

Professional Reformation of Business: The Case of an Existing Family Business

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ABSTRACT

This case is about Mr. Balkishan Kalra, who is running his family business of tours & travels with the name 'Kalra Tours & Travels' in Jaipur, capital of Rajasthan. Through this case authors have tried to put an example before the readers that how small businesses like tours & travels demand in-depth managerial skills, lot of brainstorming, professional reformation and rational decision making. Owner of Kalra Tour & Travels, Balkishan is facing three major problems: first; demand of tours & travels has dropped down in recent years. Second; scarcity of trained drivers and due to the majority of unskilled drivers accidents are rapidly increasing. Third, the total cost is increasing and total revenue is decreasing year after year. As a result, firm was becoming financially feeble day by day and was not able to meet its financial commitments too. Yash, son of Balkishan recently joined his family business as marketing manager; he has done MBA from a premier institution. For making better decision in context to business problems Balkishan assigned responsibility to Yash for preparing a report consisting recommendations for the revival of the business. Initially, Balkishan didn't agree to the suggestions/recommendations of Yash mentioned in his report. However, key family members of Kalra family suggested for taking an expert opinion from management consultant, to reach better decision in the interest of the organisation.

Keywords: *Tours & Travels, Financial Problems, Decision Making, Loan Schemes, Vehicles, Competition, Strategic Alternatives*

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INTRODUCTION

Bal Kishan Kalra, proprietor of “Kalra Tours & Travels” was feeling the pressure of the volatile market. A lot of local taxi operators had emerged in the market after liberalization, due to the easy access of bank loans for vehicles under different schemes. Three factors related with his business were bothering Balkishan; first, due to cut throat competition in tours & travels business and easy availability of vehicle loans demand of tours & travels services was rapidly falling; secondly, scarcity of trained drivers and due to unskilled drivers accidents are on an increase. Thirdly, the average cost was increasing and average revenue per kilometer was decreasing year after year. As a result, firm was becoming financially feeble and was reducing on its profits. Due to the state of affairs, prediction of future revenue also became difficult. This was a reason to worry for Balkishan Kalra as well as other stakeholders directly and indirectly linked with their business like travel agents, managers, clerical staff, fuel suppliers, drivers, cleaners, insurance agents and financiers etc.

In context to the business problem of Balkishan, most of his friends, well-wishers and few subordinates suggested to think of different business in such turmoil times. Balkishan panicked about his business and he started thinking on some strategic alternates regarding his business; First, to shut down this tour & travel business and to start any other business. second, to continue this tour & travel business with same name, same place, same staff and clients etc. and wait for good time; third, to make any kind of business collaboration for the recovery of this business and some other feasible alternatives. At the same time, he was confident after his son Yash joined as marketing manager, he is hopeful after getting assurance from Yash regarding the conversion of potential into performance and ultimately the professional reformation of the business.

In order to gain a deeper understanding of the situation and to obtain inputs which would help in decision-making, the firm commissioned a study to Yash Kalra, son of Balkishan Kalra who had recently completed his degree in management from the premier institute of India. The family members were looking for a feasible solution from Yash due to his exposure and interest towards management.

Yash submitted his report to his father after analysing the circumstances. Final decisions were to be taken after making consensus between the key family members. Initially, Balkishan didn't agree to the suggestions/recommendations of Yash. Ultimately, key members of Kalra family

suggested for the appointment of a management consultant, to aid decision making in context of the business.

KALRA TOURS- THE WAY AHEAD

The final year exams were over and a new chapter had started for Yash Kalra (23 years). Kalra Tours & Travels was based at Ajmeri Gate, in the heart of Jaipur city. Yash had just completed his post-graduation in the management and after that he got actively involved with his family business. He had been learning the basics since he was in school and by now was well versed with the daily operations of the tours & travels business. He was always willing to join his family business and after his masters; he was designated with a profile of 'Marketing Manager'. He was enthusiastic and wished to carry on the smooth sailing of his business with bigger impetus. However, the journey ahead turned out to be a more uphill task than what he had expected.

Background of Kalra Tours & Travels

Kalra Tours & Travels started in 1964 by Malik Ram Kalra (Grand Father of Yash) at the age of 27, in Jaipur, Rajasthan. He had migrated with a small amount of fortune from the Sind (now in Pakistan) and had done some meager jobs with the dream to start his own business someday with his savings. Malik Ram Kalra had three sons, Surender, Balkishan and Rajender. Now, Balkishan is heading Kalra Tours & Travels since 1982 and other two are involved with their respective business. Malik Ram's motive to establish this business was to provide efficient transport services to the customers. He had started his business with one mini bus and in short time he had gained a good reputation in the market. He started his bus services with daily shuttle from Pilani to Delhi. He also started to operate on remote routes where government buses were not available and thus became a known name among people in the transportation services. Along with buses he also had a fleet of taxis to cater to the needs of tourists visiting the famous pink city. The business flourished and 'Kalra Tours & Travels' turned out to be reputed name in the tours & travels market of pink city Jaipur.

