

Selling and Distribution Challenges at Pliant-tech India- A Case Study

Dr. Kishor Barad

Shanti Business School
Opp Vraj Gardens, SP Ring Road,
Shela, Ahmedabad

Abstract

Pliant-Tech India is an ISO 9001:2008 leading global plastics manufacturer of Seadart brand of double-walled insulated tubs and pallets for a wide range of food processing, industrial and logistics applications. The company had been facing severe competition from the indigenous enterprises in selling and distributing its insulated tubs in India. The customer segments of Pliant-Tech were fishing industry, poultry farms, ice cream manufacturers and ice cream vendors. The National Sales Manager and his team had been aggressively trying to directly sale the product to primary customers, develop the distribution channels and push the product, but were partially successful in their endeavor. The dealers perceived the Seadart products to be of low margin for the trade and 35 per cent costlier for the customers as compared to the products of indigenous players. The case narrates and describes the challenges and difficulties Pliant-Tech India was facing in selling and distributing the Seadart brand of insulated plastics tubs amongst its customer segments in India.

Keywords: Selling, Distribution, Case, Pliant-Tech, Challenges

Introduction

Pliant-Tech India is a wholly owned subsidiary of Pliant-Tech Global located in Akureyri city of North Iceland. Pliant-Tech Global had commenced its operations in 1984 to manufacture the first double-walled, insulated plastic tubs for storing fish in Northern Europe. The product was well accepted in the fishing industry of Northern Europe as it was found to increase the quality lifetime of the fish. Within a short span of its launch the product was a grand success in the Iceland market and hence was in high demand. The company received very good response from the fish industry of neighboring countries and started exporting in those markets.

In 2004, one of the Iceland investment company bought majority stake in Pliant-Tech Global and acquired other local plastic manufacturing companies, transforming the company into the holding company. The new company was named as Pliant-Tech Global Group. The management of the newly formed group decided to diversify the product portfolio by adopting better plastic manufacturing technology in addition to the existing Roto Moulding, like Injection Moulding, Blow Moulding and Thermoforming. In North Iceland, the company

manufactures a wide range of packaging products for food, cosmetics, chemicals, pharmaceuticals, parts and components for the automotive, heavy machinery and electronics industries. Pliant-Tech Global Group is known for its innovations in plastics products. The group has established 41 factories in 20 countries across Europe, North America, Asia and Africa. The group employs a work force of more than 3,800 people across four continents.

Pliant-Tech's Indian operations were established in 1998 by setting up 1200 tonnes per annum capacity Rotational or Roto Moulding manufacturing facilities at Kalol, District Gandhinagar. The company manufactured and marketed premium quality double walled insulated plastics tubs and pallets at its Kalol plant. The corporate office of the company is located in Ahmedabad, Gujarat, India. The primary business goals of the company in India were to achieve 35 to 40 percent year on year growth, diversify the product mix and develop new products. The annual turnover of the company from Indian operations for the year 2012-13 was Rupees 250 billion. The company conducts its business ethically and abides by all the business legislations applicable to the industry in India.

Indian Plastics Industry

The Indian Plastics Industry chain consists of two primary segments, namely the upstream which is the manufacturing of polymers and the downstream which is the conversion of polymers into plastic articles. The size of Indian plastics processing industry was 12.50 million metric tonnes per annum in volume and of Rupees 10, 00,000 million in value during 2012-13. The Indian plastic industry is highly fragmented with an average production capacity of 200 tonnes per annum.

