

CHAPTER VIII

DEVELOPMENT DISTRIBUTION

Definition

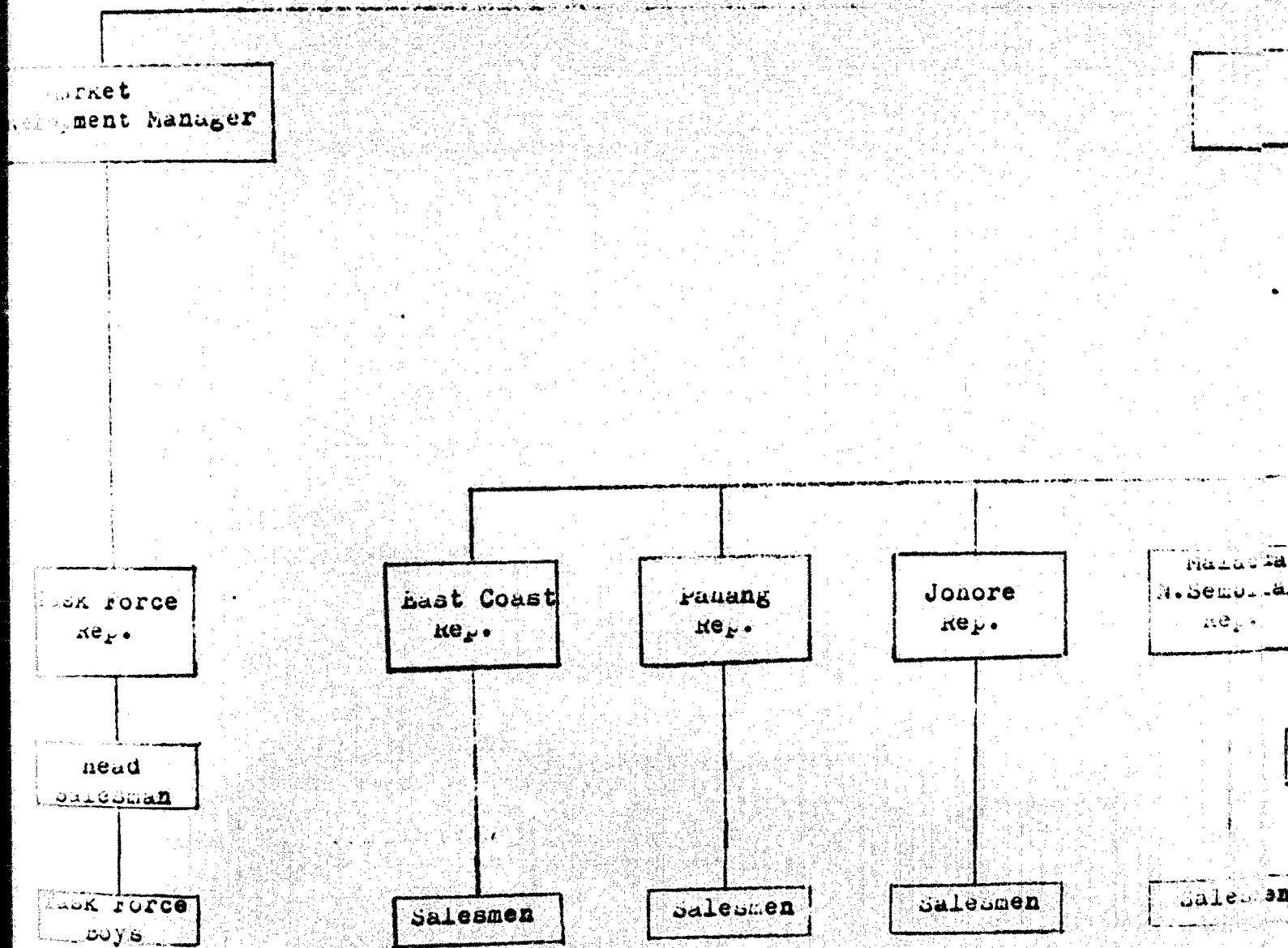
Development distribution includes all the selling activities carried out by the Malayan Tobacco Company's salesmen. Its main objective is to achieve depth of distribution and good market conditions, quite unlike that of the maintenance distribution which is to sell. The other objectives are embodied in the Eight-point Call. Hence development distribution begins where maintenance distribution leaves off. Figuratively, it picks up the momentum engendered by the maintenance distribution and accelerates further until the place policies are met and objectives fulfilled.

