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FORMULATION AND IMPLEMENTATION OF SALES AND MARKETING STRATEGIES FOR TIDE WATER OIL COMPANY (INDIA) LTD.

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This project presents a marketing plan based on primary research, which focuses on the market development of a new product, and increase market share of Tide Water Oil Co. (I) Ltd. (TWOCIL) into the existing automotive market. This project is intended to identify factors that influence the sales promotion management. This project focuses on the product category. This dissertation work provides an illustration of the wide variety of promotions launched in the Ajmer market place. To achieve the object of project, various types of market-oriented strategy and sales promotion strategy had been implemented in Ajmer territory during the entire project period.

Keywords: Marketing mix strategies, Market share, Sales equation, Sales promotion

INTRODUCTION

The Indian automotive industry has been growing for the third year in succession at over 25%, in 2011. One of the major changes in the industry has been the opening up and growth of several emerging markets. The Government of India's new automobile policy attracted a large number of automobile companies to India (Mukherjee, 2005). Peter Drucker called the automobile industry as "The Industry of Industries". India and China are seen as lucrative markets for the consumer goods and are tipped to be future growth engines for multinationals across the world. But before detailed research studies can be done in different contexts with different types of promotions, one must have some knowledge

about the promotional trends prevailing in the specific context. It is important to note that the Indian market is different from the West in several respects. India, with a population of more than 1 billion and a 300 million middle-class, is a rapidly growing consumer market. It is one of the six fastest growing economies of the world and fourth in terms of GDP at Purchasing Power Parity (Mukherjee, 2005). Marketing is planning and managing the organization's exchange relations with its clientele. It studying the target market's needs, designing appropriate products and services, and using effective pricing, communication, and distribution to inform, motivate, and serve the market. The American Marketing Association defines marketing as those

¹ Mechanical Engineering, JIT Borawan, Khargone.

activities, which direct the flow of goods and services, from production to consumption.

The following are vital concepts:

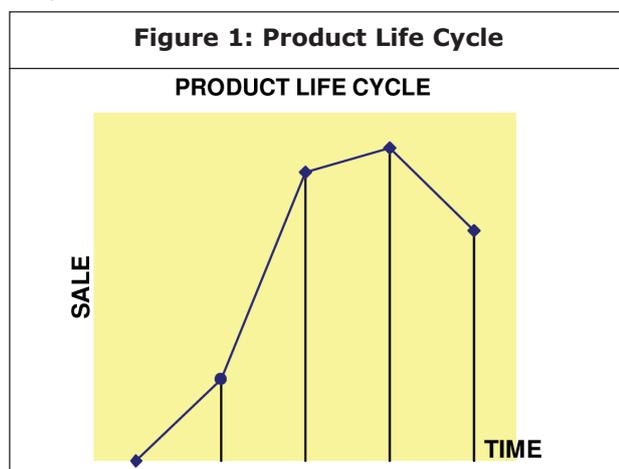
1. Marketing Activities
2. Principles of Marketing Management
3. Marketing Techniques
4. Marketing Strategy
5. Creating a Market

Table 1: Four Introductory Marketing Strategies

		Promotion	
		High	Low
Price	High	Rapid Skimming Strategy	Slow Skimming Strategy
	Low	Rapid Penetration Strategy	Slow Penetration Strategy

PRODUCT LIFE CYCLE

Figure 1 shows how a product travels its life with respect to time.



INTRODUCTION GROWTH MATURITY DECLINE

The PLC depicts a products sales history through four stages, they are [7/-350-363]

1. Introduction;
2. Growth;
3. Maturity; and
4. Decline.

Introduction Stage

Launching a new product (from brand or category) is called the introductory stage. In launching a new product, marketing management can set a high or low level for each marketing variable (price, promotion, distribution, product quality). Considering only price and promotion, management can pursue one of the four strategies shown in table.

Growth Stage

If a product has been launched successfully, the sales begin to increase rapidly in the growth stage as new customers enter the market and old customers make repeat purchases. New dealers and distributors may need to be added; new pack sizes may need to be introduced. This is the stage of peak profits

Maturity Stage

The maturity stage can be divided into three phases. In the first phase, growth maturity, the sales growth rate starts to decline. There are two new distribution channels to fill, although some laggard buyers still enter the market. In the second phase stable maturity, sales flatten on a per capital basis because of market saturation. In the third phase, decaying maturity, the absolute level of sales starts to decline, and customers start switching to other products and substitutes.