According to the recent British Plastics Federation report, titled "Plastics Industry in India" there were 25,000 micro, small, medium and large size plastics manufacturing and processing units in India. The industry employs more than 3 million people directly and indirectly. The Gujarat state is the leading plastics processing hub and houses more than 5,000 units of plastics manufacturers. The report further states that the current per capita consumption of plastics in India is only 8 kilograms and is expected to increase to 16 kilograms per head by 2015. The growth rate of Indian Plastic Industry is one of the highest in the world and the plastics consumption is growing at 16 percent per annum as compared to China's 10 percent growth. In India, around 58 percent of the plastics manufacturers use injection moulding technology, followed by 30 percent using extrusion processes and 10 percent using blow moulding processes. The plastics in India are consumed through various applications. Out of the total plastics production in India in different forms, 24 percent is used in packaging, 23 percent in agriculture, 16 percent in electronics, 10 percent in house

ware, 4 percent in transportation, 1 percent in furniture and 14 percent for other applications.

Market Potential

The insulated plastics tub is a niche product of plastics processing industry although it has variety of applications. The insulated tubs are primarily used for manual cooling and preserving food and drinkable products. Few applications of the product are mentioned below.

Storing and transportation of soft drinks, ice creams packs, milk and dairy products and water pouches.

Storing and delivery of perishable food items like fish, meat and chicken.

Storing and delivery of hot and cold meals for restaurants, railway canteens and cafeterias.

Storing and delivery of designer ice cubes for restaurants, bars, pubs and night clubs.

Used by street hawkers, mobile vendors and temporary stalls for storing and chilling.

Used in remote and rural areas for storing and chilling food articles, especially where there is no electricity supply.

The nature of the demand for the product is dependent on primary users, fluctuating and seasonal. The demand fluctuates according to cooling and preserving needs of dairy industry, fishing industry, poultry farms, food processing units, local ice cream manufacturers, mobile ice cream vendors etc. Due to non-availability of exclusive and precise vital marketing statistics of the product within the industry, the sales department of Pliant-Tech India was finding great difficulties in forecasting and estimating the accurate demand of the product. The annual sales plans of the company were prepared on the basis of opinions and experiences of National Sales Manager (NSM) and Regional Sales Managers (RSM). The Field Sales Executives (FSE) provided valuable sales and demand information that they collected from their respective sales territories.

Target Markets

Amongst the major customer segments, company predominately targeted small fishing boats, cottage and small ice cream manufacturers, mobile ice cream vendors and food processing chains in the states of Gujarat, Rajasthan, Maharashtra, Bihar, Punjab, Uttar Pradesh, Haryana, Karnataka, Tamil Nadu, Kerala, Goa and West Bengal. The company's sales efforts were focused on fishing industry chain during the months of August to April and small ice cream manufacturers and mobile ice cream vendors from March to June every year. Small quantity of

product was demanded round the year from other segments of food processing industry. The prime customer target groups of the company were highly price sensitive.

Major Competitors

The major competitors of Pliant-Tech India are Allwin Roto Plast, National Plastics, Kedar Plastics, Sintex Industries Ltd, Nilkamal Plastics, Penta Plastics Technologies and New Jam Plastics. The competitors mostly use Roto Moulding Technology which is not very capital intensive and easily available indigenously. Kedar Plastics and Allwin Roto Plast are registered as small scale units and hence are exempted from paying 12.36 percent excise duty on the product. The other taxes levied on the product are 2 percent central sales tax against form 'C' or 5 percent VAT. The market price of 100 liters insulated tub of Kedar, Nilkamal and Seadart is around Rupees 600, Rupees 800 and Rupees 2000 respectively. National, Nilkamal and Sintex Industries are highly diversified companies with well established sales and distribution channels. These companies are leading plastics products manufacturers in India and known for their quality products. The National Sales Manager of Pliant-Tech India was of the view that many of the Indian plastics products manufacturing companies could keep the cost of their products low by violating many business legislations and non-complying with many of the quality standards prescribed by regulatory bodies in India.

Product Quality

Pliant-Tech India manufactures and markets superior quality cost effective insulated tubs that can retain the original quality and freshness of the food products. The Seadart tubs were manufactured from virgin quality of polyethylene material with double layer of glass wool that gave the tubs much needed strength and temperature control mechanism. The company had designed different models of tubs for different applications and product groups. The Seadart tubs have extra durability and high impact strength.

