TAYUMAN-OROQUIETA RELIGIOUS ARTICLES STORES: AN INQUIRY

A Thesis
Presented to
The Graduate School
University of Santo Tomas

In Partial Fulfillment of
the Requirements in
Master in Business Administration

by
DANTE NOEL G. LORENZO
October 1988

UNIVERSITY OF SANTO TOMAS GRADUATE SCHOOL

APPROVAL SHEET

This thesis entitled

TAYUMAN-OROQUIETA RELIGIOUS ARTICLES STORES: AN INQUIRY

prepared and submitted by MR. DANTE NOEL LORENZO has been approved and accepted as partial fulfillment of the requirements for the degree of Master in Business Administration (M.B.A.).

CAROLINA T. PRADA, Ph.D.
Adviser

PANEL OF EXAMINERS

Approved by the Committee on Oral Examination with a grade of MERITISSIMUS, on October 15, 1988

SABAS ISAGUIRRE, M.B.A., M.P.A.
Chairman

EDGARDO REYES, M.B.A., C.P.A.
Member

MIGUEL FERNANDEZ, M.S.
Member

MAGDALENA A. VILLABA, Ph.D.
Dean

ACKNOWLEDGEMENT

The completion of this research could not have been made possible without the wholehearted support and cooperation of some special people

Grateful appreciation is made to Dr. Carolina T. Prada, my thesis adviser, for her guidance, understanding, and contribution of valuable suggestions, without which this work could not have been accomplished.

My deepest gratitude goes to Sol Gabriel, professor at the University of the East and Far Eastern University, for his moral support and constructive criticism throughout the preparation of the study.

A very special thanks to my wife, Orchid, for her inspiration and all out assistance; to my children, Ron and Janis for their patience and understanding- their weekend activities could have been more joyous if their daddy was not always busy writing his thesis.

Finally, my warm gratitude to all friends and relatives who in one way or the other had contributed in the successful completion of this work.

N. G. L.

ABSTRACT

Title : TAYUMAN-OROQUIETA RELIGIOUS ARTICLES STORE: AN INQUIRY

Researcher : Mr. Dante Noel G. Lorenzo

Adviser : Dr. Carolina T. Prada

School : University of Santo Tomas

Year : 1988

Degree : Master in Business Administration

Statement of the Problem

The research attempted to conduct an inquiry on the stores selling devotional items particularly those located in the intersection of Tayuman and Oroquieta streets in Santa Cruz, Manila

Specifically, the researcher sought to provide answers to the following queries:

1. What factors motivated the owners to engage in this type of business?

2. What factors led to the concentration of said stores in the Tayuman-Oroquieta area?

3. What are the operational problems confronting management in the areas of Marketing, Finance, and Personnel?

4. What are the Marketing Strategies of these stores?

Research Design and Methodology

The research utilized a combination of descriptive and historical methods. The descriptive method was directed towards ascertaining the prevailing conditions of the topic under study, while the historical method was used to investigate and analyze past data.

In data gathering, the survey questionnaire was used as a principal tool and was supplemented by interviews with store owners and/or general managers. The initial version of the questionnaire was pre-tested using Master in Business Administration (MBA) students of University of Santo Tomas (UST). The students' responses and comments paved way for the formulation of the final version that was presented to the respondent firms.

The improved questionnaires, together with a certification letter from UST Graduate School, were distributed to the twenty religious article stores in the Tayuman and Oroquieta streets in Santa Cruz, Manila.

All of the twenty existing stores formed the universe. The researcher hoped that the inclusion of all stores in the area will contribute to an exhaustive and conclusive study. Unfortunately, eight shops returned questionnaires unanswered. They cited confidentiality of data as a reason for not replying. Hence, the number of respondents was reduced to only twelve.

The responses gathered from the questionnaires and interviews were tabulated. Data were analyzed using the Percentage Analysis with formula $\frac{M}{L}$ X 100% where M is the number of respondents that checked a given factor, and L is the total number of respondents.

Findings

1. From the survey, it was found out that 6 of the 12 respondents are engaged in trading activities, three are in manufacturing and the rest are engaged both in services and trading business activities. The predominant form of ownership is the individual ownership type with 10 or 83.3% respondents falling in this category. The remaining two stores are corporate forms of ownership.