Market Modification: The Company might try to expand the market for its mature brand by working with the two factors that make up sales volume.

$$\text{Volume} = \text{number of brand users} \\ \times \text{usage rate per user}$$

Decline Stage

This is the final stage in the life cycle. Product forms and brands typically enter into decline stages while product categories last longer. Competitions results in product forms and brands entering the decline stage.

Sales and profits decline rapidly and competitors become more cost conscious. Brands with strong acceptance by some customer segments may continue to produce profits.

METHODOLOGY

The Sales Equation

To use the profit equation for planning purposes, it is needed to develop a model of the variables affecting sales volume (Q). The relation of sales volume to these variables is specified in a sales equation: [7/A- 2]

$$Q=f(X_1, X_2, \dots, X_n, Y_1, Y_2, \dots, Y_m) \quad \dots(1)$$

where

(X_1, X_2, \dots, X_n) = sales variables under the firm's control

(Y_1, Y_2, \dots, Y_m) = sales variables not under the firm's control

Y variables include the size of the target market, its income, competitor's prices, and so on. As these variables change, it will assume that estimated Y variables and their effect on sales volume, which is conveyed by

$$Q = f(X_1, X_2, \dots, X_n | Y_1, Y_2, \dots, Y_m) \quad \dots(2)$$

This equation says that sales volume is a function of the X variables, for given levels of the Y variables.

The X variables are the variables that we can set to influence the sales level. The X variables include the list price (P), allowances (k), variable cost (c) (to the extent that high variable costs reflect improved product quality, delivery time, and customer service), and marketing expenditures (M). Thus sales, as a function of the controllable variables, are described by

$$Q = f(P, k, c, M)$$

The marketing budget, M, can be spent in several ways, such as advertising (A), Sales promotion (S), sales force (D), the sales equation is now

$$Q = f(P, k, c, A, S, D, R)$$

where the elements are in the parentheses represent the marketing mix. Effectiveness of each variable with respect to this project is given below;

Price: Price is uncontrollable variable and it depends on base oil price in international market, which is fluctuating regularly.

Allowances: Allowances depends on potential and growth rate of territory.

Variable cost: There is no influence of this variable in lubricating sector.

Marketing: This is the only area where company is highly interested to spent heavy budget for market development.

Overall Market Share Analysis

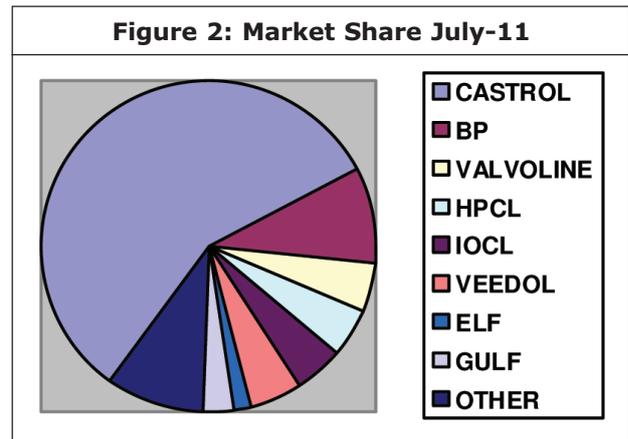
The Company's overall market share is its sales expressed as a percentage of total market sales.

Overall market share can be measure by Kotler (1998).

$$\text{Overall market share} = \text{Customer Penetration} \times \text{Customer Loyalty} \times \text{Customer Selectivity} \times \text{Price Selectivity}$$

where

1. Customer penetration is the percentage of all customers who buy from the company.
2. Customer loyalty is the purchases from the company by its customers expressed as a percentage of their total purchases from all suppliers of the same products.
3. Customer selectivity is the size of the average customer purchase from the company expressed as a percentage of the size of the average customer purchase from an average company.
4. Price selectivity is the average price charged by the company expressed as a percentage of the average price charged by all companies.