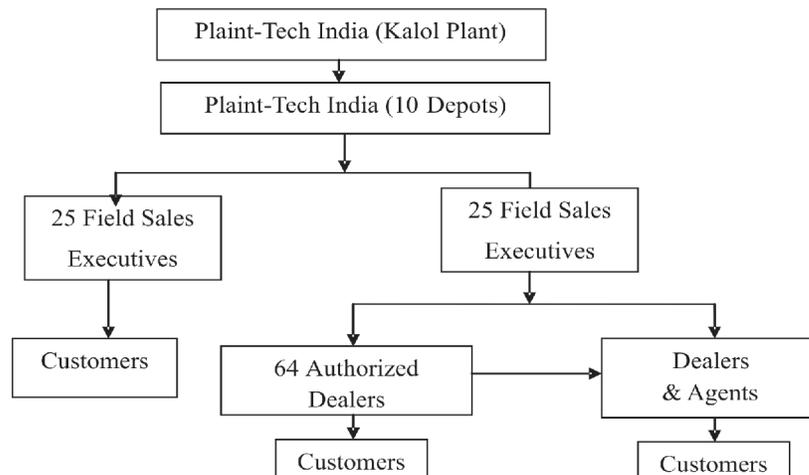
The company claims to have low maintenance cost of its tubs as it has smooth surface that makes cleaning easy. The tubs of Pliant-Tech India are manufactured from recyclable material. The Seadart products are approved by European Union and Food and Drug Administration, Department of Health and Human Services, United States of America. The Seadart tubs carry features like easy to stack, have a vending lid, palletized bottom, convenient drainage hole, unique locking system and are easy to handle and lift. Pliant-Tech India manufactured and marketed twenty six different models of tubs ranging from 26 liters to 1630 liters. The company has recently launched a new product called “freezer on wheels” (FOW) in selected markets of North India. The FOW is targeted at local ice cream makers and mobile ice cream vendors.

Distribution Channels

The company primarily used direct selling method to sale the insulated plastics tubs. Approximately 60 percent of tubs were sold through direct selling and remaining 40 percent sales was made through distribution channels. The company had employed 25 Field Sales Executives (FSE) for direct sale of the products to end users, dealers and commission agents in various territories. The company had appointed around 64 authorized dealers and few commission agents to stock and sale Seadart tubs. The Seadart tubs were approved by Fisheries Department of Gujarat, Maharashtra, Goa and Tamil Nadu hence were eligible for government subsidies if fisherman purchased it from authorized dealers of the company.

The company had established 10 depots, which were owned, managed and operated by the company. The products of Pliant-Tech India were dispatched from these 10 depots to various direct customers, dealers and commission agents in the respective geographical territories. The distribution channel of Pliant-Tech India was as under:

Distribution Channel Chart



The company gave on an average 25 percent margin to the authorized dealers, 15 percent margin to dealers and 10 percent sales commission to agents.

The company had established four regional sales offices one each in North, South, East and West India. The regional sales offices were headed by Regional Sales Manager (RSM). The organization structure of marketing department of the company has been appended in appendix 1. The company targeted reputed fishery hardware and consumables stores, general hardware dealers, plastics products dealers and material handling products dealers as potential targets to be appointed as authorized dealers for Seadart tubs. The company followed 'Authorized Dealer Appointment Policy' for appointing the trader as authorized dealer for Seadart tubs. The FSE placed in different territories identified and approach traders engaged into the trade with similar customers and products. The FSE in consultation with RSM of the company assessed the prospective dealers on various parameters like financial reputation, market reputation and personal assessment. The RSM and FSE collected detailed information of the potential dealer in the specified format and sent it to the NSM. The NSM in turn evaluated the information of potential dealer and if found suitable, the trader was appointed as Authorized Dealer to sale Seadart tubs. The company issued authorized dealer certificate to such dealers. Pliant-Tech India provided following benefits to its authorized dealers:

1. Pliant-Tech India provided POP materials and indoor wall painting of authorized dealer's outlets.
2. Training was provided by the company to the newly appointed authorized dealer related to technical specifications of the Seadart tubs, use of the product and maintenance of the tubs.
3. The company provided local advertisement and sales promotion support.

