

## REVIVAL PLAN OF SUMITRA CORPORATION

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### Abstract

The following is a case study, REVIVAL PLAN OF SUMITRA CORPORATION which is based on primary data where the information was collected from Mr. Kismat Bhurat, owner of Sumitra Corporation on one to one basis by conducting an interview on [12/11/2020, Thursday]. Sumitra Corporation is a firm situated in Hubli, Karnataka which exists in the same location from past 30 years which was established by Mr. Chaganlal Bhurat and now is managed by his sons. The firm involves in sale of tailoring materials like needle, threads, beads, sari falls, and camera reels etc. The difficulty in establishing a full-fledged new business as well as entering a well settled business have its own challenges and strength's, which is discussed in the case by comparing the entry of Mr Chaganlal as a fresher and his son Mr Kismat as the successor. The case study mainly focuses on the future plans of the organization. The level of suppliers, customers, capital and employees the firm wants to maintain. How the firm will maintain its competition by maintaining the same level of sales and profit margin. The hurdle that comes along its way in doing so is also discussed. Few inputs by Mr. Kismat Bhurat for the younger generations involved in the same type of business are also given.

**Keywords:** Actual sales, budgeted sales, profit margin, credit, diversification, stock etc.

### INTRODUCTION TO SUMITRA CORPORATION

Sumitra Corporation is a business entity involved in selling wholesale products of tailoring materials. The firm is situated in Hubballi, Karnataka. It was found by Mr. Chaganlal Bhurat 35 years ago. Mr. Chaganlal originates from Ajeet, which is a small village in Rajasthan. He spent his whole childhood there, and in his late 30's he started involving himself in village affairs and joined Panchayats. This helped him in making several contacts with well-known people. He was also engaged in agricultural activities and had adequate knowledge in the same. His family started growing in number and the proceeds from agricultural activities were not adequate enough for him and his family to sustain the day to day expenditures. Hence, he decided to start some small business and shifted to Hubballi.

In Hubballi, a small shop was rented, goods worth ₹ 5000 was purchased and he started the business. Initially it was very difficult to attract customers, earn revenues and generate profits. Slowly, owners studied about the customers, their needs, about the products and various suppliers. Proper research was made about the business model and gradually the revenues of the firm say an upward trend.

Products which the firm sells include thread, needles, greasing oils beads, laces, saree falls,

lining and other tailoring materials. Earlier albums and camera reels were also sold but due to increase in the demand and change in the preference of customers few add-ons and deductions were made from the product line.

After a period of 5 years, suppliers started developing faith on the owners and they provided flexible credit facilities due to the prompt payments made by the firm in the past and also the bulk orders given. Customers started developing brand loyalty and they also motivated other customers to purchase from the same firm. . *"Customer loyalty makes a plat form where the customer ready to stay maximum time with the organization and cause for long term benefit. Loyalty is basically a name of inspiration with the company products or services"* (Muhammad Zaman Sarwar, Kashif Shafique Abbasi, Saleem Pervaiz). Initially, there were no employees but after 4 years of the inception of business, need for hiring full time employees arouse. Employees were given advance payments during emergencies, yearly bonus and many other perquisites to maintain healthy relationship with them. These were the reason why revenues were in an increasing trend.

Capital has grown to ₹ 10, 00,000 in the year 201920. Employees grew to 13 full time persons. Customers and suppliers are not only from the local areas but now they are dispersed to other states like Goa, Maharashtra etc. *"Customer relationship building is the essential aspect of exploring, creating and sustaining customer loyalty"* (Wong, Chan, Ngai& Oswald, 2009). We can compare the deviation of all these aspects to the initial phase of business and the current period. The deviation is in the positive trend which is a good sign for any entrepreneurship, just like Sumitra Corporation.