Initial Years of Kalra Tours & Travels

In the year 1982, Balkishan started focusing on developing new segments in that business. He spent most of his time to expand his business. Initially,

they operated their business at small level. At earlier times, people were unaware about tour and travel agencies; the problem was faced by Kalra Tours & Travels too. They spent 7-10 years to spread their business at state level. After sometime they realised that they were facing problems due to non availability of their own tourist vehicles, so they started to buy their own vehicles. They also started providing services of hotel reservation to their customers.

In 1995, Bal Kishan Kalra created a new place in the business of tours & travels by offering package of industrial visit cum study tours for students. He catered to the needs of both school and university students and within a short span of time he made this a profitable venture and also became a known name in this segment.

By 2001, he had started daily bus operation from Jaipur to Delhi and Jaipur to Agra also and had purchased more vehicles. He continued his daily operations to select routes even though the volume of profit from them was declining. Occasionally, site seeing tours and package tours were also ventured upon.

Changing Market

The tours & travels business which was having few entrepreneurs earlier, now had many players after the liberalization of 1991. Due to the presence of many players supply of travel services increased and easy availability of vehicle loans reduced the demand of tours & travels services. The alarming rise in vehicles in Jaipur is a matter which is revealed by transport research wing, ministry of road transport and highways that in the year 2011, a total of 79,86,265 vehicles were registered in the state. This was up by 11.4% from previous year which has seen a registration of 71,65,662 vehicles. Percentage wise, it was the highest in the country and accounted for nearly 5.6% of registrations. The data on vehicles registration in the country reveals that the Rajasthan state has witnessed a sharp rise and ranks only next to Pune in a non-metro city. At the time of this cut throat competition survival of tours & travels agencies became challenging.

Second, Availability of skilled manpower is a major challenge faced by tours & travels industry of Jaipur. To sustain growth in the tours & travels business, trained manpower is required at every level - managerial, supervisory, etc. Attrition, shortage of tourism training infrastructure, qualified trainers, lack of proper strategies and policies for human resource development also affect the business. Availability of trained drivers is a major problem in the local industry. Further, unskilled drivers who got

little expertise are demanding high salary package and want to work according to their convenience. There is great scarcity of driving training institutes and due to the majority of unskilled drivers accidents are on an increase.

Third, the average cost was increasing and average revenue per kilometer was decreasing. Fuel cost, spare parts prices, salaries of drivers & other supporting staff, insurance costs, toll and road taxes etc. are increasing rapidly resulting in average cost of running per kilometer of every vehicle going up. On the other hand, more availability of personal and commercial vehicles and more competitors in tours & travels business are negatively affecting the average revenue. The tours & travels market of Jaipur was also changing rapidly and becoming so fiercely competitive with limited business opportunities.

IMPORTANCE OF JAIPUR AS A LOCATION

Jaipur or pink city is a popular tourist destination, famous world over for its heritage and ethno-cultural beauty. It is a part of the famous golden triangle of India along with Delhi and Agra. Thus, tourism is a major source of revenue. It is also a popular destination for shooting Bollywood films and quite a few famous Bollywood movies were also shot here. As the capital city of Rajasthan, it is the main hub of education and a lot of schools and colleges are situated here. The government also actively promotes tourism here often highlighting it on the map of India. These factors were determining more opportunities in tours & travel business in Jaipur city.

Tours & Travel Agencies in India

The travel agency and tour operation business was relatively new in India after Independence. At that time, there was hardly any company worth the name in the present context. The travel business in India, in an organised manner started with the setting up of 'Travel Agents Association of India (TAAI)' in Mumbai in 1951. Prior to it, there were two major foreign companies – Thomas Cook and Sons, and American Express with their main branches; and Indian Companies – Jeena and Co., Lee and Muirhead India Pvt. Ltd., and N. Jamnadas and Co. Ltd. operating in India. However, the bulk of the international tourists were handled by Thomas Cook and Sons and the American Express. In 1920, Jeena and Co., the first Indian travel agency organised group tours abroad and in India for Indian

travelers. It handled the first group of foreign tourists in 1950. However, Jeena and Co. and the other two Indian travel agencies were merged into one composite travel company known as 'Travel Corporation of India Ltd.' (TCI) in 1961.

Travel agency trade in India was a small beginning with a few firms, today it encompasses about 1000 travel agencies spread all over the country. The country is renowned for its uncertainties and it's not easy to figure it out without any guidance. Therefore, in India travel agencies or tour operators emerge as a perfect companion chasing away the complexities and overcoming all obstacles and ensure you have a perfect travelling experience.

