

The growth of Mysore sandal factory in Bangalore – A diagnostic study

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Abstract

In this fast growing economy everyone are keen to start a business and become entrepreneurs with this regard are have taken up a particular company named “Karnataka soaps and Detergents Limited” which help to know the strategy adopted by the company to withstand in the market for longer period and to know how the company overcome from their short comings or competitors. This research helps us to know the logistics management, establishing the product to international market. Through this we can understand overall position of the company and we do understand current trend in the business.

Keywords: Genesis, logistics, strategies for success

Introduction

Genesis

During the First World War India stopped exporting sandal wood to England. Because of this, huge sandal wood accumulated in our country. Sandalwood was grown mainly in Karnataka, Kerala and Tamilnadu etc. To make use of these sandal wood the government sandalwood oil factory was established by Maharaja of Mysore his highness Nalwadi krishnaraja wodeyar and Diwan sir. M. Vishweshvaraya, during the year 1916 at Mysore to extract sandalwood oil from sandalwood. The Maharaja of Mysore was keen to propel Mysore state on the global map, by introducing “The World’s Best Natural Sandal Wood Oil” And To Make It As A “Fragrance Ambassador Of India”. The first experiment for extraction of sandalwood oil from sandalwood was successfully conducted in Indian Institute of science Bengaluru, under the leadership of professor Suddourough and Professor Watson. The high quality sandalwood oil with British pharmacopeia was introduced to the world by the Government soap factory, Mysore.

During the year 1918, a foreign guest presented a rare gift pack of soaps made by using sandalwood oil produced in our country to his highness, the Maharaja of Mysore. This has sparked the idea of utilizing the available natural sandal wood oil for making soaps in the home state of Mysore. Sri. S. G. Shastry, who was a qualified industrial chemist, was sent to London for an advanced training on soap and perfumery technology. With the return of S.G. Shastry from London, the era of Mysore sandal soap began, Sri. S.G. Shastry had developed sandal perfume, which was considered as a land mark in the field of soap perfuming in those days. The first indigenous SANDAL SOAP was produced and introduced in the market under the brand name of “MYSORE SANDAL SOAP” during the year 1918.

Government soap factory was converted into a public sector enterprise and the company was incorporated on 9th July 1980 and re-named as Karanataka Soaps And Detergents Limited.

The KS&DL has a wide range of products. Its products are classified as premium soaps and popular soaps. Under premium soaps Mysore sandal soap, Mysore sandal classic

(translucent) and in 1999 the company has launched Mysore sandal gold soap and Mysore sandal Baby soap in the premium category. The popular soaps are Mysore sandal rose, Mysore sandal herbal care, wave turmeric soap, wave lime soap, Mysore sandal carbolic soap, Rose guest tablet. The company also have a variety of products like Mysore Detergent cake (MDC), point excel detergent powder, Mysore sandals room freshner, Mysore sandal baby powder. In 2008 the company has introduced liquid hand wash under the trade name of Herbal hand wash and Rose hand wash. Company has also introduced liquid detergent under the trade name of KLEENOL with different variants for floor and dish wash. And it has also introduced agarbattis named as Mysore sandal premium, Mysore sandal regular, Rose regular, Jasmine regular, and sir. M.V-100, Nagachampa, Jasmine rolls, Mysore sandal dhoop, Meditation sandal export. In January 25, 2012 KS&DL launched a new product named “Millennium” priced at Rs720 per cake of 150 grams. In 2006 the company got first award for its outstanding export performance. In 2010 the company was awarded “The Karnataka Chief Ministers Ratna” award for its excellence.



Geographical Indication Registry

Mysore sandalwood oil and Mysore sandal soap were accredit with Geographical Indication Registry on January 30, 2006 as intellectual property of India as per the Geographical Indication of goods (Registration and protection) Act 1999, also the company has been accredit with ISO 9001:2008 for quality management system and ISO 14001:2004 for Environmental management system. It’s recognition for both the products and the Royal city of Mysore.

Objectives

1. To know the substantial growth of the company.
2. To know the practice of supply chain management done by the company.
3. To analyse the reason behind decrease in the sales.
4. To understand product line and product width of the company.
5. To know the strategy adopted by the company to expand its business internationally.

Distribution chain of the company

The company was started in 1916, but the actual or real production started in 1918. Beginning of this period the distribution was totally different, the company had some authorized distributor in each state like for entire Karnataka. There are only 2 stockists and in every state capital one person was appointed. The stockist used to, come the company directly and pay the money and take the stocks.

During 1974 the company handed over its distribution to a professional company Mysore Silk International Ltd (MSIL) because of changes in market scenario. Those days MSIL had a braches all over the India and they had professional team of persons and KS&DL used to send the stock directly to MSIL. There they used to bill the stock and do the distribution.

Around in 1987 and 1988 the KS&DL Company faced the problem with MSIL because they were the only one channel of distribution. The company have to take care of their 5% to 7% margins, stockist margin, the retailer margin and then company's profit. Whenever the production cost is high the company wanted to increase the price of the product but these marketing agents refused to increase the price because the competitor price was much lesser than this price, so the company found that the marketing agency /MSDL started dictating on the company. So the company took a bold step i.e. they came out of the marketing agency and they started their own marketing.