As business grew it became arduous for Mr Chaganlal Bhurat to manage the day to day activities and it was quite obvious that the responsibility would be conveyed to his eldest son, Mr Kismat Bhurat. It wasn't challenging to enter the field of entrepreneurship for Mr Kismat as there was a strong base of customers and suppliers already. Maintaining the same consistency and growing the business to a new level has been the purpose of the next generation. *"Furthermore, (Sorgner and Fritsch 2018) find that people working in occupations characterized by relatively high unemployment risks, high earnings risks, and high self-employment rates have a high probability of moving into self-employment"*

The question arises what is unique about the firm that makes it stronger than the competitors? Social capital has played a very crucial role in strengthening the goodwill of the firm. Social capital was not a factor that was built overnight. Initially the firm didn't realise any effect from the same but as time passed the impact of social capital was noticeable.

Practices such a providing sweets to employees during festivals, annual bonus to employees, advance salary payment to employees during emergency, credit facility to customers, prompt payment to suppliers, inviting them to personal occasions were practiced to build social capital. *."On the other hand, professionals' Facebook use largely mimics the patterns of use by college students: it is used by professionals to keep in touch with social friends outside of work"* (Do Micro, J.M. and Millen, D.R., 2007).As discussed earlier, the owners have built social capital not only from the stakeholders of the business but also from their native place as well. Involvement in village Panchayats and in the religious functions has helped owners have an extra edge against the competitors and build social network successfully.

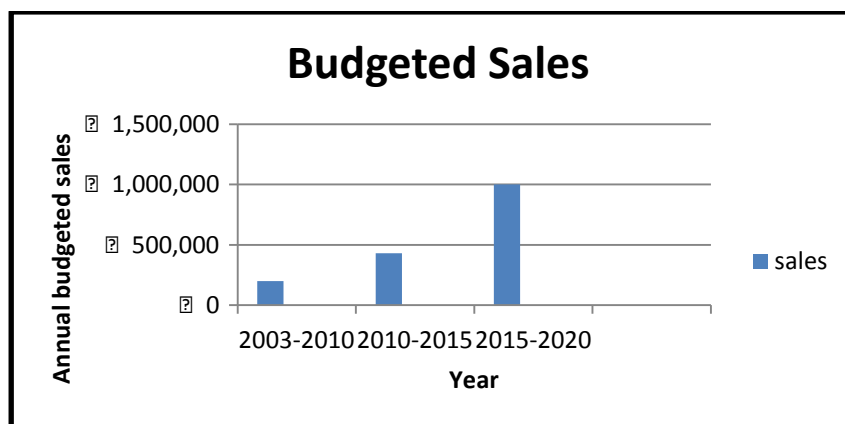
2. How important is sales for your organization?

*"The first three criteria that we included have been identified as crucial to entrepreneurship: profit, growth and innovation"*(Hitt, Ireland, Camp & Sexton 2001).

As the firm is purely involved in sale of products from the past 30 years, it is an obvious fact that sales is one of the most important and integral activity of the organization. It is impossible to manage the finance without constant sales because the stock which is purchased on credit from the suppliers is to be paid out of the revenue which the firm generates from sales. If there is any obstruction to the usual and standard sales structure then the suppliers, customers, employees and the organization are impacted adversely. Sales increase the profit and profit helps us in diversification and expansion which helps in growth and innovation of the firm.

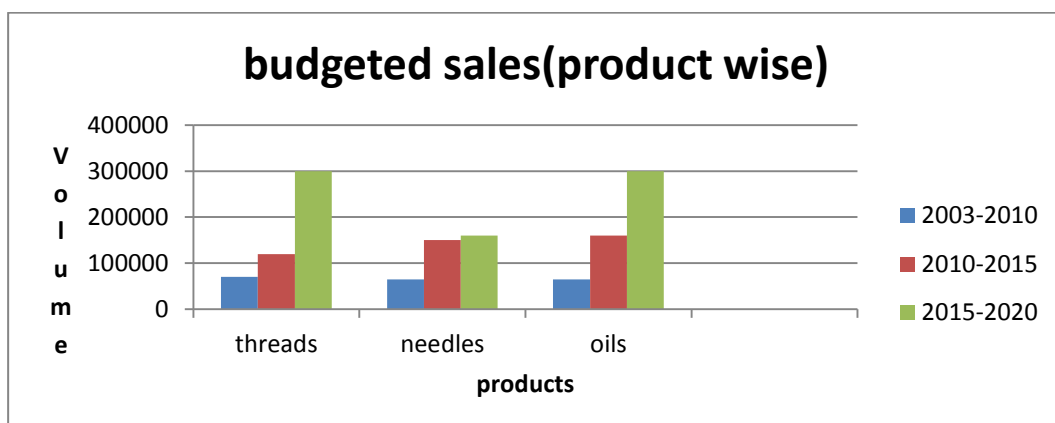
A). Projection/forecasting of sales for the following period.

