**: For each channel option, the key question is can enough potential buyers be reached to absorb the derived quantity of product. The answer are found through market analysis Raw data are secured from the company's own records, external sources of market statistics and field investigation, when these data are analysed, and after allowances are made for the strength of competitors, the potential sales volume of each channel option is estimated.

**Pricing Policies**:

Sales executives are responsible for implementing pricing policies. Sales personnel are the company employers whose jobs consist most directly of persuading buyers to accept the products at the price asked. Field sales personnel to the actual implementing of pricing polices, but responsibility for implementation is the sales executives alone.

The issue of tyre pricing has been controversial. There have been frequent price increases affected by tyre companies which have allegedly been due to an informal cartel arrangement. The tyre industry in accused of collusive price increasing on the other hand, the industry spokesman deny the allegations and claim that the increases have been due to high raw material cost and excise and sales tax.

(a) **Policy on Pricing relative to the Competition**:

Every company has a policy regarding the level at which its products are priced relative to the competition. If competition is
price-based, a company sells its products at the same price as its competitors. If there is non price competition the choice is one of there alternative prices.

1. **Meeting the competition**:

Companies competing on a non prices meet competitors prices, hoping to minimize on a nonprice basis competitor’s prices, hoping to minimize the use of price as a competition weapon. A meeting the competition price policy does not mean meeting every competitor’s prices only the prices of important competitors.

2. **Pricing under competition**: Pricing above the competition is less common but it is appropriate in certain situations a some times higher than average prices convey an impression of above average product quality or prestige. Many buyer’s relate a products quality to its price, when it is difficult to judge quality before buying. A policy of pricing above the competition needs the support of strong competition by both the manufactures and the middlemen.

3. **Price under competition**: Some marketers, at least those with sales forces willingly price under competition. However some such as in the can of local tyre Industries. For example : Deewan tyres Malhotra tyres are the local tyre their pricing strategy is that they sell the product under the price of a reputed company say MRF, Apollo, CEAT etc.
Policy on pricing Relative to costs: Every company has a policy regarding the relationship between its product prices and the underlying costs. Long run sales must cover all long run costs, but short-run sales revenues do not have to cover short-run costs. Sales revenue, of course, equal unit volume sold times price\[^{14}\]. Most companies follow a full cost pricing policy and some have contributed pricing.

(a) **Full cost pricing**: Under full cost pricing, no sale is made at a price lower than that covering total costs, including variable costs and allocated fixed costs. The reasoning is that short-run sales revenues cover short run costs, they also cover long run costs.

(b) **Promotion pricing**: Companies will temporarily price their production below the list price and sometimes even below cost. Promotion pricing takes several forms.

1. **Special event pricing**: Seller will establish special prices in certain seasons to draw in more customers. Thus lines are promotionally priced every seasons to attract customers in the stores.

2. **Cash Rebates**: Consumers are offered cash rebates to encourage their purchasing the manufacturer's product within a specified time period. Rebates can help the markets clear inventories without cutting the price. Tyre manufacturers have offered rebates several times in recent years to stimulate sales.
3. **Warranting and service contracts**: The company can promotes sales by adding a free warranty offer or service contract. Instead of charging for the warranty or service contract, it offers it free or at a reduced price if the customer will buy. This is a way of reducing the "Price".

**Policy on List Pricing**

List pricing takes a variety of forms, the two most common being that of pricing the price on the package or requiring sales personnel to suggest the resale price to buyers. List pricing is easiest to implement when the markets. Utilizes selective or exclusive in distribution, difficulties of enforcement of suggested list prices multiply with increase in the number of middlemen. Effective enforcement of list pricing means assigning the additional role of "resale price reporter" to sales force personal.

**Policy on Discounts**: A markets selling to both wholesalers and retailers may quote different prices, that is, offer different "trade discounts" to each class of customer, discounts, to be legal, must be made available on proportionately equal terms to all similar customers. Wholesalers and retailers are not similar customers each group performs a different distributive function. The law permits a manufactures to charge a higher price to retailers than to wholesaler even though some
buyers in each class may buy in the same quantities policy on trade
discounts depends on the importance of each class of buyer and on the
relative bargaining power of each class of buyer.

**Policy on Price Leadership**: Tyre marketers should decide whether
they will initiate or follow price changes. In some industries there are
well-established patterns of price leadership. In selling tyres. One
company is the price leader and is usually the first to raise or cut prices,
other industry members simply or, sometimes fail to follow, as
occasionally happens in the case of a price increase, thus causing the
leader to reconsider and perhaps to cancel the announced increased.
Generally, price leaders have large market share and price followers.
REFERENCES