The Marketing Structure

While the maintenance distribution is the responsibility of the distributor, the development distribution is the responsibility of the Marketing Department of the Malayan Tobacco Company. There is a Marketing Director residing in Singapore and who is common to both the Malayan Tobacco and the Singapore Tobacco Company. Under him are four senior executives who are directly responsible to him. The advertising Co-ordinator is common to the Malayan Tobacco Company and the Singapore Tobacco Company while the Sales Manager, Marketing Development Manager and the Sales Administrator are responsible only to the Malayan Tobacco Company. They do however get together with the Singapore Tobacco Company executives and discuss policies of, and problems confronted by, the two Companies. Under the Sales Manager is the Sales Administrator and under him are the State Representatives. Each Representative is in charge of a territory and has a few salesmen under his charge¹. The Marketing Development Manager has under him the Task Force Representative who leads a team of six permanent "Task Force Boys".

¹The number of salesmen varies from state to state.
See Appendix F.

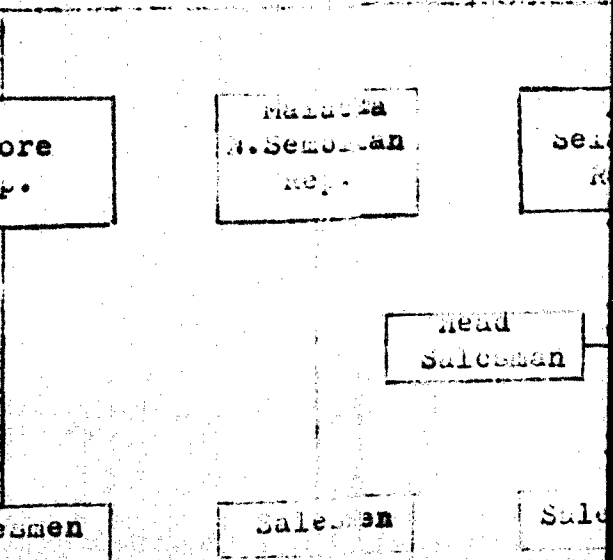
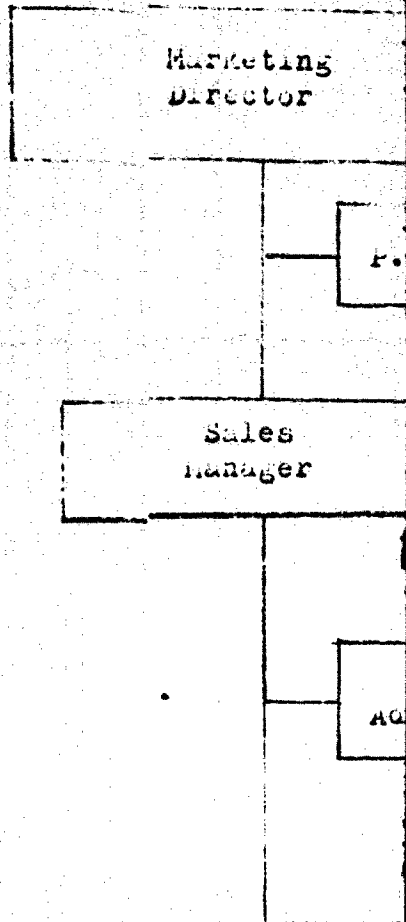
MARKETING