Year	Sales in volume(annually)
2003-2010	₹2,00,000
2010-2015	₹4,30,000
2015-2020	₹10,00,000



[Source: Interview with Mr. Kismat Bhurat on 12/11/2020, Thursday.]

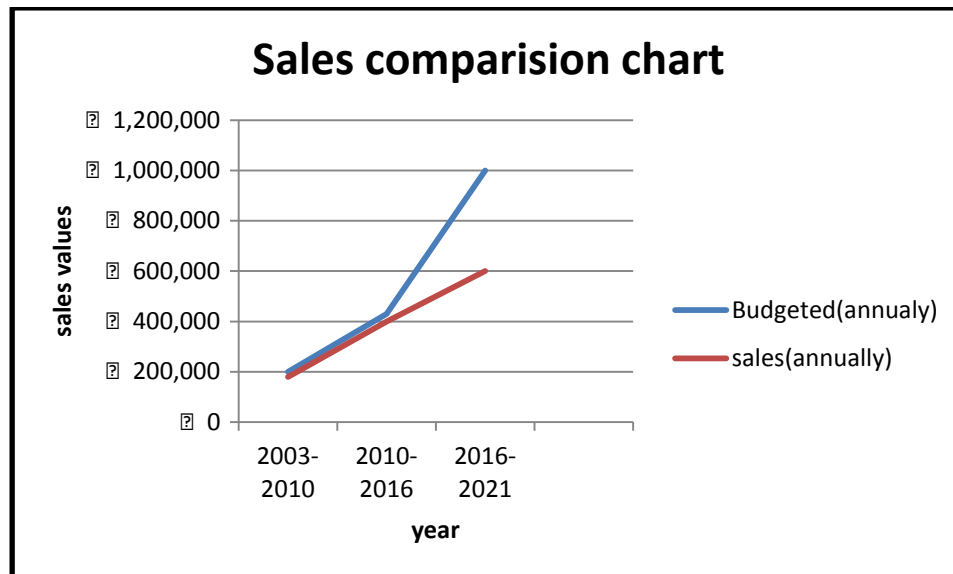
Year	Sales In Volume(Annually)		
	Threads	Needles	Oils
2003-2010	70,000	65,000	65,000
2010-2015	1,20,000	1,50,000	1,60,000
2015-2020	3,00,000	4,00,000	3,00,000



**B). How was the projection of sales from 2003-2010, 2011-2015, and 2016-2020?**

From the period of 2003 to the day today, sales have always been following an upward trend. The following is the table which shows the increase in sales (Nearby figures) in value and percentage.

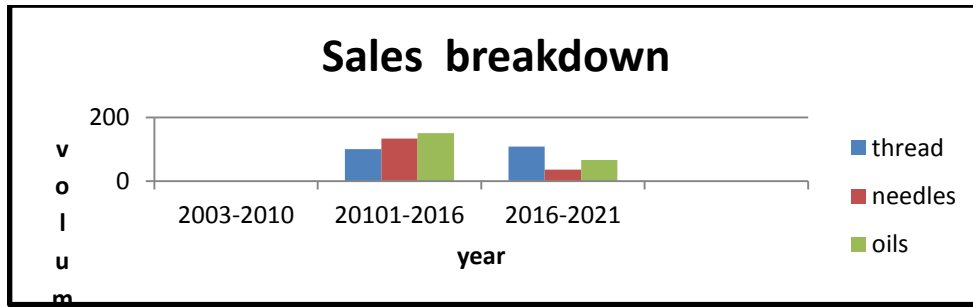
Year	Budgeted(annually)	sales(annually)	Percentage of growth in actual sales
2003-2010	₹2,00,000	₹1,80,000	-
2010-2016	₹4,30,000	₹4,00,000	122.22%
2016-2021	₹10,00,000	₹6,00,000	50%



