

A STRATEGIES FOR THE SALE OF SRI LANKAN RUBBER

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By

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Some two months ago I discussed the strategies for selling Sri Lankan rubber abroad, with a close friend of mine in the rubber trade, trying to persuade him to present a paper at a seminar on the subject, we were organizing at the time. He turned to me with a wry smile and said that what he would like to speak on is the lack of a proper marketing strategy for our rubber abroad. I was impressed by his forthright reply and invited him to speak on just that, the lack of proper planning and a marketing system for selling Sri Lankan rubber to buyers overseas. The Rubber Research Institute of Sri Lanka (RRISL) has been concerned over this matter for decades now and proposed the setting up of a Rubber Promotion Board, similar to the Tea Promotion Board, as far back as 1969. However, as the marketing of rubber does not come within the ambit of our (RRISL) financial capabilities, we have only been able to carry out our war on the outskirts of the real battle ground, making a skirmish here, a diversion there, a proposal in the other place and a suggestion in another. But the subject is no light matter, agricultural products still account for 40 percent of our country's income and rubber provides 12-15 percent of our annual foreign exchange earnings. It is likely to remain so for a long time to come; therefore increasing the income from rubber should interest us all. In our view this can be achieved to a large extent by carrying out some simple market surveys, doing a modicum of sales promotion work keeping in touch with customers, in order to know their requirements/preferences to cater to them, and on the basis of the data obtained, adopting correct marketing strategies and planning our production accordingly. These are some basic, time-tested ideas on marketing any product; but suprisingly we have not taken advantage of them in trying to get the best price for our rubber.

The proposals we wish to make are so simple in themselves, the work that has to be done so straight forward, the investment to be made so small in comparison to the benefits that would accrue and the implementation of the proposals so easy that the layman might well find it hard to believe that such a simple idea has not sold. So let me explain the basics of our thesis, this will enable you to grasp the essentials and see the simplicity of the scheme at once, and how it will work.

RUBBER PRODUCTION

Sri Lanka now produces about 140,000 tons of rubber annually, our main products being ribbed smoke sheet (RSS) approximately 65,000 tons, crepes (pale crepe and sole crepe) approx. 45,000 tons, the balance is made up of block rubbers, scrap rubber of various grades and centrifuged latex. There is no real problem in the marketing of RSS, as it is sold worldwide on the same basis, whether the seller is Malaysia, Thailand or Sri Lanka. The quantity of block rubber produced in Sri Lanka is so small that it does not demand a special study and we do not export any centrifuged latex from Sri Lanka yet, our total production being consumed locally, for production of various dipped rubber goods. Our main attention should therefore be focussed on the manufacture of the crepes, both latex and sole, which give us some interesting lines to discuss.

Smoked Sheet

It would be just as well to refer to two innovations in the export of RSS and scrap rubber that the RRISL is strongly advocating at present. The major portion of the RSS should be collected in central factories and surface heated for 10-15 min. at 100-110°C, to reduce water content and thereby mould contamination. The product should then be pressed into standard bales weighing 33 1/3 kg and sold as technically specified rubber (TSR). These bales, of acceptable dimensions, should then be wrapped in polythene film and packed in wooden pallets. Pressed TSR bales are easier to handle, take up less storage space in transport and overcome the problem of mold, which leads to the most frequent cause of quality claims against our rubber.

Scrap rubber is now exported mainly as scrap crepe or thick brown crepe. Sometimes, though rarely, scrap rubber is exported in the raw form. Our recommendation is to clean the scrap grades as much as possible by hammer milling and washing. The material should then be dried, pressed, technically specified and sold abroad also as TSR. This will ensure against mould, provide it with a test certificate from the RRISL, to counter quality claims from consumers, and be sold in a form which is easy to handle and compact for ocean transport.

Both materials, if treated in this manner, will command a higher price than it is sold at under present conditions. This will be the first gain in foreign exchange for the country, from the strategies described here.

Crepe Rubber

Sri Lanka is the world's largest producer of latex crepe, the annual production being in the order of 45,000 tons, which is about 30 percent of our total production of rubber. Latex crepe is also the purest form of natural rubber produced and Sri Lanka is the acknowledged producer of the best crepe rubber in the world. Therefore, our country is geared to the production of this quality grade of rubber and our name is synonymous with the best quality of crepe rubber as with the best teas. Furthermore, our Estate Superintendents are quite familiar with the methods of production and can turn out the best quality of crepe rubbers without any problem. The Officers of the RRISL similarly have also been specially trained to assist the crepe rubber producing industry and can quickly attend to any problem the manufacturers face and find rapid answers to their problems. For example, recently the industry faced a crisis in that the normal bleaching agent used in the production of latex crepe went out of production. The RRISL carried out studies on the problem and within 3 months introduced an alternate bleaching agent, which has now been found to be better than the original material used. So we have the industry that produces a quality product, backed up by a research organization that can support it. This is a happy position to be in.

Sri Lanka's total output of rubber is only about 3% of the world's total production of NR, compared to Malaysia's share of 34%, Indonesia's 20% and Thailand's 15%. Another important factor is that, apart from smallholders, rubber is produced in comparatively small factories in Sri Lanka, each turning out about 1-2 tonnes of crepe rubber per day. All these factories have expert managers and factory officers, who can turn out any quality or grade of material required by the market. The purpose of this article is to sell the idea that "small is beautiful" and take advantage of the small size of the local rubber industry to produce various grades of high value dry rubber for the export market.