In 1987 real marketing of KS&DL was started they opened about 6 branches all over India i.e. Bangalore, Chennai, Hyderabad, Kolkata, Mumbai & Delhi around 22 godowns. In every state capital they opened 1 godown those are called as Clearing and Forwarding Godown (C&FG). Whatever the company manufactures first it will go to the Central Finished Goods Stores [CFGs] from the production line. As long as the stock is lying there no duty is paid and no tax is paid and, it is an unpaid duty of unpaid stock. Then each branch will send a indent based on that the stock will be transferred from CFGs to respective godown on a stock transferred basis. When stock is transferred from one state to another only excise duty is paid i.e. 12.5% and then the stocks will reach to the respective godown. Once the stocks goes to respective godown 14.5% tax will be added, that will be all inclusive price. Stockist will purchase these goods and he will add his 5% margin and he will sell it to retailer. In this 2 types are there sometimes the stockist may sell directly to the retailer and then it will go to the consumer and sometimes the stockist may sell it to semi-wholesaler and he will keep 2% margin, 3% he will give to wholesaler and wholesaler will sell it to retailer from the retailer it will go to consumer. Sales network monitors these things through appointing sales representatives. All over India the company have got 416 sales representatives to each market, depending upon the market size and even for every district they have got sales representatives. Depending upon

the market potential the company appoints these sales representatives.

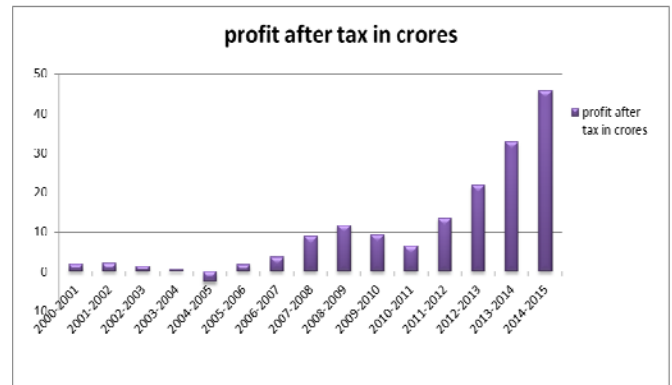
The sales is increasing only because of the product and the brand name, it is more powerful than their sales team and more powerful than their distribution. Two things are working for Karnataka Soaps and Detergents Limited. One is the brand and secondly the brand loyal customers.

Analysing the profit of the company

The data shown below is the net profit of the company after paying all the taxes.

Year	Turn over	Profits in corers
2000-2001	109.70	1.84
2001-2002	109.86	2.10
2002-2003	107.15	1.40
2003-2004	92.75	0.51
2004-2005	101.79	-2.67
2005-2006	110.92	1.78
2006-2007	119.58	3.58
2007-2008	145.52	8.82
2008-2009	169.39	11.68
2009-2010	178.90	9.31
2010-2011	181.06	6.39
2011-2012	231.45	13.45
2012-2013	286.21	21.74
2013-2014	315.72	32.83
2014-2015	357.02	45.78

Source: From DGM of Mysore Sandal Soap factory



Reasons for the loss suffered by the company

As the company is huge in size the ups and downs are common. The company may not get profits all the time. The company suffered loss because the market condition was not being good. Competitors were very active, the price fixed by the company for particular product may be wrong, due to the change.

Strategy adopted by the company to overcome from losses

In soap industry corrections are made immediately when the company suffered loss it has understood that Indian market share is about 4lakh tonnes and today it is about 5lakh tonnes. When compared to 4lakh tonne market, the company produced only 6500 tonnes popular soaps. The entire popular soap did not have a market in the Indian market because of so many competitors like Lux, Rexona and Hamam etc. 15% of market share is on premium segment and 35% of market share is on popular segment and the remaining 50% on the economic segment. What the company took the strategy is instead of

suffering losses from selling popular soap it converted the entire resources and energy from 2000 tonnes to 6000 tonnes as a premium soaps. When the company sells Mysore Sandal Soap (Premium soap) it may get Rs 0.10 as profit. So the company thought to go in right method that it focused entirely on premium segment. And because of this the whole scenario changed and the company started to make profit after all the taxes.

If the company wanted popular segment it would had a bigger market share, out of that 4lakh tonnes if it had about 1lakh tonnes then it would have focused on popular segment. But out of 4lakh tonnes 15% means it is about 60,000 tonnes and 60,000 tonnes of premium soaps is sold in the market. So the company thought why it should waste time in selling popular soaps, then it focused on 60,000 tonnes and out of 60,000 tonnes they have grabbed about 9,000 tonnes that is 15% of premium segment market. Today they are selling from 2500 tonnes to 9000 tonnes of premium soap and 110 tonnes of popular soaps (based on the need).

Findings

In this research we found that the company is successfully approaching its 100 years. The two parameter are working for the company one is brand and secondly brand loyal customers. Within the short span of time the company entered into international market. Because of quality of the product, the demand for the product is increasing all over. Compare to other products in soaps the price of the Mysore sandal is little bit high. The company is not stopped its achievement by innovating, renovating and creating a new product like hand wash, baby products etc.

Conclusion

Almost all quality improvement comes via simplification of design, manufacturing, layout process and procedures. The two parameter is working for the company one is brand and secondly the brand loyal customers.

In this research we understood the overall position of the company and also how the company overcome from their competitors and short comings.

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