

M.K.RUSTOMJI • S.A.SAPRE

ART OF MANAGEMENT

"Exceedingly important and exceedingly useful"

PETER.F.DRUCKER

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ART OF
MANAGEMENT

M.K. RUSTOMJI
S.A. SAPRE

Illustrated by
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BY M.K. RUSTOMJI & S.A. SAPRE

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without ulcers, tranquillisers or
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the easy way

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Realities in management

Business is people

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While it is not possible to acknowledge the debt we owe to the numberless experts on management whose work we have consulted in the preparation of this book, we should like to take this opportunity of expressing our special debt of gratitude to PETER DRUCKER whose unrivalled and worldwide success in the field of management is now a byword. No researcher in this field can fail to be influenced by PETER DRUCKER's seminal works and he has been for us, personally, one of our main inspirations in our own endeavours to distil the essence of the thinking of our most eminent management experts.

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rose to the rank of a top executive of the Tata Engineering and Locomotive Company, one of the largest organizations of its type in the world. His numerous books on Management are in such great demand in countries such as the U.K., U.S.A., India, Spain, Japan, etc., that he is now a whole-time author and consultant. Israel, with the best management books in the world to choose from, has already published two of Rustomji's books in Hebrew and is going to bring out four more. Rustomji has published over ten books in collaboration with the world-famous British Management author C. Northcote Parkinson and his books have been recognized by the well-known management expert Peter F. Drucker as an important contribution to management. Rustomji was selected by the Government of India to lead a high-powered productivity team that visited the U.S.A. and Europe to make recommendations for industry. He has the unique distinction of twice winning the first prize of the prestigious Escorts Book Award for the best Management book of the year. One of Rustomji's books on Management was made into a prize-winning film by the Government of India.

S.A. SAPRE

was, for many years, the Chief Executive of one of the largest and most modern printing organizations in India. He has lectured extensively and has written a number of important books on Management. Of his essay on Clement Attlee, *The Art of Administration*, Kenneth Harris, Editor of *The Observer* and author of the biography of Attlee has said: 'The essay is beyond praise, beautifully written, and full of splendid insights and brilliantly selected references. It is a classic.' He is at present Director of the prestigious Institute for the Study of Work, which carries out invaluable work in the field of Management Training.

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CHAPTER 1

MARKETING

A fascinating subject

Peter Drucker, one of the world's leading management experts, has formulated two arresting propositions—'The customer is the business' and 'The purpose of a business is to create a customer'. In a way this is obvious but it becomes obvious only when it has been brought to our notice. A medical graduate, for instance, becomes a practitioner only when he gets his first patient, and not when he is awarded a degree.

Management is a fascinating subject and we begin our discussion appropriately enough with understanding the customer for whom a business comes into existence.



THE CUSTOMER IS ALL-IMPORTANT

THE CUSTOMER IS ALL-IMPORTANT

A layman thinks that a business begins with the construction of a factory, buying of plant, machinery and raw materials, and employment of men. But this is a misconception. Recently a very talented engineer set up a model factory for manufacturing a small-sized printing machine which was a technical marvel. But when it was placed on the market, there were no customers and production naturally came to a standstill. The firm had no money to pay wages and buy raw materials. You cannot go on manufacturing things which nobody is prepared to buy. Without customers, production has no value. It is sheer waste. Marketing has therefore primacy over production.

Ascertain the customer's needs

You have, therefore, to think of the customer first before embarking on production. Prepare a comprehensive list of likely customers, find out, through interviews and questionnaires, how far they would be interested in the product and what prices they can afford. This basic information will be useful for preparing the production programme, that is by listing different varieties of the product, their quantities and quality. Another major consideration is whether a price acceptable to the customer would yield reasonable profits.

Understand the customer

The customer's point of view is different from that of the manufacturer. Charles Revson, the marketing genius, has rightly said: 'In the factory we make cosmetics. In the store we sell hope, the hope of looking irresistibly beautiful.' Cosmetics might lead to the girl capturing the handsomest and richest boy in town. The customer does not buy a product. He buys certain satisfactions.

'I dreamed I was Cleopatra in my Maidenform Bra.' This proved to be a very effective and most appealing advertising slogan. A car is basically transportation. But for a film star it is something which conveys the impression of her wealth, glamour and elegance. It is a symbol of her growing popularity. It is, therefore, necessary to understand what the customer really wants.



