Wac kanpur confectionary

OPTIONS: KCPL has the following 3 options: • Option 1: Accept APL's offer • Option 2: Become an independent contract manufacturer. • Option 3: Rebuild the “ MKG” brand.

DECISION: KCPL should work on reviving its brand. ACTION PLAN: KCPL has to work ontechnologyupgradation, increasing capacity utilization and managing a efficient workforce. It also has to improve its brand image and target new profitable markets. CONTINGENCY PLAN: As a contingency plan, KCPL can accept the offer of APL. 2. MAIN REPORT 1. SITUATIONAL ANALYSISMohan Kumar Gupta started Kanpur Confectioneries Private Limited (KCPL) in Jaipur in 1947 to sell sugar candy under the brand name of “ MKG”.

He later set up a production unit in Kanpur (UP) because of intense competition in Jaipur. He ventured into the biscuit industry with the “ MKG” brand. Its turnover increased during the early 80's. But with the stiff competition from the firms in the organized and unorganized sector its sales have declined and by mid 80's it has started making losses (Exhibit 1). It became a contract manufacturer for PearsonHealthDrinks Limited (Pearson) in 1985. But Pearson faced stiff competition from A-One Confectioneries Private Limited (APL). Now in September 1987, KCPL has the proposal of becoming a contract manufacturer for APL.

If KCPL accepts the proposal, they would be able to utilize the surplus production capacity and get assured return on investment, but they would lose their brand and their independence. 2. PROBLEM SITUATION Mr. Alok Kumar and his brothers have to decide whether to accept the proposal to manufacture for APL. They even need to deal with the problem of surplus capacity. 3. OBJECTIVES KCPL has the vision of emerging as a leading national brand in the biscuit industry and thus maintaining thefamilyname and dignity.

It is also looking for ways to utilize its surplus capacity and increasing its sales and profit margins. 4. OPTIONS • Option 1: Accept APL's offer • Option 2: Become an independent contract manufacturer. • Option 3: Rebuild the " MKG" brand 5. EVALUATION OF OPTIONS Option 1: APL has offered an initial production order of 70 tones of glucose biscuits per month with an contract of three years at Rs. 1. /kg as the conversion rate.

It has agreed to pay the material cost and supply the pre-printed packaging material. But it has stated that KCPL will have to make changes in its process and equipments by themselves. The advantages in accepting this proposal are assured return on investment, minimizing the business risks, utilization of surplus capacity and avoiding marketing, branding and distribution costs. This will help them get rid of the losses and break even. There is also the advantage of being able to utilize their excess production capacity. Option 2: KCPL can keep on producing for Pearson and also market themselves as contract manufacturers. This method will also help save on the additional expense needed to revive the MKG brand.

This option will decrease the business risks considerably for Mr. Alok and his brothers. One of the main reasons for declining APL's offer is its low conversion rate. This conversion rate will make it very difficult for KCPL to breakeven (Exhibit 2) and might lead the company to losses instead of making profits. Option 3: The third option that KCPL can opt for is to wok on rebuilding its own brand and not entering into any joint ventures either with Pearson or with APL. They can work on plans to revive the MKG brand. As the owners of this company have a strong emotional connect with the company, trying to revive the brand will also bring them personal content andhappiness.

It definitely is a risky option as compared to the other options because the cost incurred in the process will be high. But KCPL can target the institutional canteens by developing a new brand image and try to gain more orders from them. . DECISION As the company and the brand holds a strong emotional value for all the three brothers, they decide to take up some risk in order to try and revive the brand. They decide to work on brand revitalization and opt for Option 3 i. e. to Rebuild the " MKG" brand and achieve a good market share and profit.

7. ACTION PLAN To effectively implement the Option 3, Mr. Alok will have to bring major changes in the operations and the workings of the company. They need to bring about changes in the following domains: • Technology Improvement. Marketing Strategy. • Branding and Positioning of the product. • Identifying the Target Market Segment.

• Quality Checking and Improvement. • Target and Capture a larger market segment(institutional canteens). • Need to hire workers who work regularly and efficiently. • Train the workforce and strive for better management. • Utilize the excess production capacity. 8. CONTINGENCY PLAN In the worse case it might happen that KCPL's efforts to rebuild its brand might fail.

In that case they might take up the offer from APL if that offer is still open. In order to rebuild its brand, the company will have carried out certain actions for betterment and now it will be in a better position to operate on the contract. Thus it will have a high probability of making profits from the APL deal. Word Count: 803 3. EXHIBITS Exhibit 1: | Dimensions |‘ MKG’ | APL | | Sale per month(tonnes) | 120 | 1200 National(200 North) | | Price per Tonne(Rs. | 18100 | 19000 | | Consumption of Maida per tonnes(in Kg) | 750 | 700 | | Consumption of Vanaspathi per tonnes(in Kg) | 150 | 140 | | Consumption of sugar per tonnes(in Kg) | 200 | 190 | | Price of Maida per bag of 50 Kg. 500 | 490 | | Price of vanaspathi per bag of 50 Kg.

| 520 | 500 | | Price of Sugar per bag of 50 Kg. | 1200 | 1150 | | Preservatives and Packaging Cost per tonne(in Rs) | 300 | 400 | | Wage rate | 50 | 80 | | Permanent Salary Bill per month(Rs. akhs) | 2. 75 | NA | | Interes per month | 10000 | NA | | Other Fixed Commitments | 60000 | NA | Revenue Calculation Revenue per month = (sales per month) * (Price per tonne) = Rs. 120*18100 = Rs. 2, 172, 000 Cost Calculation Variable Cost Cost per Tonne Cost of Maida = (750*500)/50 = Rs. 7500Cost of Vanaspati = (150*520)/15 = Rs.

5200 Cost of Sugar = (200*120)/100 = Rs. 2400 Preservatives and Packaging Cost = Rs. 1000 Casual Labour cost per tonne = Rs. 300 ? Total Variable Cost = 7500+5200+2400+1000+300+1000= Rs. 16, 400 Fixed Cost Total Fixed Cost = Permanent Salary + Interest + Other Fixed Commitments = Rs. 275000+10000+60000 = Rs. 345, 000 Total Cost Total Cost = Fixed + Variable Cost = Rs.

(16400*120)+345000 = Rs. 2313000 Loss = Total Cost - Revenue = 2, 313, 000 – 2, 172, 000 = Rs. 141, 000 Exhibit 2: Conversion cost of MKG at 190 tonnes= Fixed cost(without labour)/ number of kgs = 345000/190000 = Rs. 1. 86