

# Asian Resonance

## Strategy and Marketability of Coal for Customer Satisfaction in India- A Road Map

### Abstract

India is the third-largest coal producer and consumer in the world. Approximately 70% of this coal is consumed by the power sector and the remainder by the iron and steel industry. Coal consumption has increased strongly over the past decade, at an average rate of 6.5% per year. Indian coal industry, after having enjoyed monopolistic status in the past has now entered new phase after liberalization, globalization and privatization of Indian economy, imported coal is now available at competitive price. The coal industry play a new role of strategies which are not only customer friendly but they should also give boost to the marketability of Indian coal .strategy which is created by mind for the future course of action which shows better marketability of coal industries.

**Keywords:** Strategy, Customer Satisfaction, Marketability.

### Introduction

Coal marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. Implementation of a large Coal Marketing Strategy to nurture and enhance their competitiveness, based on domestic and international competition, highlighting the enterprise features, to create first-class brand of service, and enhance the core competitiveness of enterprises to embark on the fast track of rapid development. Implementation of the large Coal Marketing strategy should build high quality sales force, trade and economic entity to ensure the market share, quality products to dominate the market, emancipate the mind, new ideas, establish a full Marketing awareness.

Marketing strategies serve as the fundamental underpinning of Marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results. Commonly, marketing strategies are developed as multi- year plans, with a tactical plan detailing specific actions to be accomplished in the current year. Time horizons covered by the marketing plan vary by company, by industry, and by nation. However, time horizons are becoming shorter as the speed of change in the Environment increases. Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned.

India urgently needs modern energy to support its large, expanding population and growing economy. India's coal mining industry is dominated by Coal India Limited (CIL) the country's main coal mining company which produces around 80% of the resource. CIL has had substantial difficulties in increasing its output in recent years. The reasons for this are manifold: Firstly, environmental constraints with regard to land acquisition, forest clearing, and environmental pollution index norms, as well as resettlement and rehabilitation issues, have slowed down capacity expansion and caused project slippage. Secondly, infrastructure constraints such as a lack of rail capacity and mechanized equipment currently hinder increasing coal movements at some collieries. Finally, industrial action, mismanagement and bad weather conditions have impeded efforts to increase production locally. A stronger focus on underground mining might help to alleviate some of the environmental constraints, although this will also lead to higher costs.

The country has vast coal resources which for many years have supplied a major share of its primary energy supply. The ever-increasing

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use of domestic coal has brought great benefits, but also poses serious challenges. By supplanting traditional biomass energy to a very large degree, coal has improved both the quantity and quality of the energy available to the Indian people. Coal also contributes decisively to India's energy security, since the country has limited oil and natural gas production. Strong economies are indispensable in reaching the widely recognized goal of sustainable development. For India, a strong economy will depend on a strong and efficient coal industry. Coal industry also play similar role for marketability of coal in consumer market.

Coal distribution through e-Auction has been introduced with a view to provide access to coal for such buyers who are not able to source coal through the available institutional mechanism. In the long run it is expected that e-Auction may help in creating spot as well as future market of coal in the country. The purpose of e-Auction is to provide equal opportunity to purchase coal through single window service to all intending Buyers. E - Auction has been introduced to facilitate across the country wide ranging access to book coal on-line for all sections of coal Buyers enabling them to buy coal through a simple, transparent and consumer friendly system of marketing and distribution of coal.

### Objective of the Study

1. To analyze the strategy of BCCL marketer follows to execute coal product in Dhanbad city.
2. To analyse the various distribution channels.
3. To analyse the Coal marketing environment.
4. To understand competition in global market..
5. To analyse the promotional coal marketing strategy in BCCL.
6. To analyse the market share of BCCL companies and their potential areas.
7. To know how to analyse the Coal marketing executed during pre and post nationalization in Coal India (BCCL).
8. To analyse the consumer perception about BCCL coal.

### Review of Literature

The literature review encompasses business marketing concepts, particularly the theory dealing with industry matters. Marketing theory will be discussed in terms of the marketing mix and each field's components as the basis for the literature review. The literature review shall be divided into logical sectors, after discussing all relevant terms and theory from a strategic to operational viewpoint.