2. The length of operation of the stores varies from 1 year to more than 21 years. Six or 50% of the respondents have been in business for 1 to 10 years and the other 6 claimed having been operational for over 16

to over 21 years.

Table 10 indicates that 7 or 58% of the respondents have employees ranging from one to ten. One store has 11 to 15 employees, and another 3 firms have 21 and more people in their labor force. Surprisingly, one store does not have a single employee at all because of its small size and some budgetary constraints. The store owner acts as the employer and employee at the same time.

The initial capitalization of respondents ranges from ₱1,000.00 to more than ₱51,000.00. Two firms originally invested from ₱1,000.00 to ₱10,000.00, another from ₱11,000.00 to ₱30,000.00, and the remaining four stores declared having invested from ₱41,000.00 to over ₱51,000.00. Unfortunately, two stores did not reveal their capitalization for reasons of confidentiality.

3. From Table 12, it is clear that four respondents have average yearly net sales of not more than ₱50,000.00, while another five posted sales from ₱171,000.00 to ₱1,290,000.00. Referring to Table 13, the average annual sales growth for the period 1980 to 1985 shows that five stores incurred 11% to 20% growth rate, another two from 5% to 10%, and one respondent attained a rate from 21% to 30%. Again, some respondents failed to disclose their average yearly sales and rates of growth for the same reason of confidentiality.

4. As regards business expansion thru establishment of branches, only three stores labelled A,B, and C organized branches. It was gathered that store A has one single branch, B has two branches, and C has four. All branches are located in Metro Manila except for one which is in Pampanga.

5. The survey revealed that only three of the twelve respondents are actual owners of their respective store spaces. Six of the nine firms pay monthly rent from ₱1,701.00 to ₱3,300.00. The cheapest rent is ₱901.00 to ₱1,700.00 while the highest amount paid by one respondent is from ₱6,501.00 to ₱12,900.00.

6. The strongest factor that motivated store owners to engage in the religious article business is the existence of strong demand. The respondents believe that Filipino Catholics are generally fond of religious articles. The demand factor was closely followed by: storeowners' desire to propagate God's word; and business was inherited. Other reasons for engaging in the business are: special aptitude in religious articles; availability of store space in the Tayuman-Oroquieta area; and strong links with suppliers of religious merchandise.

The stores are all located in the intersecting streets of Tayuman and Oroquieta in Santa Cruz, Manila.

As shown in Table 2, majority of the respondents decided to locate their businesses in the said area due to its popularity for being the center of stores selling religious articles. Other reasons include: transportation accessibility to customers, employees, and suppliers; adjacent location to Catholic Trade store; reasonable cost of rent; and business site was inherited.

7. The different problems of management in the area of marketing are: pricing, sales, storage, purchasing, and delivery schedule.

The difficulties in pricing are attributed to price cutting by competitors, and the inadequacy of guidelines set by management concerning the computation of selling prices.

In sales, the problem is caused by the shrinking market brought about by the proliferation of non-Catholic charismatic movements, inadequacy of sales promotion, poor personal salesmanship of company's sales force, ineffective advertising, and economic problems of consumers.

The storage problem is linked with the limited stockroom area, and poor facilities.

In purchasing, the problem is caused by inadequate services rendered by suppliers in terms of delivery, repair, credit and others; unfair practice of a competitor monopolizing suppliers; and limited number of suppliers.

The delivery schedule problem is linked with the poor transportation facilities for serving the customers, and unsystematic method of delivery affecting routes and priorities.

8. The different problems of management in the area of finance are: credit and collection, accounting, internal control, allocating capital, and sourcing of funds.

The difficulties in credit and collection are attributed to management's lack of aggressiveness in pursuing credit collection, absence of credit limit, and no established policy in the selection of customers to be granted credit sales.

The accounting problem lies in the absence of systematic recording and classification of transactions, and inconsistent accounting principles used by owners.

The difficulties in internal control are attributed to the management's inability to fix responsibilities for the performance of certain duties, only one man in charge of business transactions, proofs of accuracy are not utilized to assure correctness of operations, and absence of job rotation.