[Source: Table No 3.A]

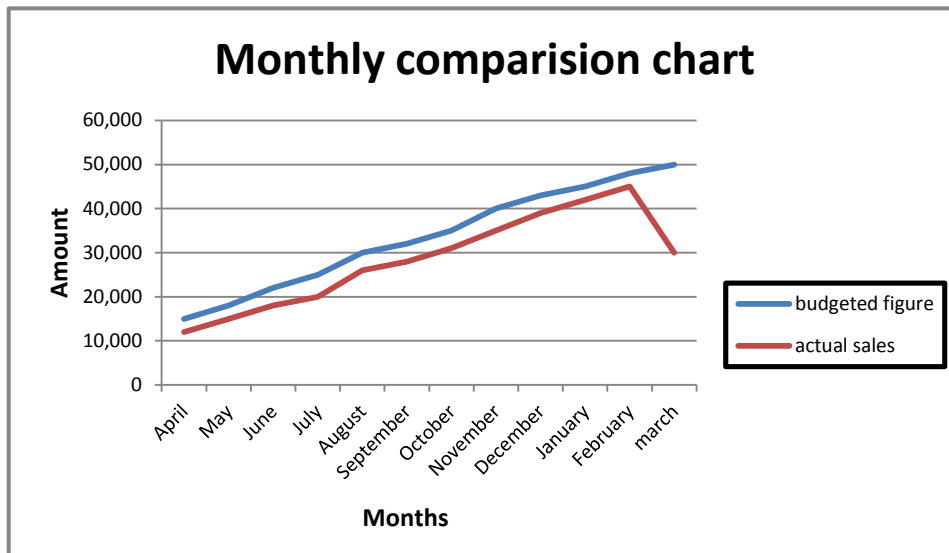
There was no much deviation between the budgeted sales value and actual sales value. It is evident from the table and graph above that during the period 2003-2010 and 2010-2016 budgeted sales value was little higher than actual sales but during the period 2016-2021, budgeted sales value was very high compared to actual sales value. In the year 2016, the owners had no clue about the pandemic that happened during 2020 and hence they forecasted sales keeping in mind the normal scenario, but unfortunately the situations that the business had gone through were not healthy enough where sales decreases immensely and no proper stocks were available due to transportation problem. Hence, we see that there is a huge deviation only during the period of 2016-2021 between the budgeted sales and actual sales.

year	Budgeted (annually)			Sales (annually)			Percentage of growth in actual sales		
	thread	needles	oils	thread	needles	oils	thread	needles	oils
2003-2010	70000	65000	65000	60000	60000	60000	-	-	-
2010-2016	120000	150000	160000	120000	140000	150000	100%	133.33%	150%
2016-2021	300000	400000	300000	2500000	190000	160000	108.33%	35.71%	66.66%

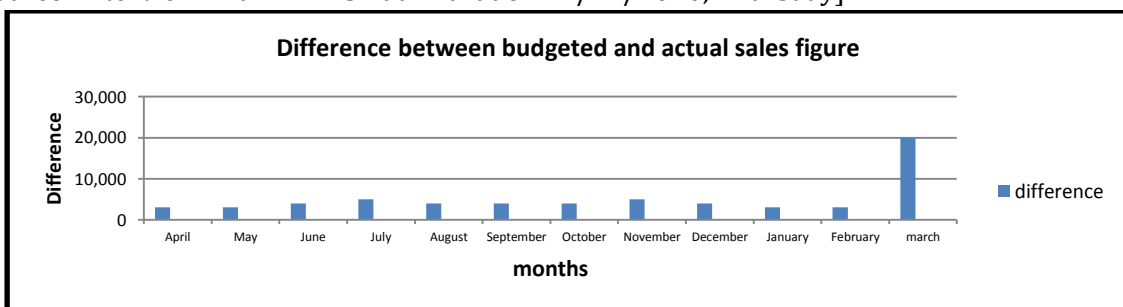


C) Comparison of Monthly sales in the year 2019-2020.