* Personal Adviser to

FIGURE 0-1

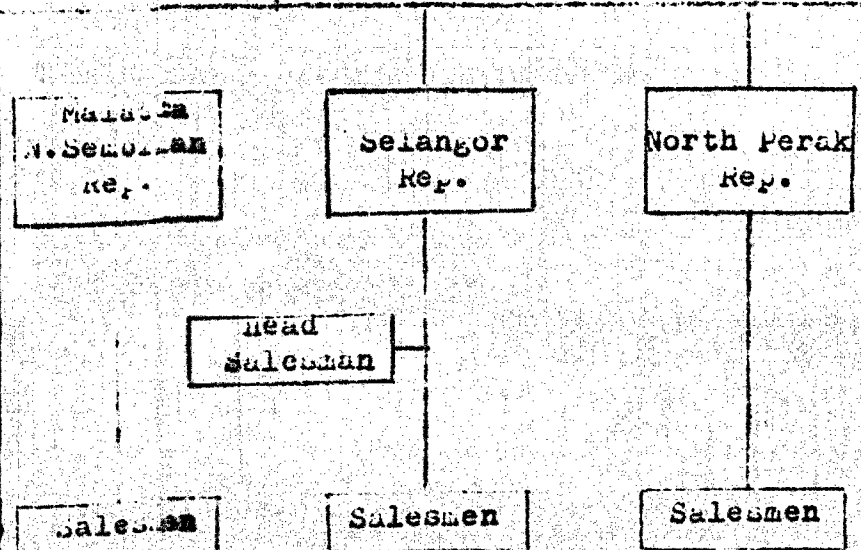
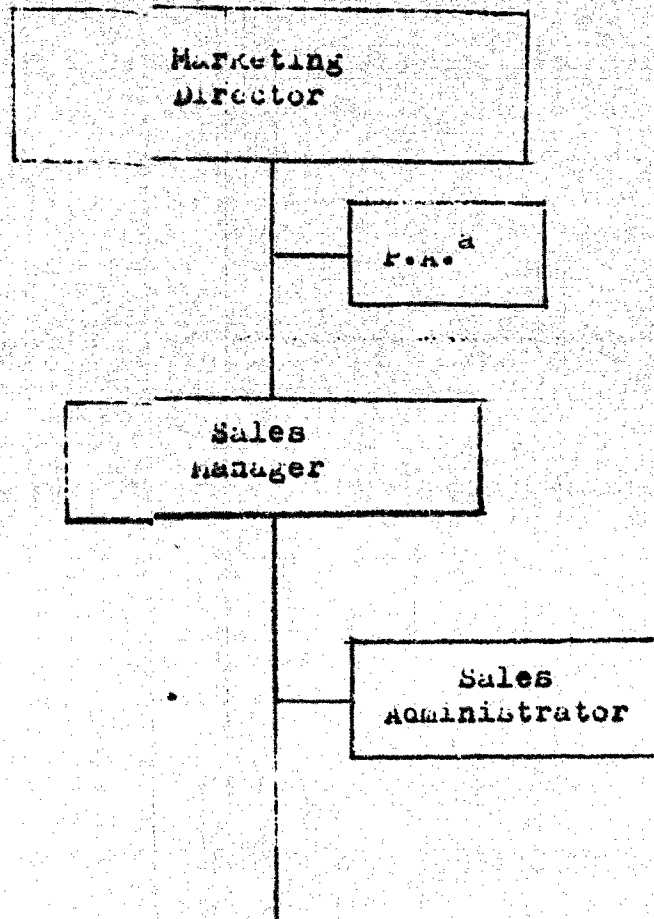
MARKETING ORGANISATION



Personal Adviser to the Marketing

FIGURE 0-1

MARKETING ORGANISATION CHART



adviser to the Marketing Director

ORGANIZATION CHART

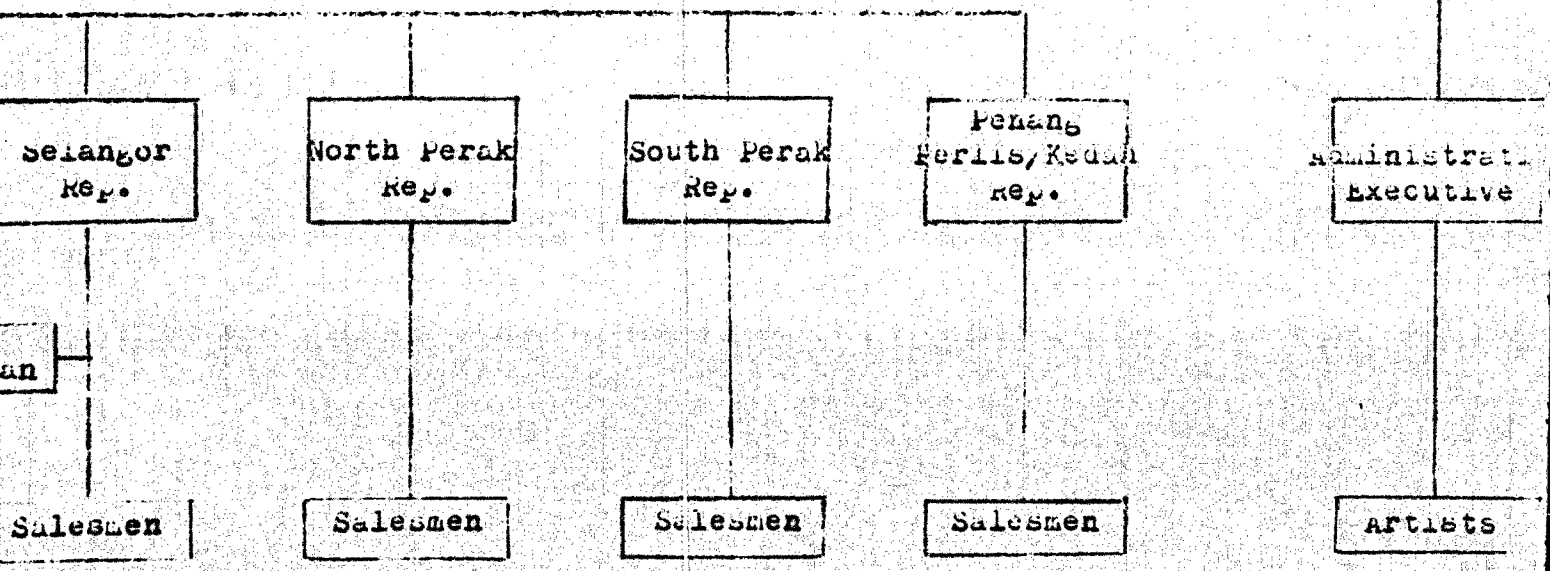
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Penang