In allocating capital, the problem is caused by the absence of capital budgeting, and no specific rate of returns is imposed.

The difficulties in sourcing of funds are attributed to inexistence of harmonious relationship with financial institutions, investor's lack of interest in company's securities, and prohibitive interest rates charged by banks/lending institutions.

9. The different problems of management in the area of personnel are: procurement of efficient employees, training and development of employees, and wages and salary administration.

The difficulties in the procurement of efficient employees are attributed to the absence of employment test given to determine applicant's abilities, limited sources of applicants as a result of management's conservatism of not accepting applicants other than those referred by relatives, close friends and the like; scholastic records, personal references and other important data of applicants are not checked for veracity; and inadequacy of job descriptions and specifications.

In the training and development of employees, the problem is caused by inadequate training policies and procedures, employees' inability to effectively apply skills and techniques learned from training, and inadequate financial support of management to the training program.

The wages and salary administration problem arises in view of the difficulty to give adequate and fair pay to employees due to poor business operation, employees/labor union's aggressive position in demanding higher pay and fringe benefit packages, and difficulty in determining what is adequate and fair pay for a particular job.

10. The marketing strategies adopted by the stores are: offering wide selection and prompt availability of merchandise; maintaining the lowest possible prices; providing repair and maintenance services; giving longer period of store hours/days; rendering free and fast delivery services; conducting regular salesmanship seminars to salespeople; employing advertising and sales promotion techniques; establishing store branches to expand market coverage; participating in trade exhibits; granting charge accounts to creditworthy customers; extending return privileges to customers; employing sales agents to reach distant places; and adopting stylish and durable packaging services.

Conclusions

The conclusions drawn from this study are the following:

1. The factors which motivated the owners to engage in the business of selling devotional materials are: the existence of strong demand for religious articles, spreading God's word (devotion), business was inherited, special aptitude or interest in religious articles, availability of store space in the Tayuman-Oroquieta area, and strong links with suppliers of religious merchandise.

2. The reasons why these stores concentrated in the intersecting streets of Tayuman and Oroquieta in Santa Cruz, Manila are: popularity of the place for being the center of stores selling religious articles; transportational accessibility to customers, employees and suppliers; location is adjacent to Catholic Trade store; reasonable cost of rent; and business site was inherited.

3. The operational problems confronting management are:

I. Marketing Problems

A. Pricing. Specifically, the difficulty lies in price cutting due to stiff competition, and the inadequacy of specific guidelines in the computation of mark-ups and mark- downs.

B. Sales. This is due to the shrinking market brought about by proliferation of non-Catholic charismatic movements, inadequacy of sales promotion, poor personal salesmanship of company's sales force, ineffective advertising, and economic problems of consumers.

C. Storage. The problem arises in view of limited storage areas, and poor facilities.

D. Purchasing. The difficulty lies in inadequate services rendered by suppliers in terms of delivery, repairs, credit and others; unfair practice of a competitor monopolizing suppliers, and limited number of suppliers.

E. Delivery Schedule. This is caused by poor transportation facilities for serving the customers, and unsystematic method of delivery affecting routes and priorities.

II. <u>Finance Problems</u>

A. Credit and Collection. This problem arises in view of management's lack of aggressiveness in pursuing credit collection, absence of credit limit, and no established policy in the selection of customers to be granted credit sales.

B. Accounting. The difficulty lies particularly in the absence of systematic recording and classification of transactions, and inconsistent accounting principles used by owners.

C. Internal Control. This problem is due to the management's inability to fix responsibilities for the performance of certain duties, only one man in charge of business transactions, proofs of accuracy are not utilized to assure correctness of operations, and absence of job rotation.

D. Allocating Capital. The problem is caused by the absence of capital budgeting, and no specific rate of return is imposed.

E. Sourcing of Funds. This difficulty lies in the absence of harmonious relationship with financial institutions, investor's lack of interest in company's securities, and prohibitive interest rates charged by banks/lending institutions.