Month	Budgeted figure	Actual sales(approx.)	Difference
April	15,000	12,000	3,000
May	18,000	15,000	3,000
June	22,000	18,000	4,000
July	25,000	20,000	5,000
August	30,000	26,000	4,000
September	32,000	28,000	4,000
October	35,000	31,000	4,000
November	40,000	35,000	5,000
December	43,000	39,000	4,000
January	45,000	42,000	3,000
February	48,000	45,000	3,000
march	50,000	30,000	20,000

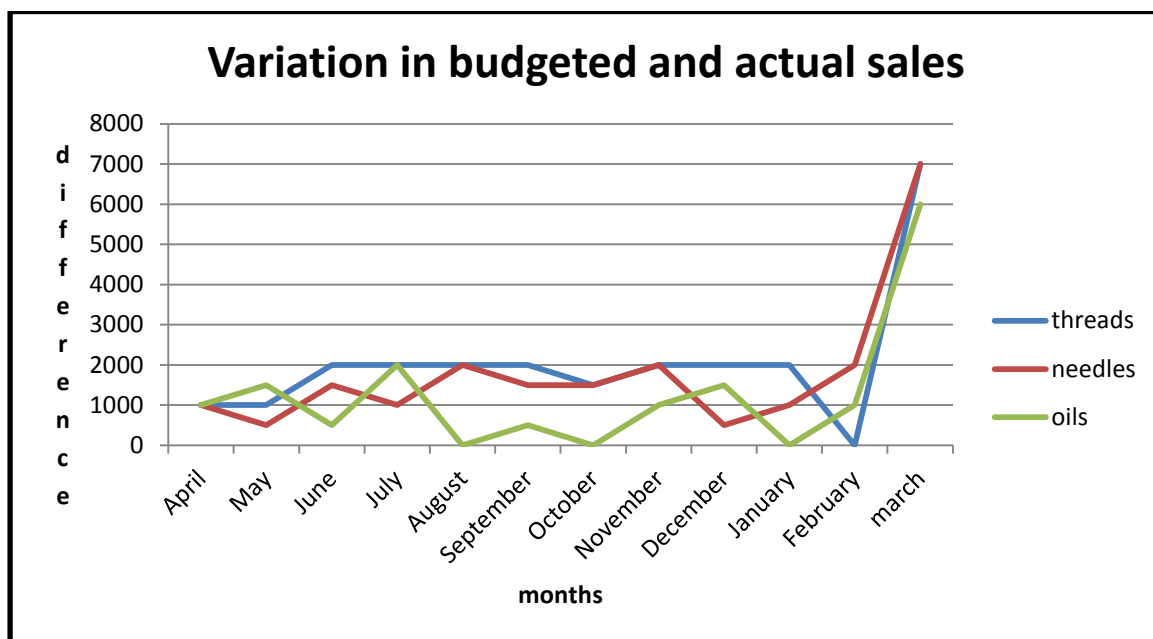


[Source: Interview with Mr. Kismat Bhurat on 12/11/2020, Thursday]



The deviation was consistent till February 2019, but in the month of March 2019, the deviation was very high by almost 300% due to the unexpected lockdowns all around the country and the restrictions imposed by government.

Month	Budgeted figure			Actual sales(approx.)			difference		
	thread	needles	oils	Thread	needles	oils	thread	needles	oils
April	5000	6000	4000	4000	5000	3000	1000	1000	1000
May	6000	7000	5000	5000	6500	3500	1000	500	1500
June	8000	9000	5000	6000	7500	4500	2000	1500	500
July	9000	10000	6000	7000	9000	4000	2000	1000	2000
August	10000	11000	9000	8000	9000	9000	2000	2000	0
September	11000	11000	10000	9000	9500	9500	2000	1500	500
October	11000	13000	11000	9500	10500	11000	1500	1500	0
November	13000	15000	12000	11000	13000	11000	2000	2000	1000
December	14000	16000	13000	12000	15500	11500	2000	500	1500
January	15000	17000	13000	13000	16000	13000	2000	1000	0
February	16000	18000	14000	16000	16000	13000	0	2000	1000
march	17000	19000	14000	10000	12000	8000	7000	7000	6000



**4. How is the future projection of sale and major hurdles to remain at the same level?**

The sales in the future are predicted to increase by 60%-70% annually. The major hurdles to maintain the same levels of sale are the increase in the competitors locally. About 6 to 7 firms involved in the same type of business have entered the market, which disperses the customers among these firms. After the implications of GST, the sale has impacted and is difficult to follow the trend in the same direction.