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Sales
Administrator

Advertising
Co-ordinator



Malayan Tobacco Company's Distributionary Activities

To achieve the place objectives economically and efficiently, the Company's efforts should work hand in hand with the distributors' so that there will be co-ordination and no duplication of work. Generally, the Malayan Tobacco Company's distributionary activities are :

(i) to aid the distributors in achieving the place objectives by supporting their efforts and help solve their market problems.

(ii) to carry out the retail responsibilities which ideally and theoretically should be borne solely by the distributors. Hence, any sale made by the Company's salesman should be a criticism of the distributors' work, that is, the lack of depth in distribution. Time is still distant for the Company to adopt the policy of its salesman spending minimum time with the retailers, entrusting or shifting most of its retail responsibilities to the distributors' salesman. At the moment, the Company's salesman as part of their retail call assist the distributor in selling.

(iii) to carry out the direct activities of:

- (a) constant classification of retailers. owing to the very changeable nature of the outlets.
- (b) increasing the call frequency especially among the "M" and "T" outlets.
- (c) fulfilling the eight-point call.
- (d) performing the general retail call.

Eight-Point Call

The "eight points" of call are:

- (i) depth and width of distribution.
- (ii) stock-rotation and stock-checking.
- (iii) display.
- (iv) putting up the point-of-purchase material.
- (v) cleaning the point-of-purchase material.
- (vi) direct consumer contact.
- (vii) informing the retailers about the advertising of any brands.
- (viii) establishing and maintaining goodwill.

A salesman on entering the retailer's shop, should be able to spot any brands missing from the shelf or

salesman². This means the distributor's salesman has not sold the retailer sufficient cigarettes to last one week. This is called poor depth in selling. Thus, the Malayan Tobacco Company's salesman should be able to advise or persuade the retailer to buy from him. This is no problem when the brands are fast-moving but when they are slow-moving and the retailer has refused to sell them, it takes tact and patience to tackle the retailers. This is the width of distribution.

The stock-rotation is important for older stocks must be sold first. Thus the cigarettes must be arranged in such a way that this is achieved. This arrangement is the work of the salesman. He should also try to advise the retailers regarding rotation. When rotation is poor, a lot of bad stocks result and these must be collected back, and fresh stocks given as substitutes. The very bad ones³ are sent to the Sales Department to be destroyed by the Sales Representative. Those which are not too bad are sent to the factory to be re-manufactured⁴. Some cigarettes collected are still smokable. These are distributed to the faster-selling outlets. This is another aspect of rotation.

Which cigarettes are to be collected back for destroying⁵ and which to be rotated are represented by the code numbers printed on every packet of cigarettes. The code number consists of three figures, for example, 602 and 549. The first figure represents the calendar year and the second and third figure the week of the year the cigarettes are manufactured. The packet bearing the number 602 means that it was manufactured in the year 1966 on the second week of the year, that is, the second week of January. The packet bearing the number 549 means that it was manufactured in 1965 on the forty-ninth week of the year, that is, the first week of December. Knowing the shelf life of cigarettes and through experience, the salesman know, by

² See Appendix A for definition.

³ Soft, spotted and mouldy cigarettes.

⁴ In the factory, the tobacco strands are taken out and mixed with the fresh ones. The final mixture contains only a very small proportion of the old strands.

⁵ These cigarettes are often termed as "D and D", that is "damage and destruction".

looking at the code number, the conditions⁶ of the cigarettes. In cases of doubt, a packet is opened to ascertain its conditions and this test packet is assumed to reveal the same conditions in the other packets bearing the same code number. The salesmen are often aided in this job by the release of code number from time to time by the Sales Department, indicating which stocks are to be rotated and which to be collected back for "D and D".

When a dispenser is available and used, the cigarettes are automatically displayed. Where it is not available, the arrangement and display of the cigarettes, pipe tobacco and cigars are constantly being done by the salesmen, both the distributors' and the Malayan Tobacco Company's. If the retailers are helpful and display and rotate their own cigarettes, it saves the salesmen much time. In fact, it is one of the functions of the salesmen to get the retailers to co-operate with them in display and rotation.

