

CHAPTER XI

MISCELLANEOUS

In a study of this nature, it is difficult to discuss without infringing on alien grounds outside the scope of the subject. In order to minimize this and yet preserve the unity and continuity of the whole, this Chapter has been included to discuss the more relevant topics related to the study of the distribution system of the Malayan Tobacco Company.

Smuggled Goods

The chain between the distributor or the sub-distributor and the retailer has been fully discussed. The only "official" means whereby the retailer gets his supply is from the distributor or sub-distributor. But quite often cigarettes have been found offered for sale "illegally" to the retailer at a price slightly lower than the wholesale price. These cigarettes are called "smuggled goods" and are believed to have been sold by a Syndicate. These smuggled goods found in the market generally bear very old code numbers and some of them are not fit for consumption. They are a cause in the sharp reduction of the retailers' order. Quite ironically these old cigarettes have to be replaced with the new ones to preserve the quality of the product and the image of the Company. Should a consumer get hold of an old packet of cigarettes from the smuggled stock, the Company would be placed in an embarrassing position of having to answer for it. The Company cannot afford to take this risk. How then can the Company solve this problem of "smuggled goods" ?

The smuggled goods are believed to have come from the following sources:

- (i) ships
- (ii) factory
- (iii) sub-distributors
- (iv) stolen goods

On the ships (negligible in airlines) which call at Port Swettenham and Singapore, the cigarettes and other tobacco

products are duty free, hence the passengers are privileged to buy them at a price very much below the market price. A packet costing \$1.00 in the market costs only \$0.60 on the ships. This privilege is extended to personal consumption only but through some "underground" arrangements, these goods are smuggled out of the ships into the hands of the local syndicates who begin their stealthy distribution to the retailers. The Company recognises this problem but so far has been unable to solve it. Perhaps the turnover of these smuggled goods compared to the overall turnover of the Company is negligible and is not sufficiently important to cause serious concern to the Company. It is likely that as these threats increase in magnitude, something will have to be done.

Cases of goods smuggled out of the factory had been found but now with more efficient supervision and stringent measures, it is not possible for any goods to be smuggled out of the factory and this source may be ruled out.

The "smuggled goods" coming from the sub-distributor arise out of two factors:

- (a) the flat-rate commission he gets from the Company.
- (b) his purchase of goods at the list price.

This means the higher his turnover, the higher his commission and in order to achieve a high turnover he sells his cigarettes at a price slightly lower than the wholesale price to the wholesalers who are sometimes called speculators. This is one reason why the wholesalers are often found with a large quantity of old stocks. Recognising this discrepancy in the Company's distribution system, the Company has embarked on more vigilance on the sub-distributors, and the distributors are accordingly advised to note down the code numbers of the stocks issued to their respective sub-distributors. Thus any such smuggled goods may be traced by their code numbers to the sub-distributor concerned, who may have his sub-distributorship cancelled.

Sometimes a shop, stall or even a distributor's van may be robbed and these goods are called "stolen goods". When this happens, the goods will be kept for some time and finally find their outlets in the retailers' shops.

Health Dangers

The tobacco industry is facing a very severe threat. In the last decade, the medical profession and scientists have been associating cancer and other minor illnesses like cough and tonsillitis to smoking. Although no concrete evidence is available, the threats are there and the cigarette industry is

fearful of facing a bleak future. The Readers' Digest as early as May 1959¹ carried an article on the health dangers of smoking and since September 1963² came out with a severe attack on smoking. Up to now the Readers' Digest and some American Broadcasting Stations have refused to run cigarette advertising on their space. But despite this cancer threats and smoking attacks launched on cigarette smoking, the sales of tobacco products have not decreased, in fact, to the surprise of the medical profession, world consumption of cigarettes appears to have been steadily climbing³.

Perhaps smoking habits are difficult to change. Perhaps a large number of smokers are not convinced of the cancer-smoking relationship. Whatever it is, smoking has been found to be useful in the stimulating of minds and calming of nerves. It has been found to give the indescribable pleasure, when smoked after a meal.

Thus with restrictions imposed by advertising media, a better distribution system using personal-selling to reach the consumers is inevitable.

Salesmen's Training Programme

Salesmen are trained in the Head Office in Kuala Lumpur. The programme consists of three phases each lasting two months in different territory. The Selangor Representative or Sales Assistant is generally in charge of the trainees and at the end of each phase, he is required to submit a confidential report to the Sales Department. The final report should recommend confirmation or otherwise of the trainees.

Phase 1

Week 1 - In Head Office in Kuala Lumpur. Obtain knowledge of Company organization, of

History.

¹Readers' Digest, May 1959, Lung Cancer: A Case

²Op Cit (a) September 1963, The Cigarette Controversy: A Storm is Brewing.