Marketing Strategy should be considered according to changing environment and regular follow up of the competitive strategy which would help decision maker to make strategy according to the market scenario. The marketing strategy is normally customer-focused objectives that guide and support the business strategy and decisions and actions with respect to target customers, price, product, promotion and distribution necessary to achieve the objectives. The 4ps can be utilized to form a marketing plan to pursue a defined strategy.

The Marketing Division of CIL coordinates marketing activities for all its subsidiaries. CIL has set up Regional Sales Offices and Sub-Sales Offices at selected places in the country to cater to the needs of the consuming sectors in various regions.

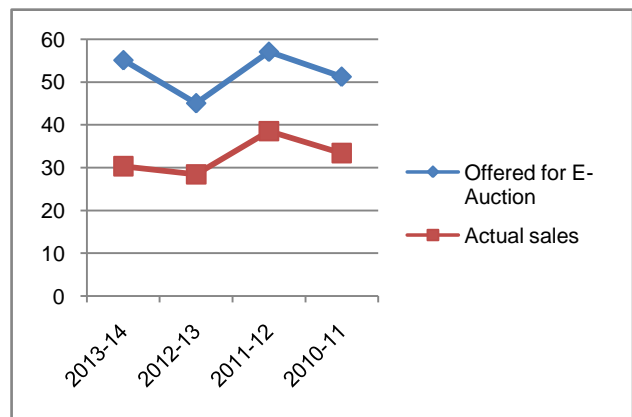
Today one thing is constant i.e. change. Change is the only constant in our life and dynamic volatile and non volatile market. Strategy plays a vital role in coal industries which shows Coal India limited become a Maharatna to Navaratna and their subsidiary part BCCL hold a Mini Ratna in Coal capital of India i.e Dhanbad.

BCCL is a Public Sector Undertaking engaged in mining of coal and allied activities. It occupies an important place in as much as it produces bulk of the coking coal mined in the country. BCCL meets almost 50% of the total prime coking coal requirement of the integrated steel sector. The aim of the BCCL is to meet the customer needs in various market segments. They are committed to meeting the customers' expectations, anticipating their needs, and providing value added products.

BCCL, the pioneer in e-Auction marketing of coal and coal products in CIL made a remarkable progress in generating additional revenue over the Notified Price during the year in question towards strengthening the company.

Year	Offered for E- Auction	Actual Sales
2013-14	55.08	30.34
2012-13	45.06	28.44
2011-12	57.04	38.51
2010-11	51.23	33.39

Source: - Annual Report of BCCL (2010 to 2013)



### Strategy: Meaning and Concept

The word Strategy comes from the Greek word Strategic, which means a General or Military Commander. It is defined as it is a planning which is created by mind for future course of action. For the success of any businesses in this competitive era strategy is very important for any organization. Strategy refers to the plans made and actions to enable an organization fulfill its intended objectives. When we speak of strategy as actions taken, we refer to a realized strategy. In both cases, we are considering the efforts directed towards fulfilling an

organization's purposes. In fact, strategy comprises the most fundamental ends and means of an organization.

Ignore an off pioneered the concept of strategy. Later Henry Mint berg and Michal E porter enriched the concept of strategic management with their original insights.

### **Ansoffs Strategic Success Paradigm**

The systematic study of strategic management was pioneered by Ansoffs. The strategic success of Ansoffs paradigm identifies the conditions that optimize profitability. The key elements of this paradigm for all firms are as follows:

1. There is no universal success formula for all firms.
2. The level of turbulence in the environment determines the strategy required for the success of a firm.
3. The aggressiveness of the strategy should be aligned with the turbulence in the environment to optimize the firm's success.
4. The management's capabilities should be aligned with the environment to optimize the firm's success.
5. Internal capability variables i.e. cognitive, psychological, political, anthropological and sociological variables, all jointly determine the firm's success.