Let's examine this more closely. Crepe rubber has sold at a premium price above sheet over the years, except for short periods in more recent times. Malaysia has gone completely out of this market since about 1985, primarily because the labour input for its production makes it too cumbersome for them to manufacture. Therefore, there is a void in the market for about 20,000 tons of crepe, the amount produced by Malaysia till recently. We must find out who bought this rubber in the past and quickly fill the gap before the consumers of that rubber switch on to other products: it is an axiom in the trade that once a consumer changes his raw material and adjusts his machinery to using the new, he will not revert to the old product again.

Another important line of raw rubber is sole crepe. Until quite recently Italy did a lucrative line of business converting crepe rubbers produced in South East Asia into industrial sole crepe in their factories. The large market for this material went out with ladies' shoe fashions; but there is quite a good demand for it yet and Sri Lanka must be the supplier. I think we must go further, industrialists in this country must study the shoe trade and convert more people into using crepe rubber soled shoes. Other countries like Spain, Portugal, Hong Kong and Taiwan have made it big in the shoe industry, so why not Sri Lanka? We have competed well in the garment industry. So there is every possibility here.

Thus crepes should be the basic raw rubber product we develop and our whole marketing strategy should be built round this material. The market at present can take up over 65,000 tons of pale and thin crepe, with clear possibilities of expansion in the sole crepe business.

The only drawbacks we have here, compared to Italy, is our distance from Europe, our inability to supply large tonnages at short notice and milady's fancy. We must study market prospects and take steps to store or air lift sufficient quantities of the material as the consumer demands, to cover the first two contingencies and popularise crepe soled shoes again, by going in for shoe designing, to counter the last. The world is a hard battle ground and we must fight for a place in it, if we are to make money in it. Very often sales are built on pure gimmick, it is for the salesman to study the trends and supply the material that there is a demand for, before the other fellow gets there. This is proved by our own Rosemary Rogers, who recognized the American womens' yearning to read a sleazy novel in her time off, supplied that need in super abundance and became a millionaire. It is the idea that matters, not the subject, so rubber can do it.

Premium Grades

The other important strategy that can be recommended to the rubber industry for increasing earnings is the manufacture and sale of premium grades or speciality rubber, according to market demands. Other NR-producing countries will not have the expertise or may not think it worth their while producing small parcels for sale; but we have the expertise and the small factories ideal for this enterprise. The following types have been produced at various times, in collaboration with the RRISL. These call only for the addition of chemicals or modifications in the methods of manufacture:

1. Constant viscosity (CV) or viscosity stabilized rubber, which resists storage hardening, when stored in cold climates. CV rubbers do not require an expensive pre-mastication (softening) process before use in the factory, even in very cold countries.
2. Low nitrogen natural rubber (LNNR), which has better dynamic properties than ordinary NR. This material will reduce heat build up and have better skid resistance than the usual product, so that it will be more suitable for the manufacture of heavy duty (aircraft and truck tyres) and winter tyres, where its skid resistant properties will be highly appreciated.
3. Modified rubbers such as superior processing (SP), methyl methacrylate grafted (MG), liquid rubber and many others. Each of these has a special use e.g. SP rubber is manufactured by vulcanizing a part of the raw rubber before coagulation. The outstanding feature of this rubber is its reduced tendency to recover from deformation; therefore, it is ideal for use in the manufacture of extruded or calendered products.
4. Crepe rubbers without any toxic substances at all, which can be used for the manufacture of bottle tops for the pharmaceutical industry and teats for babies feeding bottles.

5. Bleached, unbleached and fractionated rubbers have special properties such as differences in curing rates. Therefore, they have their own uses.

The demand for all these grades of rubber will be quite substantial as far as a small producer like Sri Lanka is concerned; but it may not be worth while to pursue such small off-takes for the larger producers. The price quoted for such rubbers, however, would be much higher than the mere increase in the cost of production. Thus Sri Lanka will be able to take advantage of her small size as an NR producer by pursuing the speciality rubber markets. We will also be pulling that much of rubber out of the normal market, so that there will be a better demand for those too.

MARKETING TEAMS

Just as important as the production of high quality crepe and speciality rubbers is the market promotion for these grades of rubber among the actual consumers. We are strongly advocating a direct dialogue between the producer of raw rubber and the consumer. This can be done effectively by regular visits of teams of Sri Lankans to Europe, Russia and the USA. Each team should have a producer of crepe (an Estate Manager), a marketing expert, a broker and a rubber technologist. Each of them will have a role to play, their job will be to find out what the consumer requires, its technological properties, whether we can produce it, and get it across to the place where it is required at the time and quantity it is required at a price that the consumer can afford to pay. If the price offered is too low, negotiations can be made on the spot, on the basis of the technological properties of the material, the problems to be overcome in its manufacture and the cost of the process, including any chemicals to be used and changes in machinery and procedure. The consumer can then decide on the price he is willing to pay on the various advantages accruing to him. We have already sold small lots of speciality rubbers on this basis.

These marketing visits must be backed up with a very strong and effective supporting service to ensure high quality production at home and also attend to any problems that may arise in the use of the new premium grade rubbers in the consumers' factories. We consider this as one of the most important aspects of the new system of marketing. We must not only provide a high quality material but ensure that the sales will continue by giving a service that will remedy any problems, that may arise. This is one of the secrets of the Japanese success in industry, superlative quality control, by selling a good product, following up its performance and rectifying any shortcomings. That is a part of good salesmanship. We not only want to sell rubber but to continue to retain the markets and expand them as we go along. This kind of periodic visit and back up service will prove more effective than the permanent promotional units based in overseas countries as we have for tea; as the latter tend to lose touch with their real responsibilities, while coping with living problems abroad. These select teams on the other hand will have a specific job to do, a planned programme of visits and their success will be judged by the sales they contract for, the results being immediately available. So they will be under much greater pressure to succeed than the others.