When the point-of-purchase material are dirty, they must be cleaned or changed. Where space is available, they must be effectively put up or displayed.

When a person is spotted smoking an opposition brand, the salesmen may do direct sampling⁷ if the time and place are appropriate and conducive. If not, an attempt may be made to find out his name and address for later "consumer-contact".

If any brands, new or old, are to be "pushed", the salesmen must show some tact. They would be advised to talk about the growing popularity of the brands and inform the retailers about their advertisement and promotion. Once the retailers are convinced and assured of the demand, "selling in" is no problem.

Finally, goodwill and company image must always be maintained. The retailers are "always right" and their temperaments are always answered with a smile. Any retail services required are always complied to promptly. Sometimes, a salesman needs to go out of his way to satisfy a retailer's need. The salesmen are advised to spend as much of his time outside and during work with the retailers, buying a drink or two, or a meal or two. To illustrate this, the Selangor

⁶ Soft cigarettes are to be collected back for re-manufacturing in the factory, the spoiled ones for "D and D".

⁷ This is the privilege of the Malayan Tobacco Company's salesmen only.

men have a weekly goodwill lunch. The place may be any outlet but different outlet each week.

Every salesman is expected to go round doing his job with a rather large and heavy bag. The bag is large enough to hold a few cartons of cigarettes and to carry the salesman's tools³, to facilitate the putting up of the point-of-purchase material.

He is advised to exercise economy of time and space in his retail calls. He is responsible for the condition of the vehicle used. Integrity, diligence, health and personal initiatives are all part of the pre-requisites of a successful salesman.

A salesman must write out a daily report of what he has done and of the market conditions. This is done in triplicate, one goes to the Sales Department, one to the State Representative and one for his own reference. This written report commits the salesman to what he has done and affords the State Representative the opportunity to give credit that is due and to spot problems and mistakes and help the salesman solve them.

The report consists of the following:

- (i) The brands available are marked with a stroke.
- (ii) Any sale made is inserted.
- (iii) Point-of-purchase material put up are indicated.
- (iv) Presence of the more important opposition brands are marked.
- (v) Comments on distribution, rotation, brand movement and any private-and-confidential matter.

In short, all salesmen are given a set of "Salesman's Instructions" which briefly are:

- (i) My job is to sell, sell, sell.
- (ii) My day's work must be well-organized.
- (iii) My dress must be neat, my equipment in good order, and my stock of cigarettes and advertising material fresh and complete.
- (iv) My eyes, ears, must be wide open.

They are expected to carry out these instructions to the best of their ability, and assessment for promotion is partly based on how those instructions are carried out.

³ Hammer, nail, screw-driver, screws, stapling gun, staples, collotype, etc.

The Assignment Salesman

An assignment salesman, sometimes called the territorial or area salesman, is assigned to a specific area and he is responsible for and answerable to the market conditions of that area. He may be attached to one distributor or a few, depending on the sizes of the distributors' markets. The specific duties of an assignment salesman are given below.

The salesman concerned in Kuala Lumpur is attached to Thong Guan Limited, the distributor for Kuala Lumpur South. The kind of calls he does on any week will depend on the programme laid down in the Issue Weeks Schedule shown in Table 8-1. The first column shows the plan week, the second, the week of the year, third to ninth columns, the days of the week, and the tenth column, the month of the year. There are only five different types of plan week, but some numbers appear more often than the others. Those numbers which appear more often naturally represent the higher class outlets to be visited by the salesman.

If the 21st week of the year is taken, the Plan Week 3 is seen against it. Then by referring to the Route Call Plan shown in Figure 8-2, Week 3C signifies the "C" outlets. The vertical "day of the week" represents the assignment salesman's call days. The horizontal "day of the week" represents the distributor's cash-selling days. Thus, in plan week 3C, the assignment salesman will do the calls represented by K. These calls are cash-sold by the distributor's salesman on Thursday. Similarly, for other days, there are key symbols representing the calls to be done. The significance of these symbols are explained in the "Symbol Representation" given in Figure 8-3, which shows the number of calls, classification, Call Numbers and the markets. The detail route list is given in the Salesman's Retail Call Route List shown in Figure 8-4.

It is noted that the 4th plan week in the Call Plan does not carry any symbol. This is the free week, which means the salesmen do not do any retail call on this week. They will be instructed by the Sales Manager as to what to do for the week. They may do Consumer-Contact or campaign for a particular brand or do some promotion work.

The Issue Weeks Schedule is the Master Plan used by all the sales staff throughout the country. Figures 8-2, 8-3 and 8-4, however, differ from salesman to salesman and from place to place. Each salesman has his own Call Plan, Symbol Representation and Call Route List.