After 11 years of testing his paradigm empirically, Ansoffs translated it into a diagnostic instrument called "strategic Readiness Diagnosis." His book "corporate strategy". 1956 played a key role in the development of strategic planning. In another book," Ansoffs elaborated upon a highly complex "cascade of decisions."He introduced "gap analysis".i.e the gap between where you are today and where you want to be and the concept of synergy to a wide audience for the first time. Thus, he left an indeclinable mark on the practice of strategic management.

### **Marketing Strategy of Coal for Customer Satisfaction**

Marketing strategy is the analysis, development, and implementation of the selected market target strategies for product markets in which the organization has on interest. It involves implementing and managing the marketing strategies that have been formulated to meet the marketing objectives and customer needs moreover it has a narrow perspective: it is concerned with the customers, organizational boundaries market and competitors .It also concern with "what to do".

The Indian steel industry relies on high-quality coking coal imports, due to the relatively poor quality of domestic resources. In recent years, the majority of growth in coal imports has come from power generators; however, imported steam coal is markedly more expensive for Indian power generators than domestic coal. Given the regulation of power prices, generators face a disadvantage and have recently incurred substantial financial losses. In order to supplement this loss, Indian authorities recently

dropped the 5% duty on coal imports, at least until 2014, which will incentivize coal imports.

Moreover, CIL has agreed, in principle, to enter into Fuel Supply Agreements (FSAs) with domestic power plants to address the uncertainty of coal availability for power plant investors. The FSAs guarantee 80% of the load factor for commissioned power generation plants and for those to be commissioned before mid-2015. As a result of the shortfalls of domestic coal supply, Indian generators and steel mills have started to develop their coal supply sources abroad. India has so far secured access to more than 24 Gt of coal reserves and resources, spending more than USD 16 billion. Australia is a key target of foreign direct investment and Indian investors are playing an important role in developing large-scale mining projects in Australia's Galilee basin. Indian investors are currently planning coal projects in Australia that could eventually supply almost 150 Mt of thermal and coking coal to the Indian market per year. Mozambique is another area of focus, with up to 30 Mtpa of mining capacity in the coal-rich province of Tete, which is currently under development by Indian companies. Indonesia's proximity to the Indian market and the quality of its coal is well suited for the country's power generation plants. Although the investment climate is somewhat less friendly, Indonesian coal resources have also been targeted by Indian coal consumers.

Every business is associated with the five concepts: production concept, product concept, selling concept, marketing concept and societal marketing concept. The same five concepts are applicable in coal industries also for better marketability with proper strategies for customer satisfaction. In coal sector for consumer satisfaction correct weight and grade, transparency of sampling and analysis, transparency in determination of quantity of coal invoice, mechanization of coal handling infrastructure with auto samplers are of paramount importance. To improve upon quality, dishelming of coal, reduction in size of coal dispatches are also required. Increase in consumers awareness to the benefit of low sculpture and phosphorus content of indigenous coal are to be propagated as a market strategy by adopting up to date information technology to build up consumer confidence towards producer/seller. Need for strengthening marketing network through RSM office equipped with on-line communication system and also through uninterrupted market research for bridging gap between indigenous producer/seller and the consumer. Reduce scope intermediately by increasing direct dialogue between buyers and sellers. Finally, it may be necessary for offering facility to consumer of purchasing coal at his door step of required quality and quantity instead of offering coal at loading point.

### **Different Factor of Strategies for better Marketability of Coal**

There are various factors for better Marketability of coal are as follows:

## Leading Practice Sustainable Development in Mining

The Leading Practice Sustainable Development (LPSD) in Mining series integrate environmental, economic and social aspects through all phases of mineral production from exploration through construction, operation and mine-site closure. Put simply, the concept of leading practice is about identifying and implementing the best way of doing things for a given site. As new challenges emerge and new solutions are developed, or better solutions are devised for existing issues, it is important that leading practice be flexible and innovative in developing solutions that match site-specific requirements. Although there are underpinning principles, leading practice is as much about approach and attitude as it is about a fixed set of practices or a particular technology.