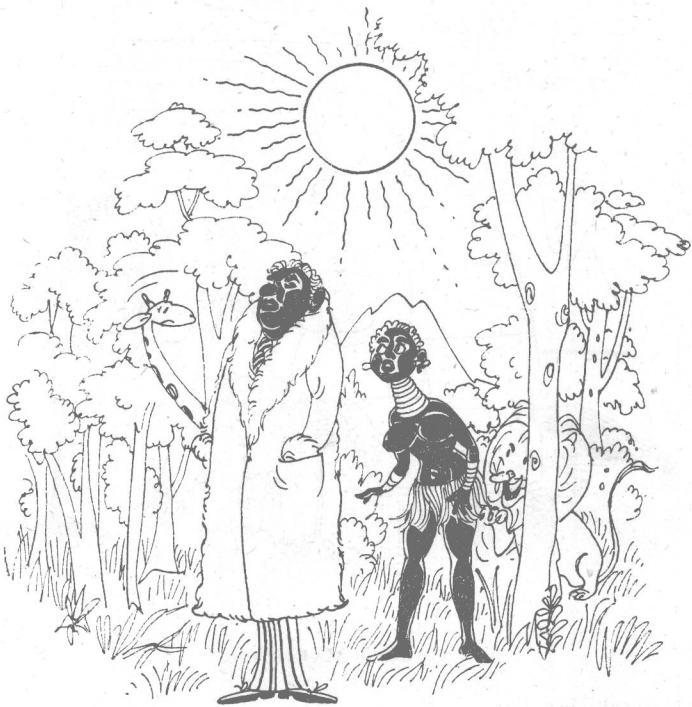
DYNAMIC MARKETING

Educate the customer

The customer's requirements are complex and many but his finances are strictly limited. There are also other competing products available on the market. The customer is constantly on the look out for the most suitable product. Price is naturally a major consideration, but so is quality and utility. It is necessary to enlighten the customer. It needs to be explained to him why your product should be used in preference to other available products. It is essential to demonstrate the distinct advantages of your product in a persuasive manner.

Win the customer

A business then depends upon the customer. It is necessary to win the customer and to retain him. Business growth is promoted by increasing sales. But this is far from easy. Selling is not as straightforward as engineering. It is complex and difficult because it involves many intangibles. You have to take into account the customer's culture, his emotional make-up, his financial circumstances. What may appear as relatively



CREATING NEW CUSTOMERS

unimportant, such as the brand name, the advertising slogan, the type of packaging, may be of decisive importance in attracting customers.

Respect the customer

Even a well-established business must remain alive to the changing needs of the customer. His complaints must be promptly looked into.

His suggestions should always be carefully considered. First and foremost then, it is necessary to understand and respect the customer. This is the foundation of a successful business.

The customer is sovereign

The customer may favour a product today but the moment a better or cheaper product becomes available, he discards the old favourite and embraces the new one. He has no sentiment.

He respects no traditions. His loyalty is to his self-interest which he pursues quite ruthlessly. The customer is sovereign.

Spectrum of emotions

The customer has many needs and many desires and aspirations. He is never fully satisfied. To understand the customer is to understand the wide spectrum of his feeling and emotions. And remember, no two customers are exactly identical. But we can usefully note the main characteristics of human needs.

Physical and security needs

The customer wants to satisfy, first and foremost, basic physical needs such as hunger, thirst and sleep. He is also haunted by real and imaginary dangers such as accidents and incurable illness. He seeks protection from such calamities. He wants to escape pain. He is constantly striving for security. Insurance, pain-killing drugs, instant cures and such things have a powerful hold on him.

Comfort

Man is always hankering after comfort and luxury. When he gets a good flat, he wants it to be air-conditioned. He then longs to dine in an expensive restaurant and watch a seductive cabaret show. Excellent food by itself is not enough for him.

Fellowship

Man always needs friends and the warmth of fellowship. His tastes, attitudes and habits are fashioned by his circle of friends. If a friend buys a refrigerator, he feels restless until he gets one.

Status and prestige

Man is acutely conscious of his status. Status symbols, therefore, assume great significance in modern society. Diamonds, ornaments, expensive cars and race horses are valued for their prestige satisfaction.

Sexual appeal

Sexual attraction is something bewitching, something indescribably pleasant and alluring. Therefore, a young lady's

dream is to look ravishingly beautiful. The whole business of cosmetics is built around this supreme urge.

Economy and service

The customer has limited resources but unlimited wants. He, therefore, constantly weighs the advantages and the cost. When a businessman wants to buy a machine he examines its profitability critically.

Ask the customer

The customer's behaviour is the outcome of the interaction of such emotions and considerations. In the purchase of clothes, a bride would be moved by considerations of beauty, while the mother may be influenced by considerations of utility and economy. The best and the most reliable method of understanding a customer is to approach him and to ask him questions and to listen to him patiently and sincerely.



What is understanding

People get bored easily. They pine for novelty and excitement. A manufacturer of shoes has shrewdly said: 'People no longer buy shoes to keep their feet warm and dry. . . . The shoes make them feel masculine, feminine, rugged, different, sophisticated, young, glamorous. . . . Buying shoes has become an emotional experience.' This is understanding the customer.

Appeal to emotions

The most important thing to bear in mind is that a salesman does not sell a product as such but sells certain satisfactions. The product meets the emotional needs of the customer. When a person buys a house, it may be because he needs shelter, or he wants to make a profitable investment, or he feels that it will enhance his prestige. A product can satisfy a variety of needs. A television set is also a piece of furniture which could be well-integrated into the drawing room.

Study the product

But this does not mean that the salesman should study only the psychology of the customer and neglect the study of his product. It is equally necessary that he is thoroughly familiar with his product, its advantages *vis-a-vis* other competing products. He should be able to explain them in simple language and demonstrate their superiority when necessary.

Be persuasive

Since sales are intended to meet an emotional need as well, the sales appeal must be persuasive. You cannot get a customer to buy your product by cold and relentless logic. An aggressive salesman will merely offend the customer.

Do not overpraise

It is psychologically unwise to overpraise your product. Ford's Edsel failed because it could not meet the high expectations created by loud advertising. On the road it proved to be a let down. A salesman should be modest and realistic in praising his product.

Buying atmosphere

Buying depends upon the mood of the customer. The art of