CHAPTER VI

CLASSIFICATION OF RETAILERS

Place Objectives

The four basic place objectives of the Malayan Tobacco Company can be classified as follows:

(i)   to ensure quality and freshness of the products at all times.

(ii)   to service the retailers especially the more important ones.

(iii) to meet competition in the market.

(iv)   to establish goodwill and push the image of the Company.

"MTCL"

In order to achieve these objectives with maximum effectiveness and at minimum costs, the 40,000 retailers were classified into " M,T,C,L ". categories[1]. This classification stems from the premise that an examination of sales by retailers in most urban markets would reveal that approximately 60% of business passes through approximately 35% of retailers. The full development of this premise results in a system that differentiates retailers in terms of their value to the Company. The chief aim of this classification is to enable the Company to know which retailers' efforts should be intensified and concentrated in order to ensure productive work. The adjectival definitions of the classification of retailers are shown in Figure 6-1.

Statistics

From the statistics on the classification of retailers in Table 6-1, it is noted that most of the provisions and departmental stores fall under "M" and "T" while most of the coffee shops, sundry shops, stalls and hawkers fall under "C" and "L". The RBC (Restaurant, bar and club) and hotels

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[1]These are code letters derived from the first letter of each word in "Malayan Tobacco Company Limited". Their significance is explained below.

FIGURE 6-1

ADJECTIVAL DEFINITIONS OF OUTLETS

Classifi-cation	Descrip-tion	Type of Retailer	Example[a]
M	prestige	clubs	Selangor Cl b
M	prestige	bars	Le Coq Dor
M	prestige	restaurant	Lok Kok
M	prestige	rest house	at Malacca
M	prestige	night club	Kowloon
M	prestige	canteen	-
M	prestige	provision and departmental store	M.S. Alley
M	all	direct accounts	Robinson & co.Ltd.
M	all	Manfi outlets	at Bellasmy Rd, K.L.
T	large	coffee shop	Merdeka Cafe
T	large	restaurant	Ibu Kota
T	large	hotel	Hollywood Hotel
T	large	canteen	Sevens' Brothers
T	others	rest house	at Pontian
T	others	provision and departmental store	Chuan Seng, P.J.
T	others	club	S.C.R.C.
T	others	bar	Rex or Tiroli
C	small	coffee shop	Ken Hong Chan
C	small	hotel	Hongkong Hotel
C	small	restaurant	Seng Ying Chai
C	small	canteen	Dunlop
C	small	sundry shop	Thye Song Loong, P.J.
C	small	miscellaneous	Any Candy Bar
L	others	hotel	Cosmopolitan
L	others	sundry shops	most
L	others	stall	most
L	others	hawker	all
L	others	coffee shops	few
L	others	miscellaneous	few

[a]Examples here are drawn from Kuala Lumpur unless otherwise stated.

TABLE 3-1

CLASSIFICATION OF OUTLETS N 20-5-65

By Classification	Stalls Hawkers	Coffee Shops	Sundry	Hotels R.B.C.	P. & D.	Miscellaneous	Total
H	2	37	3	254	86	53	435
T	77	1,163	108	253	56	30	1,687
C	1,188	5,874	2,595	250	33	95	10,035
L	6,760	3,535	17,259	92	15	1,014	28,675
Total	8,027	10,609	19,965	849	190	1,192	40,832
By Race							
Chinese	5,429	7,441	13,445	716	115	486	27,632
Malay	1,089	1,593	3,937	20	-	338	6,977
Indian Muslim	1,024	1,232	1,530	36	54	87	8,963
Indian	482	336	1,013	11	4	37	1,883
Others	3	7	40	66	17	244	577
Total	8,027	10,609	19,965	849	190	1,722	40,832

Source: Statistics Division, Sales Department, Malayan Tobacco Company.

appear to be rather evenly divided among "M", "T" and "C", with a drop in the "L" category. It is also seen that about 70. of the outlets are run by the Chinese, with the sundry shops taking a large percentage of it.

Guide

The classification of retailers is best done by the resident staff who live and work constantly in their territory. Visual classification is about the only available method. Hence the classification at its best is only arbitrary and not scientific. Constant re-adjustment and re-classification are therefore necessary. The accuracy of classification to say the nth degree may only be achieved by the salesmen working the classification after approximately four months. However, classification during the ebb and flow of business will continue to fluctuate constantly.

Six factors may be used as a guide to the classification of retailers:

(i) the opportunities to implement all the eight-point call.

(ii) the kind of clientele who frequent the outlets.

(iii) the total turnover in terms of cash and mille[2] of cigarettes.

(iv) the location of the outlets.

(v) the standard of designs, fittings and service in the outlets.

(vi) the growth potential in terms of both the retailers' own business and the cigarette business.

These are some excellent market guides to deciding the adjectival definition of a retailer. It must be emphasised that those are purely guide lines for the criteria vary from place to place. What is very large and reputable in a small town like Pontian is small in Kuala Lumpur. As a general rule, the distinctions among the adjective "prestige", "large" and "small" are drawn from the following:

(i) A coffee shop becomes a "prestige" provision and departmental store when it has a refrigerator from which it sells meat.

(ii) A hotel becomes a "prestige" hotel when it is not possible to make temporary use of the room for purposes other than resting.

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[2] one mille = 5 cartons = 1,000 sticks.

(iii)   A restaurant becomes a "prestige" restaurant
        when table linens are automatically provided.
(iv)   A coffee shop becomes a "large" coffee shop
        when it has more than ten tables.
(v)   The other restaurants, coffee shops and hotels
        are classified as "small".

These points are objective in nature. The others
which are derived from a constant contact with and an experi-
enced feel of the market are unfortunately subjective. Using
these objective and subjective measuring rods, the visual
classification is finally achieved.

This classification system was introduced only about
three years ago and it is gradually being modified and improved
through practice and experience. The Malayan Tobacco Company
is the only tobacco company using this system and it has proved
useful and successful. At the present moment, the system still
has room for improvement and the writer's suggestions are
discussed in Chapter XII.

Wholesalers and Stockists

The wholesalers and the stockists are included under
sundry shops. The bigger ones frequented by the higher class
clientele are classified under "C" category and the small ones
under "L". Though the turnover may be high, they usually do
not have space for putting up the point-of-purchase material[3].
Some of them do not even display the cigarettes and their
customers - many are credit customers - are unable to pick and
choose and often are obliged to go away with a brand that is
available. Their customers are generally fixed and from the
Company's point of view, these outlets do not need as much
attention and interest as the large coffee shops, provision
and departmental stores, bars, clubs, restaurants, night clubs
and snack bars.

Purpose of "MTCL" Classification

The aim of this classification is to bring out the
more important outlets from the less important ones. Then an
Issue Weeks Schedule (Table 8-1) and a Call Plan (Figure 8-2)
are drafted out and planned in such a way that the "M" and "T"
outlets are called on by the Malayan Tobacco Company's
assignment salesmen at least once in 4 weeks, the "C" outlets
at least once in 6 weeks and the "L" outlets are not in the Call
Plan at all, though they are visited by the Task Force when
doing retail call. Thus time is saved from the "L" outlets to
be spent more lucratively in the "M", "T" and "C" outlets. In

[3] posters, stickers, decals, shelf-strips.

this way, the customers of and the retailers in these outlets, will be satisfactorily serviced. It is the Company's hope and wish that by this means, customers of these outlets smoking the Company's brands will indirectly act as "opinion leaders"[4].

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[4]McCarthy, Basic Marketing: A Managerial Approach, Revised Edition, 1964, P 256.