Dilemma to Move Ahead

- (i) After making preliminary investigations, Yash was considering venturing in some other markets to seek new avenues of profit. He was thinking to enter the contract business with online and offline travel companies of India and abroad like MakeMyTrip, Thomas Cook, Cox & Kings, Yatra, SOTC, Goibibo and Expedia etc. Yash is confident that with the help of this type of contracts, they will get more business and may be able to face the stiff competition in the industry.
 - Balkishan didn't agree to his idea as these travel companies will get high rate of commission in lieu of their services. He is claiming that this will further inflate financial burden on Kalra Tours & Travels.
- (ii) Yash is of the view that one office must be opened in a city with international connectivity like Delhi to increase the revenue of the business.
 - Balkishan Kalra is unwilling to this idea because the other family members are living in this city and it would be complicated for them to control Delhi's office by being placed in Jaipur. Further, they don't want to shift to Delhi due to established business in Jaipur and further the goodwill they have created in the market. Moreover, opening up of office will be the costly task and may increase the financial burden.
- (iii) Yash has suggested to contract with fun parks, motels, hotels and restaurants in different cities to get more orders related to their business. Further, they have been offered for smart amount of commissions for the recommendations and stay of their vehicles.

- Balkishan directly or indirectly is not relying on this modern measure of doing tours & travels business. He is of the view that their customers may be dissatisfied because commission can inflate the rates of services which in return might reduce the revenue for Kalra Tours & Travels.
- (iv) Yash is of view to offer 24x7 transportation services to their customers. He has suggested providing late night bus services to the customers so that the resources they have may be optimally utilized. According to him they shall also offer the facility of arrangement of different types of tours like Wild life tours, Adventure tours, Holiday tours, Discovery tours, Cultural tours, Carnivals tours and Beach tours.
- Balkishan was reluctant on this issue as he has fear of thefts and accidents.
- (v) Yash advocated that Kalra Tours & Travels should launch a website so that people from all across the globe may virtually visit their business and services as offered by them. In addition to this he also suggested to have ‘mobile app’ to add convenience feature for the customers in this changing times. Website and mobile app service will allow customers to search, book and pay for Indian domestic air tickets on their mobile phones at no additional cost.
- Balkishan was keen to focus on transportation business. Not only this, they don’t have significant number of information technology (IT) experts for the regular maintenance of website and mobile applications. Further, if same work will be outsourced this will inflate the expenses of their business. Moreover, this step of launching website and mobile applications for their business may divert their attention from primary activities of the business.
- (vi) Yash was also of opinion to cater to the luxury segment, but this too requires huge investment on vehicles like Volvo buses and Mercedes cars to cater to those segment requirements. He wishes to have loan for the expansion of business.
- Balkishan was against loan from any agency. He believed that this loan will create unnecessary financial obligations on the business.
- (vii) Yash is of the view that Kalra Tours & Travels is giving comparatively more salary to employees. He recommended revised salary structure for the employees.

- Balkishan rejected the idea logically because employees are working from many years. Present salary is the result of accumulated increments.
- (viii) Yash wants to revise the rate structure of different vehicles so that revenue may be increased, through exhibit 2 he has claimed that the rate per kilometer charged by Kalra agency are too less in comparison to other similar tour & travel agencies.
- Balkishan is also admitting that rates are too less and rates may be increased up to the extent that demand may not be influenced.
- (ix) To increase the revenue of business Yash is thinking to start a new business of general insurance. He is of the view that we are paying huge amount to insurance companies for the safety of their vehicles and related parties. He wants to offer general insurance services to the all vehicles owners after getting franchise of one/few popular insurance companies. He is arguing that after taking this decision they can save a smart amount which is referred to the insurance agents.
- Balkishan didn't agree to divert their attention from tours & travels business to any other business. Further, this will require extra investment to cater to a new segment of market.
- (x) Yash wishes to enter this business in corporate world through corporate events corporate exhibitions are managed) and incentive travels (where in group of corporate houses travel abroad in lieu of their incentives).
- Balkishan started laughing on these ideas of Yash and asked Yash to come out of this dream world and behave practically. According to him, entry in corporate is very typical. Further, if they somehow entered in corporate sector, they are demanding quality services at lowest rates because persons involved in corporate sector knew all mantra of the business and they know how to exploit others.
- (xi) Yash wants to concentrate on starting offering travel services for movie production in the state of Rajasthan since the head office of the Kalra tours & travels is situated in Jaipur. According to Yash he will try to make contacts in film city Mumbai to materialise this idea and he is expecting high rates of transportation and allied services from them. According to him Jaipur is also a popular destination for shooting Bollywood films and quite a few famous Hollywood movies were also shot here.

- Balkishan is not keen for the exercise of this alternative. According to him persons involved in film making are having their own core team. It is very typical to make contacts with them further making contacts in Mumbai will be costly affair for them. Business may be extended in the city itself.
- (xii) Yash is also willing for diversified wedding management, where in management of weddings in terms of hospitality, decor, logistics, etc., will be done by them.
- Balkishan feels irritated after listening this idea of Yash and starts snubbing him by saying that we don't want to be the caterers. We are happy with our tours & travels business established by our predecessors. Please you may do any other job by leaving this family business, I will tackle my business. According to the Balkishan, the ideas of Yash are merely theoretical, there is wide difference between saying and doing. Yash is not having practical experience so he is giving these types of illogical ideas.
- (xiii) Yash has recommended for the installation of vehicles tracking system like Global Positioning System (GPS) etc. so that the location of any vehicle can be tracked just by one click. According to him this system will also reduce the rate of accidents of the agency's vehicles.
- