7.1 MODERN MARKETING CONCEPT

Marketing was once thought of as a business function involving the movement of goods and services from the producer to the ultimate user. Over the years, thinkers have changed their ideas about marketing. They thought of marketing as an economic activity. Peter Drucker has aptly described the purpose of modern business as one which is engaged in creating a customer, which in turn means (i) identification of customer needs, and (ii) organising the business to meet those needs.

The modern concept of marketing replaces the logic of sales concept. It starts with the firm’s existing and potential customers and their needs; it plans a co-ordinated set of products and programmes to serve these needs and it hopes to build its profits on creating meaningful value satisfactions. Thus marketing concept is a customer orientation backed by integrated marketing aimed at generating customer satisfaction as the key to satisfying organisational goals.
The present state of affairs of Indian magnesite industry has forced it to shift its emphasis from the traditional concept of product orientation to the modern concept of customer orientation.

7.2 ORGANISATION FOR MARKETING

In all the units, the marketing department is the smallest department. This is because, the functions of this department are very much limited due to the following facts.

i) number of customers is very much limited.

ii) the customers are known to the sellers individually.

iii) no need for advertising as the units establish direct contacts with the buyers.

iv) no need for the existence of intermediaries as the buyers and sellers are known to each other directly.

v) the nature of the product does not require any after sale service.

The organisation set-up of marketing department in all the units of the magnesite industry is given in chart 7.1 (given on the next page).
In two of the sample units, there are not even Assistance Sales Officers.

7.3. MARKETING PERSONNEL

Needless to mention that the sales people require special skill to persuade the prospactive consumers to sell their products. Hitherto, the magnesite industry was in the seller's market and so it did not require the specialised marketing skills. Hence the marketing people were employed in the traditional way.

The marketing department is headed by the marketing manager. The marketing managers of all the units have become so by experience in the marketing activities. The other personnel of the department are general graduates taken in afresh and trained. The clerical staff of the department are liable to transfer to other functional departments.
As quality plays a very important role in selling a product, the quality control aspect of magnesite products is taken care of by the geologists, chemists and the R & D personnel. Thus there is interrelationship between the marketing department and the quality control personnel.

7.4. SALES PROCEDURES

The products marketed by the Indian magnesite industry are:

i) Raw magnesite,

ii) Caustic Calcined Magnesite (CCM)

iii) Dead Burned Magnesite (DBM)

iv) Ramming mass, fettling mass and gunning mass.

However, the major sales come from DBM and hence all the units concentrate on the production and marketing of this product. One unit produces and sells different varieties of refractory bricks also. The major consumers of magnesite products are the refractory manufactures. They are very limited in number (less than 10) in India. This has facilitated the Indian magnesite producers to have direct contact with the customers individually. Hence the sales procedure adopted by all the units of the Indian magnesite industry is almost similar and is as simple as the one explained below.
7.4.1. SALES THROUGH QUOTATIONS

The customers, usually, approach the magnesite producers for quotations. If the quotation is accepted, the materials are supplied as per the quotations. If not accepted, negotiations are made between the seller and buyer and the terms and conditions are finalised.

7.4.2. SALES THROUGH TENDERS

At times the magnesite producers call for tenders from the consumer units. Here also, if there is a need, the company will negotiate with the tenderer and the terms and conditions of sale and supply are finalised.

7.4.3. SALES THROUGH DIRECT CONTACT

The magnesite producers also contact the customer units either over phone or through letters to get sales orders. The terms and conditions are negotiated either in a joint sitting of the buyer and the seller or through letters and a final settlement is arrived at.

7.4.4. SALES CONTRACTS

Some times with large consumers, the terms and conditions of sale and supply are finalised for a specific period, usually one year. The terms provide the basis for price escalation, mode of transport, period of delivery, quantum of supply, payments, etc.
7.4.5 (i) CUSTOMERS FOR DBM

The major portion of the sale proceeds come from DBM. DBM is consumed by the refractory manufacturers. There are a very few refractory manufactures in India. They are Tata Refractries Ltd., Bharat Steels Ltd., Bhilai Steels Ltd., Valley Magnesite Corporation, Bharat Refractories Ltd., Bhilai, Orissa Cements Ltd., Burn Standard Company Ltd., etc.

(ii) CUSTOMERS FOR CCM

The major consumption of calcined magnesite is in the manufacture of grinding wheels. To make grinding wheels magnesium chloride (Mg Cl\(_2\)) and emeries are necessary. Calcined magnesite is used as a binding agent in the manufacture of grinding wheels. Also, the climate in the manufacturing area must be conducive to make grinding wheels.

Magnesium chloride is available in the Kutch areas (sea shore) of Gujarat state. Emeries taken out from the earth are available in Jodhpur and Ajmer areas of Rajasthan. The climate in Rajasthan is conducive to manufacture grinding wheels. However, the requirements of these manufacturers is very small as the grinding wheels are manufactured on a small scale. Thus, there are around 300 small customers for calcined magnesite in Rajasthan state.
(iii) CUSTOMERS FOR RAMMING MASS

Ramming mass is used in mini steel plants for bottom making. As the number of mini steel plants in India is less than 30, the customers for ramming mass also are very less. Further, the requirements is in small quantities, that too after long intervals.

(iv) CUSTOMERS FOR RAW MAGNESITE

As raw magnesite taken from mines is used by the companies themselves to produce DBM, CCM, etc. the sale of raw magnesite is very much limited. Only low grade magnesite is sold. The customers for raw magnesite is very much limited. Small manufacturers of mosaic tiles, pharmaceuticals, animal feeds, chemical industry, etc., buy the raw magnesite in small quantities.

7.4.6. TERMS OF PAYMENT

All the units sell the products on 30 days credit. The credit sale is effected on letter of credit, bank guarantee etc., For Government undertakings the sale is made directly on 30 days credit.

For new customers either cash sale or sale through bank is made. Customers who have made default in payment are treated on par with new customers.
When customers want more time for payment, it is granted, but interest at bank rate is collected for the period of 30 days.

7.4.7. PROBLEMS IN SALES

Much difficulty is not experienced by both the parties in finalising the selling price as well as the other terms and conditions of supply. However, a major problem for the marketing department of all the units is the collection of outstanding accounts receivables. To collect the amounts they have to take much efforts through phone, letters and also in person.

Presently, the departments face very many problems in selling the products due to change in the internal and external environment of the industrial sector.

7.4.8. SALES VOLUMES

The sales made by the sample units of the industry over the past is given in Table 7.1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit I</th>
<th>Unit II</th>
<th>Unit III</th>
<th>Unit IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>407.05</td>
<td>405.63</td>
<td>865.44</td>
<td>NA</td>
</tr>
<tr>
<td>1982-83</td>
<td>321.49</td>
<td>409.26</td>
<td>985.39</td>
<td>NA</td>
</tr>
<tr>
<td>1983-84</td>
<td>311.65</td>
<td>424.50</td>
<td>1015.64</td>
<td>NA</td>
</tr>
<tr>
<td>1984-85</td>
<td>304.97</td>
<td>406.63</td>
<td>1235.32</td>
<td>1286.32</td>
</tr>
<tr>
<td>1985-86</td>
<td>473.54</td>
<td>504.10</td>
<td>1644.21</td>
<td>1311.75</td>
</tr>
<tr>
<td>1986-87</td>
<td>541.09</td>
<td>1033.47</td>
<td>2139.39</td>
<td>1362.53</td>
</tr>
<tr>
<td>1987-88</td>
<td>**</td>
<td>1454.79</td>
<td>2954.75</td>
<td>1387.40</td>
</tr>
<tr>
<td>1988-89</td>
<td>850.58</td>
<td>1881.22</td>
<td>3137.26</td>
<td>1382.59</td>
</tr>
<tr>
<td>1989-90</td>
<td>572.04</td>
<td>1808.54</td>
<td>3215.85</td>
<td>1601.41</td>
</tr>
<tr>
<td>1990-91</td>
<td>646.46</td>
<td>2001.27</td>
<td>3265.49</td>
<td>1807.25</td>
</tr>
</tbody>
</table>

Source: Records of the respective units; unpublished
NB NA - Not available
** Accounting year changed from October - September to April March
Table 7.1 shows clearly that the annual turnover of the sample units are increasing year by year during the past. However the present situation has changed.

7.5. PRICING

All the units follow the 'cost plus' method of pricing. The market conditions and the industrial policy of the Government of India are considered in deciding the 'plus' factor.

The prices are revised once in a year, immediately after the presentation of the central budget by the Government of India. This is done with a view to take care of the changes in the tax rates, duties, etc., imposed on the supporting items like petroleum products, spares of automobiles and earth moving equipments, imports of spares for heavy machineries, etc., consumed by the magnesite industry. This practice of revising the price once in a year periodically could not be followed by the units in the past few years as the central budgets were not presented in time owing to changes in the political scenes in India. Further, taxes and duties are levied and/or revised even after the presentation of budget on some items which are used in the magnesite industry. As a result, the prices are revised as and when there is a need for it.
Even though prices are determined in advance, they are followed only in the case of small buyers. In the case of large buyers, the prices are finalised after negotiation with them.

Similarly, in the case of exports also the prices are negotiated with foreign buyers.

7.6. PACKING

7.6.1 PACKING OF MAGNESITE PRODUCTS

The characteristics of the magnesite products play an important role in packing them. DBM, ramming mass, fettling mass, gunning mix etc., are non-reactive with other materials (i.e.) they will not react with any chemical or metal. Hence, they are packed in second-hand gunny bags. The quantity packed in each bag is usually 50 kgs.

This kind of packing in small quantities in gunny bags is convenient for manual handling.

Of late, the units are slowly replacing the gunny bags by High Density Poly Ethylene woven bags to protect from seepage.

The units which export calcined magnesite also pack the material in the same manner. However, these units face a problem regarding packing as the foreign buyers want the materials to be in a large size packings, called jumbo bags.
7.6.2. PACKING IN JUMBO BAGS

The foreign buyers want at least one tonne of CCM to be packed in one bag called 'Jumbo Bags'. The jumbo bags have the following merits:

i) they are water proof.

ii) they are free from seepage.

iii) the loss in handling and storage is zero.

iv) they are free from pilferope.

v) they have a longer life.

vi) they facilitate faster handling.

vii) they require lesser loading and unloading time.

viii) they can be stored in open space with tarpaulin covers.

ix) they are pollution free.

x) these bags can be reused.

However, the Jumbo packing has the following problems also:

(i) The jumbo bags to pack one tonne of CCM costs Rs.640/- whereas in the present system, the packing materials cost only Rs.250/-

(ii) The Indian customers of CCM are mostly small buyers and they do only manual handling. For handling jumbo bag packings, they have to install machanical devices which they do not prefer on cost criteria.
(iii) Also, the exporting units have to install some mechanical devices (such as elevator with hopper for filling the bag, one tonne capacity weighing scale, jip crane for weighing, fork-lifting for stocking and truck loading, etc., which will require an investment around of Rs. 6 lakhs.

(iv) As export is restricted to 5000 tpa, these mechanical devices will be used only for a short span at different intervals (as the export order shall be spread over one year) and most of the time they will be idle.

Considering the merits and demerits of the use of jumbo bags for packing, the issue must be very carefully decided and viewed from a longer perspective. Presently, the exporting units may not like to invest some amount for jumbo handling as it will increase the cost and also not a judicious investment. But, it must be remembered that if jumbo bags are not used, the foreign buyer may refuse to buy from us. Under this circumstance the cost of investment required for the new system of packing and the incremental cost of packing many be transferred to the foreign buyer by way of revising the price suitably. This will help the company not to experience any additional burden. Also, there is every reason to believe that the foreign buyer will accept this price revision as he will enjoy various other benefits mentioned earlier.
7.7. TRANSPORTING OF MAGNESITE PRODUCTS

Magnesite products are sent to the customers from the factory according to the mode of transport agreed upon. Usually, they are sent through private goods transport. Some buyers send their own vehicles to carry the goods.

However, in the case of one unit, due to the location of mines and factory, the magnesite products are stocked in a place on the plains about 100 k.m. away from the factory. The materials are brought to the depot from the factory by the company’s own vehicles. The goods are despatched to the buyers from the depot as done by other producers from their respective factories. One unit has a small stocking point at Ballabgarh (Haryana State) where nearly 500 tonnes are stocked to cater to the needs of small buyers of that area.

In all these cases, the transport cost is met by the buyers. In the case of export the goods are sent f.o.b. through ship.

7.8. CHANNEL OF DISTRIBUTION

As already stated, the Indian magnesite producers have established direct contacts with their customers. This has necessitated not to have intermediary to sell their products and hence the channel of distribution of magnesite products is as simple as: Producer --------> Actual user
However, one unit, apart from direct selling, has engaged agents called 'indenting agents'. This unit has five such indenting agents in the country.

The indenting agents act independently. They identify the customers, get orders and pass it on to the company. Then the company takes care of the customer in sending the material directly and receiving payments. Sometimes, the indenting agents inform the company about the prospective consumers and the company approaches these consumers to effect a sale. In all these cases, the indenting agents get commission for their services.

7.9 ADVERTISING

Advertising is to impact information, develop attitudes and induce action beneficial to the advertiser (R.H. Cooley, Defining Advertising Goals, 1961). It seems that the Indian magnesite industry needs no product advertisement. Because, advertising is required only when the customers are very large in number, scattered over a wide area and not known to the sellers. But in the case of Indian magnesite industry, the customers are very few in number and all of them are known to the magnesite producers individually. Further, the demand for high grade magnesite is more than the supply. Under these circumstances, the magnesite producers believe that they are not under the obligation to spend considerable
amounts on product advertising. However, the companies go for goodwill advertising occasionally.

As potential customers in foreign markets are not known to the magnesite exporting units, they advertise their products in international magazines such as 'Industrial Mineral' which has world-wide circulation. This international advertising is made once in a year or as and when necessary. Even this type of advertisement is restricted by the advertisers due to the Government control on export of magnesite.

7.10 SALES PROMOTION

According to Americam Marketing Association, sales promotion is needed only when there are more number unidentified customers, more competitors, the product is new to the market or the firm is new in the industry. As far as the Indian magnesite industry is concerned, the customers of magnesite products are few in number, there are no much competitors, the magnesite products are already in existence in the market and similarly all the units of the industry are old ones. All these facts lead to the no-necessity of sales promotional activities. Hence these units neither have separate sales promotional policies nor take sales promotional activities.
Though sales promotional activities were not cared so far, a time has now come when the units have to take much care of the sales activities. This calls for the engagement of dynamic and efficient sales people.

7.11 CUSTOMER SATISFACTION

It is a general phenomenon that human beings are not satisfied with what they get. The Indian magnesite consumers are no exception to this rule. If a customer is satisfied in one aspect, say, life of the product, he is not satisfied with price, because, when the life is more, it implies that the quality is better. When the quality is better, the price will naturally be high. So the customer may not be satisfied with the price. 'A customer needs help in solving his problems. An effective sales man recognises his customer’s problems and knows how to be of help'. Today, the Indian magnesite industry needs creative type of selling. The magnasite producing units are taking steps to convince the customers rather than satisfying them.

7.12 AFTER SALE SERVICE

The question of 'after sale service' in the case of magnesite products has no relevance because, once the products are produced, then their quality can neither be improved nor altered. There is nothing to correct the
magnesite products when their performance is found unsatisfactory. However, this aspect cannot be left unattended in the changing environment.

As a measure to satisfy customers and to improve the performance of the products to be produced in future, the sales department keeps in constant touch with its customers to know the performance of their products, where do they fail, how the performance is not satisfactory, what other problems the customers face because of the products etc. The company technicians very often visit the customers to know about the performance of the product, its life, other related problems, etc. The reactions of the customers are conveyed to the production and quality control departments. This feedback helps the company to know about the quality of their products, to identify the causes for the poor performance, the essential steps to be taken to improve the quality, etc. This endeavour is a constant and continuous one.

Apart from quality, the customers may not be satisfied with regard to other matters such as packing, transport, time of despatch, conditions of negotiation, etc. These aspects are also taken care of by the marketing departments on receiving informations either through correspondence or during their visits to customers.
7.13 EXPORTS

As already explained in Chapter 4, the export of magnesite by the Indian magnesite industry is restricted by Government policies. Based on these restrictions, the government undertakings alone export calcined magnesite to Japan, UK, etc. Even in this case the manufacture of calcined magnesite in one unit, started only from the year 1988-89 and hence it is exporting only from this year.

The quantum of export of Indian magnesite compared to the total Indian magnesite production is negligible. The exporting units share the quantity to be exported by each on the basis of "first come first served" subject to Government restrictions. Particulars of export during the past are given in Table 7.2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit I</th>
<th>Unit II</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>NE</td>
<td>25.22</td>
</tr>
<tr>
<td>1982-83</td>
<td>NE</td>
<td>30.27</td>
</tr>
<tr>
<td>1983-84</td>
<td>NE</td>
<td>49.55</td>
</tr>
<tr>
<td>1984-85</td>
<td>NE</td>
<td>47.85</td>
</tr>
<tr>
<td>1985-86</td>
<td>19.63</td>
<td>NE</td>
</tr>
<tr>
<td>1986-87</td>
<td>34.65</td>
<td>NE</td>
</tr>
<tr>
<td>1987-88</td>
<td>25.44</td>
<td>NE</td>
</tr>
<tr>
<td>1988-89</td>
<td>76.95</td>
<td>52.57</td>
</tr>
<tr>
<td>1989-90</td>
<td>46.02</td>
<td>102.99</td>
</tr>
<tr>
<td>1990-91</td>
<td>80.75</td>
<td>135.27</td>
</tr>
</tbody>
</table>

Source: Records of respective units (unpublished)

NE - No export
7.14 MARKET RESEARCH

There is no separate market research wing attached to the marketing department in any of the units. But, there is an inbuilt arrangement in the marketing departments of all the units to study the market. Informations through various sources are obtained about the new customers, new uses of magnesite, technology improvements in the magnesite and other related industries, etc. All these are periodically reviewed. This review helps the marketing department to decide what other marketing activities the department has to perform and also helps the management to decide what steps it must take to maintain and strengthen its market share.

7.15 ROLE OF MARKETING DEPARTMENT IN THE CHANGING ENVIRONMENT

The Indian magnesite industry was in the sellers' market till the beginning of nineties. But presently, it has been pushed to buyers' market not because of competition but due to the changes in the internal and external environment.

Due to improvements in science and technology, the magnesite product user industries, especially the steel industry, require only high quality magnesite. But, as the magnesite available in Indian magnesite mines are of poor quality, the Indian magnesite producers are unable to satisfy the requirements of their customers.
Further, due to the liberalisation of industrial policy by the Government of India, more imports of high quality magnesia, at a cheaper cost, are pouring in. The Indian magnesite producers are unable to compete with this imports both on quality and cost aspects. Thus, the Indian magnesite producers face many challenges.

Marketing has been viewed as an activity of the firm that seeks to interpret buyer wants and effectively respond with good products priced to yield values to the buyers and profit to the producers. The marketing departments of the Indian magnesite producers must function on these lines to make the Indian magnesite industry survive. Under the changing internal and external environment, the marketing departments have to play a significant role by finding new customers, new markets, new users for the magnesite products, etc. In short, the marketing departments of all the units of the Indian magnesite industry must be creative and dynamic.
REFERENCES


2. ibid, P.4.2

3. Philip Kotler, Marketing Management (Analysis, Planning and Control), Printice Hall of Indian Ltd., New Delhi, 1974, P.47.

4. ibid, P.705

5. ibid, P.803