TABLE 8-1

ISSUE WEEKS SCHEDULE FOR 1966.

PLAN WEEK	YEAR WEEK	S.	M.	T.	W.	T.	F.	S.	MONTH
1	1	2	3	4	5	6	7	8	January
4	2	9	10	11	12	13	14	15	"
3	3	16	17	18	19	20	21	22	"
2	4	23	24	25	26	27	28	29	"
5	5	30	31	1	2	3	4	5	Jan./Feb.
4	6	6	7	8	9	10	11	12	Feb.
1	7	13	14	15	16	17	18	19	"
2	8	20	21	22	23	24	25	26	"
3	9	27	28	1	2	3	4	5	Feb./March
4	10	6	7	8	9	10	11	12	March
5	11	13	14	15	16	17	18	19	"
2	12	20	21	22	23	24	25	26	"
1	13	27	28	29	30	31	1	2	March/April
4	14	3	4	5	6	7	8	9	April
3	15	10	11	12	13	14	15	16	"
2	16	17	18	19	20	21	22	23	"
5	17	24	25	26	27	28	29	30	"
4	18	1	2	3	4	5	6	7	May
1	19	8	9	10	11	12	13	14	"
2	20	15	16	17	18	19	20	21	"
3	21	22	23	24	25	26	27	28	"
4	22	29	30	31	1	2	3	4	May/June
5	23	5	6	7	8	9	10	11	June
2	24	12	13	14	15	16	17	18	"
1	25	19	20	21	22	23	24	25	"
4	26	26	27	28	29	30	1	2	June/July
3	27	3	4	5	6	7	8	9	July
2	28	10	11	12	13	14	15	16	"
5	29	17	18	19	20	21	22	23	"
4	30	24	25	26	27	28	29	30	"
1	31	31	1	2	3	4	5	6	July/Aug.

ISSUE WEEKS SCHEDULE FOR 1966 (CONT.)

ISSUE NO.	YEAR WEEK	S.	M.	T.	W.	T.	F.	S.	MONTH
2	32	7	8	9	10	11	12	13	August
3	33	14	15	16	17	18	19	20	"
4	34	21	22	23	24	25	26	27	"
5	35	28	29	30	31	1	2	3	Aug./Sept.
2	36	4	5	6	7	8	9	10	Sept.
1	37	11	12	13	14	15	16	17	"
4	38	18	19	20	21	22	23	24	"
3	39	25	26	27	28	29	30	1	Sept./Oct.
2	40	2	3	4	5	6	7	8	Oct.
5	41	9	10	11	12	13	14	15	"
4	42	16	17	18	19	20	21	22	"
1	43	23	24	25	26	27	28	29	"
2	44	30	31	1	2	3	4	5	Oct./Nov.
3	45	6	7	8	9	10	11	12	Nov.
4	46	13	14	15	16	17	18	19	"
5	47	20	21	22	23	24	25	26	"
2	48	27	28	29	30	1	2	3	Nov./Dec.
1	49	4	5	6	7	8	9	10	Dec.
4	50	11	12	13	14	15	16	17	"
3	51	18	19	20	21	22	23	24	"
2	52	25	26	27	28	29	30	31	"

FIGURE 8-2

THONG GUAN ROUTE CALL PLAN

KAUALA LUMPUR TOWN

PLAN WEEK	Day of Week	Distributor's Cash Selling Day					
		Mon.	Tue.	Wed.	Thu.	Fri.	Sat
WEEK 1C	Mon.				A		
	Tue.					B	
	Wed.	C					
	Thu.		D				
	Fri.			E			
WEEK 2n/T	Mon.				F		
	Tue.					G	
	Wed.					O	O
	Thu.	I	I				
	Fri.			J			
WEEK 3C	Mon.			K			
	Tue.				L		
	Wed.	M					
	Thu.		N				
	Fri.	H					
WEEK 4F	Mon.						
	Tue.						
	Wed.						
	Thu.						
	Fri.						
WEEK 5C	Mon.			R			
	Tue.					P	P
	Wed.						Q
	Thu.						
	Fri.	H					

Source: From Salesman's file, M.T.C.