**5. Importance of profit margin for your business.**

Profit is end result the firm desires from the sequential activities it carries from procuring the goods to selling them. Profit plays a vital role because after paying expenses and taxes, the firm is free to use the money out of the profit for expansion and diversification. Had the firm not earned required profits and utilized them appropriately, it would not be capable of increasing

its product lines from needles, threads to beads and sari falls. ***"Due to possible impact of stakeholders in the company, it is necessary to manage relationships between stakeholders and enterprises. Organizations that manage relationships with stakeholders actively, often benefitting from these relations"*** (Rodriguez-Melo, A., & Mansouri, S.A. 2001). As mentioned above, constant profits have been one of those benefits which the enterprise enjoys due to healthy relationships with stakeholders.

### 6. What was the thought process of keeping the profit margin low?

*"Profitability is where growth takes place."* ~ Rush Limbaugh. Profit is the goal of any business without any doubt. But the firm who has profit as its only goal will only sustain in the short run. For a business to sustain in the long run, other aspects like goodwill, recognition in the society, edge against competitors, brand loyalty of customers along with profit becomes imperative. Hence, the initial phase of business was just to recover the costs or maintain the break-even point. Gradually as the customer base grew the firm started earning profits but kept the margin low as they didn't want to lose customers in that delicate phase of business. Once the firm earned goodwill and trust of people, then they increased the profit margin and started earning better. *"Companies should not have a singular view of profitability. There needs to be a balance between commerce and social responsibility... The companies that are authentic about it will wind up as the companies that make more money."* ~ Howard Schultz

### 7. Estimate (₹ in approx.) for future period the following:

Particulars	2010	2015	2020
Employees	6	10	15
Capital	₹7,00,000	₹12,00,000	₹18,00,000
Sales	₹15,000	₹25,000	₹50,000
Profit Margin	35%	45%	60%

### 8. Future plans of Sumitra Corporation.

The firm wants to diversify its product line by adding few new products which are trending in the market by utilizing its profits effectively. Also, the firm wants to maintain healthy competition in the firm by providing finest services to its customers. The firm looks ahead in maintain proper financial capital and social capital as well. ***"This therefore implies that organisations must be socially responsible to the environments where they operate."*** (ISSN: 2225-8590). The major aspect which the firm is considering for its future revival is that, it wants to incorporate digitalization in its business operations. From maintain the records of customers, suppliers, accounts and the tax liabilities the firm will try to use software's and change its way of doing business 10 years down the line.

### 9. Plans to involve next generations to scale up.

Mr. Kismat Bhurat, owner of the firm says he will definitely be interested to involve his son, the next generation, Daksh Bhurat to scale up the existing business by adding up his knowledge and skills in the area of commerce, management and administration. Not giving assurity but this is how the owner has projected about the next generation. Anyways, time will speak. ***"Beyond profitability, family members may see success in the ability to live and operate the enterprise according to a personal value system or merely to pass the founder's legacy to the next generation"*** (Daniel Denison, Colleen Lief, John L. Ward).

### 10. Message towards young entrepreneurs towards similar business.

There is no much technicality in the business, but what is more crucial that the younger generations should keep in mind is that, no customer or deal is big or small. Every customer should be given utmost importance. *"Customer retention has been a noteworthy issue since the mid-1990s (Ang & Buttle, 2005)"* Ethics and values should never be ignored because that builds a strong goodwill and positive attitude towards the business if not initially at least in the long run. Change must be constant. The way the owners of Sumitra Corporation carried the business cannot be practiced by their successors and so on.