(b) May 1964, Cigarettes - Tried and Found Guilty.

(c) June 1964, The Dilemma of the "Problem Smoker".

³Printer's Ink - refer Chapter I, Footnote 4.

relationship with the British American Tobacco Company, general information on sales advertising. A copy of Salesmen's Instructions is given.

- Weeks 2 and 3 - Introduction to market, observe Company's salesmen.
- Weeks 4 and 5 - Cash-selling, observe Distributor's salesmen.
- Weeks 6 and 7 - Markets Training. Observe attitudes, bearing and approach in selling and advertising principles.
- Weeks 8 - Factory.

Phase 2

- Weeks 9 to 14 - Market Training - with reports.
- Weeks 15 to 16 - Campaign Training, consumer-contact.
- Weeks 17 - Written Test.

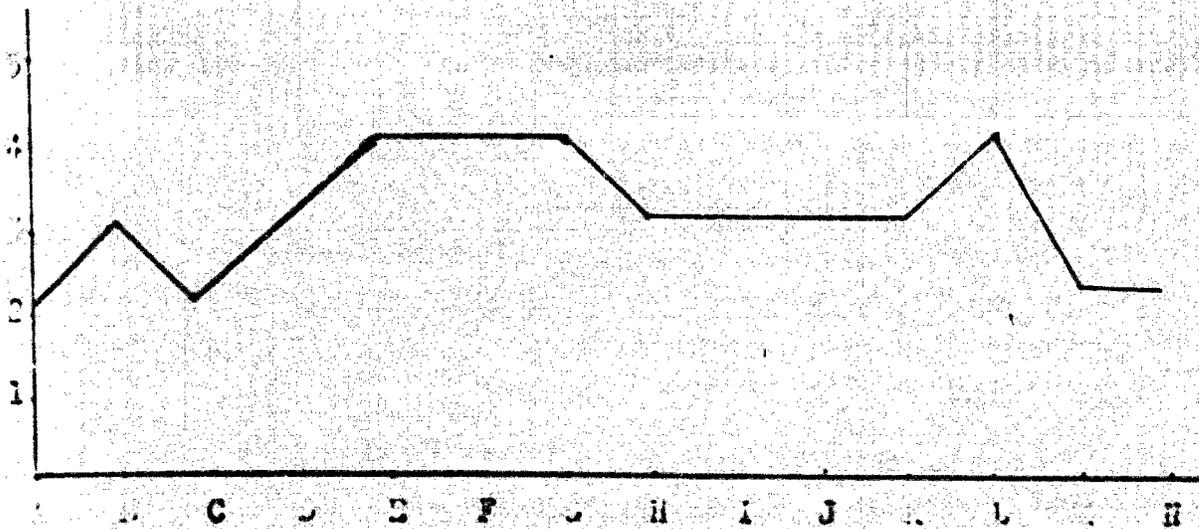
Phase 3

- Weeks 18 to 26 - Market Training. The trainee is put in charge of a small market. Campaign training to be closely supervised.

Management Evaluation

The evaluation of the Sales Staff is done semi-annually or annually. The Marketing Director evaluates the Sales Manager, the Sales Manager evaluates the Sales Representatives who in turn evaluates their salesmen. This evaluation is done on a graph given below (Figure 11-1). The horizontal scale shows the qualities they will be examined on and the vertical scale shows the grade achieved. The horizontal scale is represented by letters while the vertical scale by numbers. The letters and numbers are explained below the graph.

MANAGEMENT EVALUATION GRAPH



1. quite unsatisfactory.
2. Irregular and inconsistent.
3. Consistency fair.
4. High standard of performance and consistency.
5. Outstanding in performance and consistency.

- A. Policies - Knowledge of and success in selling.
- B. Organisation - Understand Company's organization, structure and capacity in creating sound organization in own department.
- C. Budgeting - Understand Company's budget any plans and has ability to formulate budget for department.
- D. Speed of work - Commences job without delay and gets others to work to deadline date.
- E. Accuracy - Information and statistics supplied to be reliable, accurate and complete.

- F. House-Keeping - Keep department clean and tidy.
- G. Initiative - Ability to set on own initiative.
- H. Judgement - Logical and objective analysis in discussions.
- I. Personal Development - Sympathetic and realistic understanding of staff and encourage them to improve their capabilities.
- J. Leadership - Having indefinable quality that encourage others to work for and with him.
- K. Imagination - Constructive, bring forward new ideas.
- L. Language - Ability to express himself clearly and understandably.
- M. Knowledge - Requisite technical knowledge of job.
- N. Outstanding interest - View job in relation to wider trade and social events.