III. Personnel Problems

A. Procurement of Efficient Employees. This is due to the absence of employment test given to determine applicant's abilities, limited sources of applicants as a result of management's conservatism of not accepting applicants other than those referred to by relatives, close friends and the like; scholastic records, personal references and other important data of applicants are not checked for veracity, and inadequacy of job descriptions and specifications.

B. Training and Development of Employees. This is due to inadequate training policies and procedures, employees' inability to effectively apply skills and techniques learned from training, and inadequate financial support of management to the training program.

C. Wages and Salary Administration. The problem arises in view of the difficulty to give adequate and fair pay to employees to poor business operation, employees'/labor union's aggressive position in demanding higher pay and fringe benefit packages, and difficulty in determining what is adequate and fair pay for a particular job.

4. The marketing strategies adopted by the stores are: offering wide selection and prompt availability of merchandise; maintaining the lowest possible prices; offering repair and maintenance services; providing longer period of store hours/days; offering free and fast delivery services; conducting regular salesmanship seminars to salespeople; advertising and sales promotion techniques; establishing store branches to expand market coverage; practicipating in trade exhibits; granting charge accounts to creditworthy customers; extending

return privileges to customers; employing sales agents to reach distant places; and adopting stylish and durable packaging services.

Recommendations

From the survey conducted on the twelve religious articles stores, the following measures are recommended for improving operational efficiency and profitability:

1. Marketing

A. Pricing. It is recommended that a council or committee, comprised of representatives from every Tayuman-Oroquieta store, be organized for purposes of working together in stabilizing and unifying the prices of selected religious merchandise. The move will be advantageous to store owners since it will minimize, if not completely eliminate, the unfortunate practice of placing unreasonable mark-ups just to cope up with the cut-throat competition in pricing.

It is also recommended that pricing policies be formulated and implemented in order to establish guidelines in the computation of selling prices. Among others, the policy should classify products according to its saleability, and delineate the corresponding mark-ups for the same. The formulation of policies will provide a framework within which management can facilitate the decision-making process, and thereby reduce unnecessary delays in the computation of selling prices.

B. Sales. In line with the problem of shrinking market caused by proliferation of non-Catholic charismatic movements, it is recommended that measures be adopted with the aim to discourage customers from being converted to a religion other than the Catholic. This could be achieved by distributing to customers free educational literatures explaining the commonly misunderstood beliefs of Catholics concerning of Mother Mary, the saints, religious images and the like. This gesture will enable customers to build a stronger foundation of faith to remain in the fold of the church.

To improve sales, it is also recommended that aggressive methods of promotion be implemented to boost the sale of religious articles. The setting of an attractive window display is inexpensive but effective means of promoting a merchandise. The display should show an item in such a way that it will be the center of attraction, furthermore, it must correlate with the seasonable events such as the nativity set display during Christmas season; crucifixes, risen Christ statues and other similarly related articles during lent; and others. Another promotional activity could take the form of patronage reward wherein for every purchase, a customer is given a coupon or ticket that will enable him to receive a prize. The more coupons a customer has, the more prizes he receives. This strategy is expected to win loyalty as customers will be encouraged to make purchases in the store offering this kind of promotion.

It is also recommended that management should provide a salesmanship seminar to acquaint salespeople with the proper procedures and latest techniques in selling. The orientation should be conducted regularly in order to refresh the minds of marketing personnel. Aside from courteous and efficient services, the employees must be instructed to emphasize the benefits a customer may derive from the item being sought to facilitate closing of the sale. Knowledge in maximizing the use of a product will certainly bring customer satisfaction.

C. Storage. In view of space limitations, it is recommended that management should concentrate more in stocking goods considered to be fast-moving. Storing slow-moving merchandise do not only deprive space for the saleable items but are also subjected to losses from deterioration and obsolescence caused by prolonged stocking.

D. Purchasing. It is recommended that management conveys the existing purchasing predicaments to its suppliers, and requests the same to improve services in terms of prompt deliveries, longer credit terms and the like. It should be stressed that once requests are granted, beneficial effects could be felt by management and supplier by means of increased sales for both parties. Better services of suppliers will enable management to sell more, and as a result thereof, it will increase the store's purchasing activity to the benefit of suppliers. In addition, management should exert efforts to build a harmonious management-supplier relationship by way of paying suppliers' collectibles on time. This move may attain supplier's trust and confidence, and in return, it would enable management to receive a favorable treatment.