According to the data based on survey, which is done in July 2011, the lubricating company has following marketing share in Ajmer territory,

A market survey is done to analysis the present market characteristics and trends and weaknesses of TWOCIL in Ajmer territory. This market survey is done on selected retailers and mechanics based on their volume consumption. Following are the point discussed during market survey. [7/-115]

1. Loyal customer: Castrol and other competitor have loyalty-based scheme for dealer and retailer for every year which create a strong bond between them.
2. Sales Promotion activity: Competitor companies are highly interesting in promotion activity. There focused areas are
 - a. Advertising
 - b. Public image
 - c. Sales force
 - d. Premiums, coupons
3. Buying Behavior
 - a. Brand preferences
 - b. Brand attitudes

No.	Company Name	Quantity/ Month	Minimum Market Share
1.	Castrol India Ltd.	60-65kl	57.14%
2.	British Petroleum	10-15kl	9.52%
3.	Tide Water Oil Co. (I) Ltd.	05-06kl	4.76%
4.	HPCL	05-07kl	4.76%
5.	IOCL	05-08 kl	4.76%
6.	Valvoline	05-06kl	4.76%
7.	Elf	02-03kl	1.90%
8.	Gulf	03-04kl	2.85%
9.	Local brand	10-15kl	9.52%
	TOTAL	105-110kl	100%

- c. Product satisfaction
- d. Brand awareness
- 4. Distribution
- 5. Brand name
- 6. Demand analysis
 - a. Market potential
 - b. Sales potential

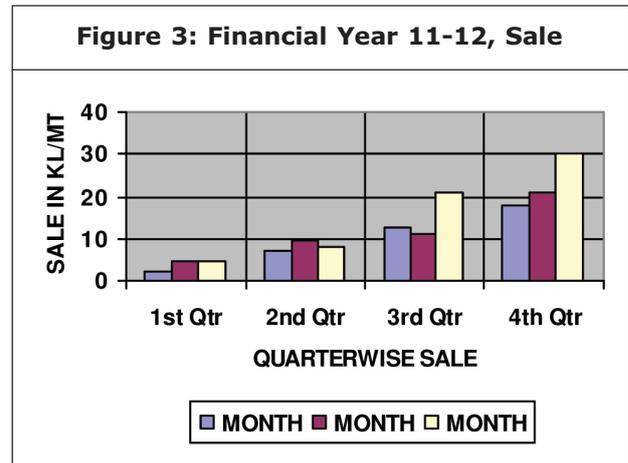
RESULTS AND DISCUSSION

Various sales and marketing strategies had formulated and implemented for Tide Water Oil Co. (I) Ltd. in Ajmer territory, since July 2011. Due to these strategies TWOCIL got success in developing market for premium product. Tide Water enjoyed continuous growth in its market share. Now Tide Water is the second leader company in lubricant segment after Castrol in Ajmer territory. These result-oriented strategies are;

1. Market-Oriented Loyalty based Strategy “Veedol Champion Club”.
2. Veedol Take off 4T Plus-SL “CAMPAIGN PROGRAM”.
3. Veedol Take off 4T Plus-SL “TOP GEAR BONANZA CLUB”.
4. Veedol “Display Scheme”.
5. BUSINESS PROMOTION TOOL-Veedol “TRADE SHOWS”
6. Business Promotion Tool offered for Consumers.
7. Business Promotion Tool offered for Trade based on competitor strategy.

Due to implementation of these strategies TWOCIL increase its market share from 4.76% to 21.92% in nine months.

Our month wise sale evaluates our performance and effectiveness of our marketing strategy along time scale. Our sale graph increase linearly with slight fluctuation due to demand change.



QUARTER WISE INCREASE IN SALE

Quarter Wise Sale 2011-12

Since in 1st Quarter there is no marketing strategy implemented in Ajmer territory and in first quarter, our average sale is 3.8 kL per month. Our customer base in first quarter is 60. Quarter wise sale 2011-2012.

In 2nd quarter we had started campaign program and trade show in various location. This is our first entry in that market with fully loaded promotion tools. But still our customer base is low. And we are fighting for company’s reputation. In this quarter our average sale increases from 3.8 kL to 8.1 kL per month. Our growth percentage is 113.15.