FIGURE 8-3

SYMBOL REPRESENTATION

Symbol	No. of Calls	Classification	Call No.	Market
A	22	C	219-247	Petaling Jaya Sungai Besi Road (A)
B	23	C	248-280	Peel Road, Cheras Road, Sungai Besi Rd. (B)
C	23	C	281-314	J. Brunei, Petaling Jaya
D	23	C	315-346	Pasar Road, Petaling Jaya
E	20	C	347-375	Brickfields, Petaling Jaya
F	24	M/T	61-86	Pudu Road, Petaling Jaya
G	19	M/T	87-112	Pudu Road, Sultan St. Petaling Jaya
H	17	M/T	113-140	Petaling Street, Petaling Jaya
I	15	M/T	141-168	J. Brunei, Brickfields Petaling Jaya
J	9	M/T	169-184	Kuala Lumpur Town
K	21	C	376-406	Pudu Road, Sultan Street, Cecil St.
L	23	C	407-439	Pudu Road, Rodger Street
M	18	C	440-469	Petaling Street
N	23	C	468-500	Brickfields Road, P.J. Ind. Area.
O	12	M/T	185-201	Kuala Lumpur Town
P	25	C	501-534	Petaling Jaya, Bungsar Road.
Q	23	C	535-570	Chow Sow Lin Road, Loke Yew Road, Birch Road
R	19	C	571-579	Circular Rd., Pasar Rd., High Street

Source: From Salesman's file, N.T.C.

Territory: Solangor

Kuala Lumpur

Thong Guan

SHEET NO.

PRINT LEGIBLY

[illegible]

INSTRUCTIONS: 1 - LIST CALLS IN CONSECUTIVE NUMERICAL ORDER. 2 - USE "KEY" ON DAILY REPORT FORM TO LIST "TYPE OF RETAILER". 3 - PLACE "X" IN PROPER COLUMNS TO DESIGNATE "CLASS 1 CALLS". 4 - ENTER APPROXIMATE MILE FIGURES IN PENCIL; ADJUST WHEN NECESSARY. 5 - ORIGINAL (WHITE) RETAINED IN BOOK DUPLICATE (YELLOW) TO REPRESENTATIVE TRIPLICATE TO AREA MANAGER.

Order Formula

Apart from writing the daily report, an assignment salesman has to check the distributor or distributors' order to the right quantity of buffer stock to be held. This is not to say that the figures must be exact; only an approximation is required. It is only when the quantity ordered varies considerably from the correct order that the distributor concerned will be informed of the discrepancy and asked to rectify it. Several procedures are used to work out the order required by the distributor, but the most systematic method⁹ is:

Average consumption per week	x x	
Add 50% of average consumption	<u>x x</u>	
Total buffer stock required		x x
Stock on hand	x x	
Add arrival	<u>x x</u>	
Total buffer stock this week		x x
Less estimated average consumption	<u>x x</u>	
Estimated balance		<u>x x</u>
Order required (for next week)		<u>x x</u> =====

As mentioned earlier, the order is placed one week in advance. Therefore, the order this week will be the arrival next week. Because of this difference in time, an estimate of the average consumption is necessary in order to obtain the estimated balance. Then taking the difference between the estimated balance and the total buffer stock required which can be objectively calculated, the order required is obtained.

Supposing this is the end of the 9th week and the distributor is placing an order. He will have no difficulty in obtaining the stock in hand and the consumption for that week. Referring to Figure 8-5, for Lucky Strike, the stock on hand is 232 mille and the stock sold was 429 mille. The average consumption for the 7th, 8th and 9th weeks was 413 mille. Using the formula above, the total buffer stock required would be 620 mille. But the stock on hand plus the arrival on the 9th week¹⁰ equals 632 mille. What is required is to estimate the consumption for next week which is taken to be equal to the average consumption already found. Thus the difference between the total buffer stock and the average consumption estimated is about 220 mille. Finally, the total buffer stock required minus the estimated balance gives the

⁹ This formula is devised by the writer. Various methods are used by the salesmen in the Sales Department, some confusing and others illogical.

¹⁰ This is equal to the order of the 8th week.

FIGURE 8-5

ORDER FORM

Brand	Stock on hand ¹¹ (mille)	Stock sold ¹² (mille)	Stock required ¹³ (mille)	Date of Order	Week of Year
Lucky Strike 20s	695	392	200	15.2.66	7th
S.E. SSS FCTK 10s	396	362	300	15.2.66	7th
Lucky Strike 20s	482	419	400	22.2.66	8th
S.E. SSS FCTK 10s	235	362	350	22.2.66	8th
Lucky Strike 20s	232	429	<u>400</u>	1.3.66	9th
S.E. SSS FCTK 10s	177	355	<u>360</u>	1.3.66	9th

¹¹ Stock in the inventory. Can be counted or easily calculated.

¹² This is equal to the consumption.

¹³ Stock ordered.

Source: Extract from an Order Form.

order figure of 400 mille. Similarly, the order for the State Express FCTK 10s may be calculated.