### Pricing of Coal

Pricing play a vital role in to grasp a market and coal companies need to develop customer friendly marketing system which ensures easy availability of coal to small consumers and giant customer with timely delivery of good quality coal of correct weight mentis. The pricing of coal should be done in such a way that it can compete with the imported coal price. Government has withdrawal subsidiary and decontrol of coal price and has given free hand to coal industry to fix up its own selling price. Bureau of industry costs and prices (BICP) based prices of coal were deregulated. To start with, government allowed coal India to fix its own prices for coal sold under liberalized sales scheme. Tendering has also been resorted to against reserve price. The govt. has also amended colliery control order so that specific coal sale contract can be kept out of its purview. This modification is proposed to be utilized for long term contract to ensure remunerative prices and specific performance with guarantees for quantity and quality.

### Adoption of Clean Coal Technology

To maintain Sustainability in industry adaptation and acceptance of challenges play a important role for success. The challenges to sustain environment and to compete globally, the coal industry has to reorient the methodologies of production, transportation and utilization of coal. The objective of clean coal production is to prepare for its more efficient and cost effective transpiration and utilization.

### Beneficiation of Coal

For keeping the cost of washing of coal low, it may be necessary that washeries are set up close to the pit head so that expenditure on transport of raw coal from the pit head to the washery is kept to the minimum and also huge quantities of water pumped out by coal mines can be used by coal washeries for washing purpose and maintain the ash percentage for beneficiation of coal to power sector.

### Fuel Supply Agreement

It has been seen that in the absence of long term fuel supply agreement, there is always apprehension in the minds of both supplier and

consumer regarding delivery and quantity variation, weighments, quality, mode of payment and other related issues. Due to underlying importance of this fuel supply agreement, coal India with council of power utilities evolved a model fuel supply agreement and left it to the individual coal companies to finalize the same with different SEBs and power houses. This model solves the problem of customer grievances and tries to maintain consumer satisfaction.

### Third Party Joint Sampling at Both the Ends

It is made as per the model fuel supply agreement for better satisfaction for supplier and purchaser to get accuracy in coal supply and receive during loading and unloading of coal. The third party agency behalf of both supplier and consumer make the corrective actions from time to time for better working satisfactorily.

### Settlement of Disputes

In spite of having operating fuel supply agreement with joint sampling protocol, mode of payment, quantity, quality, weight meant of coal dispatched, disputes will definitely arise when huge quantity of coal is being loaded, sampled, weighted and dispatched. There is urgent need to settle the disputes on prompt basis.

### Importance and Ethics

Ethics play a moral code of conduct for systematizing, defending and recommending concepts of right and wrong behavior. For any business ethics play a very important role in trust building. Ethical businesses developed long term relationship with customer. Ethics is important also in coal business also. Marketing strategies maker should maintain ethics in distribution channels, pricing, promotion, and organizational relationships and maintain rights and duties of parties in the marketing exchange process. Marketers should be aware of how behavior may influence or impact on the behavior of others in organizational relationships. They should not demand, encourage or apply coercion to obtain unethical behavior in their relationships with employees, suppliers and customers.

### Coal Marketing Strategies which Require Some of the Need to Change are as follows

1. Demand side management needs special consideration.
2. Improved fuel utilization technology could be rewarded by priority coal release.
3. Let market force determine coal supplies – likely to good captive blocks for faster and improved project utilization.
4. Acquiring coal properties abroad may improve sustainability of imported coal supply.
5. Allotment of indigenous coal blocks for Coal India limited to be attuned to meet increase demand.

### Conclusion

As per the changing scenario of liberation, privatization and globalization, the coal industry has to review the marketing strategy for better customer satisfaction. Evolving marketing strategy to reach out to the consumer by adopting up to date information technology so that the consumer is aware of the production, availability, price, as well as delivery

schedules on a continuous basis. The coal industry must deliver clean, sized coal of proper weighment and quality to the consumer. The industry must produce planned quantity of coal effectively and economically with due regards to safety, conservation and quality for improved marketability of Indian Coal.

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