### PORTER'S FIVE FORCE MODEL

#### 1. Bargaining Power of Suppliers - Medium

The bargaining power of suppliers refers to how much power to negotiate price and other terms your suppliers have. In this case, there are various suppliers who supply similar kind of products, but the firm chooses suppliers on the basis of credit policies they give or also on the transportation cost, hence the bargaining power of suppliers is not very high due to the various options the firm has.

#### 2. Bargaining Power of Buyers - Low

The bargaining power of buyers refers to essentially the same thing as the bargaining power of suppliers, but as it applies to your customers. If the product that you sell is a rare product that they cannot get from anyone else or they could not easily find elsewhere, the bargaining power of buyers in such case is low. As the firm provides products at a cost lower than its competitors and variety of products are available under one roof, hence customers cannot dominate much.

#### 3. Threat of New Entrants - Low

The threat of new entrants refers to the barriers of entry into the industry and whether they are strong enough to prevent a lot of new companies from jumping in to compete or whether they

are particularly weak and the market could easily be flooded with a bunch of new competitors. It takes years to build relationships with customers, suppliers and employees. The firm is into this business from 35 years. The company's self-built distribution channels; good relationship with the customer and reputation, brand, quality has decreased the threat of new entrants.

#### 4. The Threat of Substitute Products - Low

The threat of substitute products refers to the ability of a customer to decide to use a different product instead of yours to solve the same problem or meet the same need. The threat of substitute products is often overlooked by new entrepreneurs who will come in and say they have a brand-new product with no competition whatsoever. Usually increased selling price and profitability of exciting products will be limited due to the existence of alternatives which can be easily available and accepted by the customers. Products like thread, needles, and oils can have fluctuating demand but very less threat of substitutes.

#### 5. Competitive Rivalry - Medium

Enterprises in most industries are closely linked to each other's interests. As part of their overall strategy, their goal is to make their own companies more competitive than their competitors. There are conflicts and confrontations, often manifested in prices, advertising,



product introductions, and after-sales services. There are around 5-6 firms which sell similar kind of products and this makes the competition rivalry neither very low nor very high.

## ENVIRONMENTAL SCANNING

### 1. EXTERNAL FACTORS

An organization with a clear sense of mission, for example, can explain itself better to the world and can align itself with the positive elements in each area.

- **Economy** - In a bad economy, even a well-run business may not be able to survive. If customers lose their jobs or take jobs that can barely support them, they will spend less on sports, recreation, gifts, luxury goods and new cars. High interest rates on credit cards can discourage customers from spending. The sales for the firm came down during pandemic and hence it got adversely effected when the economy was affected. You cannot control the economy but understanding it can help you spot threats and opportunities.
  - Inflation Rate
  - Disposable and Discretionary Income
- **Competition from other Business** - Unless your company is unique, you will have to deal with competition. When you start your company, you fight against established, more experienced businesses in the same industry. After you establish yourself, you will eventually have to face newer firms that try to slice away your customers. Competition can make or break you – look at how many brick-and-mortar bookstores crashed and burned competing with Amazon. Sumitra corporation has around 5-6 competitors in Hubli, but due to factors like social networks and goodwill; it doesn't affect the sales much.
- **Customers and Suppliers** - Next to your employees, your customers and suppliers may be the most important people you deal with. Suppliers have a huge impact on your costs. The clout of any given supplier depends on scarcity: If you cannot buy anywhere else, your negotiating room is limited. The power of your customers depends on how fierce the competition for their dollars is, how good your products are, and whether you're advertising makes customers want to buy from you, among other things.
- **Technology**- the firm is involved in sale of products only and hence the presence of technology is almost nil.
- **Sociocultural**- this factor plays a very important role for Sumitra Corporation. **“There are a few unique practices which the firm has been practicing for a very long time. Practices such as providing gifts on purchase of some said minimum limits, sending boxes of sweets to customers during Diwali, yearly bonus to employees, and advance payment of salaries during emergencies etc. are few of the ways to strengthen social capital.”**

## 2. INTERNAL FACTORS

### • Mission and Vision

Why does an organization exist? What is its purpose? Answering these fundamental questions describes an organization's mission. A successful organization has a clear sense of its ultimate purpose and knows how it intends to fulfill that purpose.