Lastly, it is recommended that management should continually scout for new suppliers to have more alternatives where it could get the best services available.

E. Delivery Schedules. It is recommended that management extends discounts to customers who opt to pick up the merchandise purchased. This gesture will encourage customers to personally get the items they bought, and thereby relieves management's task of making deliveries. However, should a situation warrants the need for making deliveries, it would be best that a planned schedule specifying routes and priorities be set up first before making the actual delivery. This will not only save time, but also money spent for gasoline, and depreciation expenses of delivery vehicle.

II. Finance

A. Credit and Collection. It is recommended that management intensifies credit collection activities by sending regular statements of accounts to customers with credit standing. A collector should also be sent to these customers to manifest that management is serious in collecting receivables. To facilitate the collection process, it is further suggested that an early payment discount is extended to customers. The incentive will encourage customers to remit payments before it is due, thereby relieving management of workload in sending statements and collectors.

It is also recommended that management formulates and implements policies in order to establish guidelines, specifying among others, the credit limit, the criteria in choosing a customer to be granted credit, and the like.

B. Accounting. It is recommended that management seriously adheres to accounting standards and procedures by systematically recording, classifying and summarizing transactions to come up with a meaningful accounting data. In any business organization, the role of proper accounting cannot be underestimated because it serves as a financial criterion in determining whether or not target results set forth are being achieved. Hence, it may be advisable to employ the services of a bookkeeper to oversee the firm's accounting activities.

C. Internal Control. To improve internal control systems, the following are recommended:

1. Management fixes the responsibility of every employee. Without the proper charge of responsibility, the quality of control will be inefficient.

2. Management should not allow a person to be in complete charge of a business transaction. Any person purposely or inadvertently will commit errors, but the probability is reduced if the handling of a transaction is separated between persons.

3. All available proofs of accuracy should be utilized in order to assure correctness. For example, sales for a day should be totaled and proved against the sum of released merchandise.

D. Allocating Capital. Since funds of every business are limited, it is recommended that management should maximize the utilization of its present financial resources. In doing so, an investment analysis should be conducted before funds are allocated in any undertaking. Management should set priorities by which the expected benefits are clearly and objectively identified, and to establish a minimum acceptable rate of return which priorities must meet.

E. Sourcing of Funds. It is recommended that management should exert efforts in developing friendly relations with financial institutions. The work of building a favorable climate begins long before the need for funds exist. Store owners must build-up a background of information and goodwill with the lending officers with whom they may deal with. It is also suggested that management should periodically furnish the institutions with financial statements even though no loans are being sought at the moment. A loan officer familiar with the business over a period of years and with a complete picture of a company will be competent in working out a satisfactory loan arrangement.

III. Personnel

A. Procurement of Efficient Employees. It is recommended that job description and specification be established, and a flow chart of hiring procedures be formulated to guide management in the procurement process.

Among others, it should:

1. Subject all applicants to employment tests so that their individual abilities will be determined. Once the abilities are made known, it would be easy for management to match what job is best suited for each applicant.

2. Expand the pool of applicants by tapping other sources such as newspapers and radios. The presence of many applicants will give management more alternatives in selection.

3. Check the personal records of applicants for veracity. It is important that management should check the applicant's records since qualifications are matched with the requirements of the job as indicated in job description and specification. The matching process will enable the employment officer to determine if the applicant can perform the job satisfactorily.

B. Training and Development of Employees. It is recommended that management establishes a program that will subject employees to a regular training course to enhance knowledge in their respective fields.

C. Wages and Salary Administration. It is recommended that management should discuss objectively the demands of employees. If found to be realistic, then management should give them what is due.

In determining the adequate wage structure, management should consider the relationship between jobs and wage rates. A job that requires high qualification and extensive training should be paid higher than the position which requires otherwise. In the final analysis, the least management could do is to give the minimum wages.

TABLE OF CONTENTS

CHAPTER

CHAPTER

LIST OF TABLES

TABLE