The company gave 30 days credit to all its authorized dealers. The authorized dealers were permitted to appoint dealers and commission agents under them and sale Seadart products through them. The dealers were multi-brand dealers and also stocked and sold competitors products. Frequent incidences of under cutting between the authorized and un-authorized dealers occurred, fueling unhealthy trade practices. The company had no control over such transactions. In spite of extensive marketing and sales policy for the channel intermediaries, it was very challenging to control the whole channel mechanism. "We had witnessed channel conflicts in the past as authorized and un-authorized dealers at times became each other's competitors," said the NSM of the company. Therefore sales department of the company was poised with the challenges of the controlling its own distribution channel on one hand, facing the

competition from the indigenous small units on the other hand and also challenges thrown by other reputed big brands. The National Sales Manager was concerned of retaining its current market share and under pressure to increase sales of tubs. Maintaining harmonious relations amongst the channel intermediaries was one of the biggest challenges for sales department of the company.

Promotions

Personal Selling strategy was primarily used to market and sale Seadart tubs. Additionally, company extensively promoted its products locally through mobile vans and kiosks in fishing harbors, fish markets, local ice cream vendor's locality and in fish processing estates. The objective of these methods was to create product awareness and generate leads from fishing belts of the country and local ice cream vendors. Display of product posters, banners and real product at authorized dealer's outlets was another important method used to promote the product. Wall painting in coastal towns and villages was done and POP materials in local language were distributed. The company also participated in exhibitions and trade fairs of food processing and material handling equipments.

Sales Force

The NSM was commerce graduate with 10 years of sales experience and fluent in Gujarati, Hindi and English languages. On the other hand majority of FSE were graduates with sales experience ranging from 3 to 5 years and fluent in Hindi and respective regional languages. The NSM complained on the following inabilities and inefficiencies of the FSE:-

1. FSE frequently demanded huge discounts.
2. Poor communications, negotiation skills and ineffective presentation skills.
3. Highly non-responsive and non-adoptive to systems and processes of the company.
4. Lacked creativity, vision and strategic mind set. The FSE rarely contributed to new product development discussions and debates.
5. Poor planners and didn't utilize time efficiently.

The compensation plans of the company for sales executive were at par with the industry norms and consisted of fixed and variable pay. The company offered very conducive work environment, plenty of freedom to work on the field and personal growth opportunities. The company frequently organized sales training for the sales force.

Future Ahead

The future of Pliant-Tech India is full of opportunities and challenges. The company will have to promptly address

existing problems pertaining to competition, sales and distribution by revisiting its marketing and sales strategies and align them with its overall business strategies so that current performance is sustained. The additional growth for the company may come by tapping the untapped market of insulated plastics tubs in India or by exporting or both. The consumption of plastics and its products is increasing at 16 percent per annum in India across many sectors. The sectors like plasticulture, infrastructure and packaging are expected to drive the growth of Indian Plastics Industry in coming decade. The company can grab this opportunity by diversifying its markets, product lines and mixes.

selling and distributing Pliant-Tech's products in India.

Q2. Evaluate the marketing, sales and distribution strategies of the company. Are they appropriate? Justify.

Q3. If you were the NSM of the company, which strategies you would have used.

Q4. Do you agree with NSM's complain about the inabilities and inefficiencies of FSE? If yes, suggest measures to overcome them.

Q5. As a consultant what would you suggest to Pliant-Tech for its future growth?

Questions

Q1. Identify the real causes that have created turmoil in

Appendix 1

MARKETING ORGANIZATION STRUCTURE