- **Employees** - Unless you are a one-person show, your employees are a major part of your company's internal environment. Your employees have to be good at their jobs, whether it is writing code or selling products to strangers. Managers have to be good at handling lower-level employees and overseeing other parts of the internal environment. Even if everyone's capable and talented, internal politics and conflicts can wreck a good company. At Sumitra corporation, employees are satisfied with their pay scale and do not search for similar jobs at higher salary because they will not find a similar working environment and facilities anywhere else.
- **Capital and Resources** - Even in a great economy, lack of money can determine whether your company survives or dies. When your cash resources are too limited, it affects the number of people you can hire, the quality of your equipment, and the amount of advertising you can buy. If you are flush with cash, you have a lot more flexibility to grow and expand your business or endure an economic downturn. In the initial phase of business, the firm lacked financial resources but by gradual increase in the profits, the firm is now able to manage its finance on its own and also make up a handsome amount of reserves.
- **Culture**
- **Communication** - Successful organizations thrive on robust communication practices, where teams and team leaders communicate freely and often to improve results. This two-way communication up and down the hierarchical structure extends from top to bottom. Organizations with communication deficiencies often have rigid leadership structures that destroy trust.

### INTERNAL FACTOR ANALYSIS SUMMARY (IFAS)

Internal Factors	Weight	Rating	Weighted Score
<b>Strengths</b>			
• Higher level of customer satisfaction	0.15	5	0.75
• Variety of products under a single roof	0.10	3	0.30
• Social networking	0.25	4	1
• Location	0.05	1	0.05
<b>Weakness</b>			
• Not enough human resources	0.25	2	0.50
• Lack of technology	0.05	1	0.05
• Poor online presence	0.15	3	0.45
	1.00		3.1

### EXTERNAL FACTOR ANALYSIS SUMMARY (EFAS)

External Factors	Weight	Rating	Weighted Score

Opportunities			
• New launched products	0.15	2	0.30
• R & D	0.10	3	0.30
• Customers from other states	0.25	4	1
• Huge demand	0.05	1	0.05
Threats			
• Uncertain economic conditions	0.25	3	0.75
• Tax implications	0.05	4	0.20
• Adaption of technology at a fast phase	0.10	1	0.10
<b>TOTAL</b>	<b>1</b>		<b>2.7</b>

### STRATEGIC FACTOR ANALYSIS SUMMARY (SFAS)

	Strategic factors	Weight	Rating	Weighted Score	Duration		
					SHORT	INTERMEDIATE	LONG
S1	High customer satisfaction	0.15	3	0.45			
S2	Location	0.10	2	0.20			
W1	Lack of Technology	0.25	2	0.50			
W2	Not enough human resources	0.05	2	0.10			
O1	New launched products	0.15	3	0.45			
O2	Huge Demand	0.05	4	0.20			
T1	Uncertain economic conditions	0.10	5	0.50			
T2	Tax implications	0.15	2	0.30			
	Total	1.00		2.7			

### CONCLUSION

From the above interview we can conclude that, though the firm is involved in the similar type of business from past 30 years, the owners are still worried to maintain the same level of consistency in the level of sales and profit margins. Importance of diversification and adapting oneself to the changing environment is of utmost importance to the existing and the upcoming business.

Every business forecasts its capital, revenue for the upcoming periods and the chances of actual and budgeted figures deviating are very probable. It is important to understand why such deviations occur and then take necessary actions. Sumitra corporations forecasting strategy is proper but due to the unexpected situation of pandemic deviations were higher. In the months of June-July growth is seen which is a positive sign for the firm.

Not only financial capital but social capital is also important for a firm to be successful. ***"For decades, the concept of trust has achieved appreciable implication in the field of marketing, not only for products as well as for services". (Kantsperger & Kunz, 2010).***

The owners have very well summed up their experience and given valuable piece of advices to youngsters which we hope will benefit the readers of this case study.

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