Task Force

This is a mobile force. It consists of six regular salesmen led by the Task Force Representative. These salesmen are different from the assignment salesmen in that, they do not carry any territorial responsibilities and do not have any specific job to do. They are an independent force moving as directed by the Task Force Manager and doing any job instructed. Apart from the retail calls, usually associated with the assignment salesmen, they may do consumer-contact work, campaign for a brand, do promotion work and, in short, anything that needs to be done. At the moment of writing, they are assigned the Consumer-Contact work. When the Malaysia Open Golf Championship, co-sponsored by the Company, was played in Kuala Lumpur, they were there doing promotion work in the form of sampling and selling only the Benson and Hedges cigarettes. Thus, the Task Force is a very flexible body.

Although from the viewpoint of the Company, the Force is a specialized body, generally, the salesmen do not carry as much responsibilities as the assignment salesmen. Their work, because of its changeable nature, is less dull yet less heavy. While the assignment salesmen have to write a daily report, they only have a weekly one to do.

Consumer-Contact

As noted in the Issue Week Schedule in Table 8-1, the assignment salesmen have a free week after every four weeks. In this free week, they may be instructed to do anything related to the selling activities including Consumer-Contact. Due to the pressure of work and time, they are unable to concentrate on the Consumer-Contact¹⁴ work and here the Task Force comes in handy.

The purpose of consumer-contact is to convert smokers of competitors' brands into smoking the Company's brands. It consists of two visits. In the first visit, 3 packets of the Company's brands are sampled to the smoker.

¹⁴ Names of smokers of the competitors' brands are constantly being submitted by the distributors and sub-distributors to the sales representatives concerned. The assignment salesmen may spend the free week collecting names too.

During the interview, the questions asked generally follow this pattern :

- (1) Do you smoke ?
- (2) Have you seen or heard any cigarette advertisement during the past few days ?
- (3) What do you look for in a cigarette ?
- (4) How long have you been smoking the brand ? (When the brand smoked is mentioned)
- (5) Have you tried any other brands similar to your present brand ?
- (6) What brand did you smoke before ?
- (7) Would you mind telling me why you changed your brand ?
- (8) Approximately how many cigarettes do you smoke a day ?
- (9) How do you usually buy your cigarettes ? In loose sticks, packets or cartons ?
- (10) From where usually ? Coffee shop ?
- (11) Does your wife/husband smoke ?

Sometimes owing to wrong information given, the smoker interviewed may be smoking the Company's own brand. In this case, a packet or two of the brand are sampled to him. If he truly smokes a competitor's brand, then a challenge begins. By using the appropriate selling-story¹⁵, the salesman will then try to convert the smoker. In the second visit, the smoker is sampled another two packets, and a selling proposition is made. A quick summary of the selling-story is run through. After that, judging from the responses and reactions of the smoker, the salesman begins to classify him under "converted", "doubtful" or "not converted". Any subsequent follow-up will be the responsibility of the assignment salesman concerned.

Salesmen's Remunerations and Allowances

The unsatisfactory employment conditions of the distributor and sub-distributor's salesmen have been discussed in Chapter VII. Compared to them, the Company's salesmen are by far better paid and better treated. Their fringe benefits include medical attention, annual bonus, gratuity, marketing allowance, cigarette allowance, lunch or dinner allowance, travelling expenses and sampling allowance (For detail, see Figure 3-6). Lunch allowance may be charged only when working more than 4 miles radius outside Kuala Lumpur. Dinner allowance

¹⁵ See Appendix H for Benson and Hedges Selling-Story.

may be charged when working at night. The Company does not have a fixed salary scale for the employees¹⁶. The starting salary and annual increment depend on individual merits, qualification and experience. A necessary qualification for the Salesmen is the School Certificate with the ability to speak several Chinese dialects.

FIGURE 3-6

SALESMEN'S PRIZES BENEFITS AND ALLOWANCES

=====	
Items	Amount
<hr/>	
Medical attention	free
Annual bonus	not fixed, averaged about 2 months' pay.
Gratuity	number of years work x last pay received.
Marketing Allowance	35.00 for the senior salesmen and 24.00 for the junior salesmen ^a .
Cigarette Allowance	1 carton per week.
Lunch	33.00 ^b
Dinner	34.00 ^c
Travelling expenses	312.00 per night.
Sampling	reasonable amount.
Salary (monthly)	starting with 3230.00, for the single and 3260.00 for the married.

¹⁶ In a Company with more than 1,000 employees working in the factory and the Head-Office in Kuala Lumpur, it is surprising that there is no union to represent the workers. Attempt had been made in the past to form a union, but somehow, they never materialized.

^a only on working days.

^b only when working four miles outside Kuala Lumpur town.

^c only when working after 7 p.m.