In 3rd quarter we got fixed sale of 12 kL with slight variation in demand. This is our peak time for penetration. In this we increase our customer base up to 200. We enjoyed continuous demand

Table 3: 1st Quarter 2011-12

Month	Year	Group A	Group B	Group C	Gn. Oil	Total
April	2011	164.2	2015	28	144	2351.2
May	2011	416.4	3828	54	288	4666.4
June	2011	305.4	3527	82	522	4436.4
Total		886	9370	164	954	11454

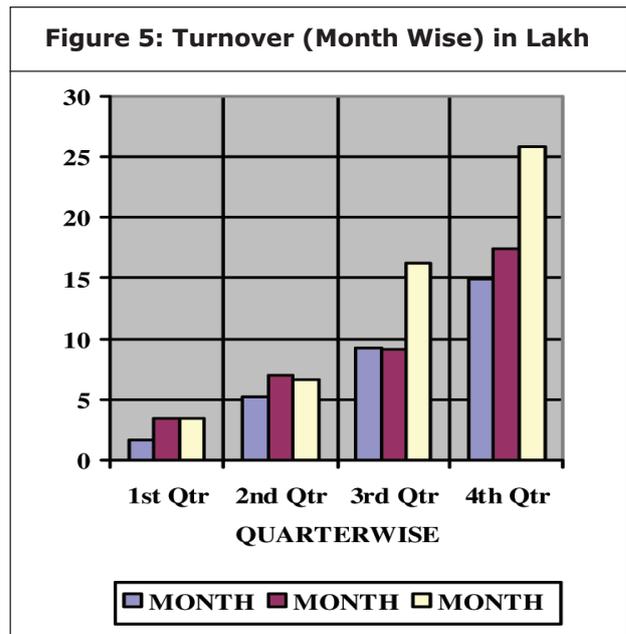
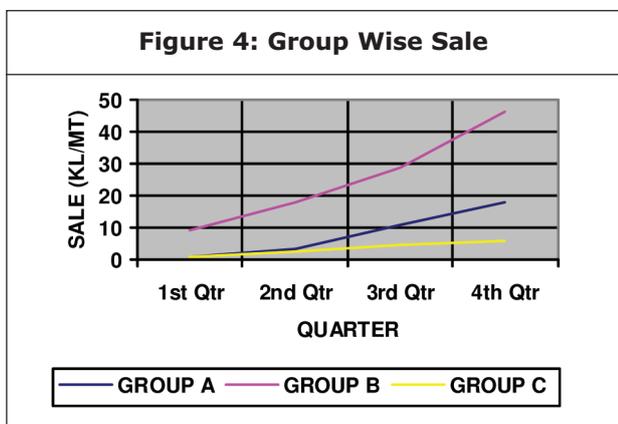
Table 4: 2nd Quarter 2005-2006

Month	Year	Group A	Group B	Group C	Gn. Oil	Total
July	2011	506.8	5647	82	810	7025.8
Aug	2011	1466.4	6898	152	594	9310.4
Sept	2011	1436	5339	56	1098	8161
Total		3409.2	17884	290	2502	24497.2

Table 5: 3rd Quarter 2005-2006

Month	Year	Group A	Group B	Group C	Gn. Oil	Total
Octo	2011	2922.6	7824	210	1008	12384.6
Nov	2011	2386.5	7780	324	798	11345.5
Dec	2011	5552.2	13213	1302	957.9	21147.1
Total		10861.3	28817	1836	2763.9	44877.2

of our premium product, which is generated due to our sales and marketing strategy and tools. Our average sale increase from 8.1 kL to 14.9 kL per month. Our growth % for this quarter is 83.95.



This graph shows the successive growth of our group-wise product based on champions club. Blue line represent Group A product which growth is observed continuously from 2nd quarter. Pink line represent Group B product whose maximum growth observed during 3rd and 4th quarter. Yellow line represent Group C product.

Growth in turnover indicates the increase in market share of Tide Water Oil Co. (I) Ltd. In Ajmer territory. This increase in turnover also evaluates the performance of various marketing strategies.

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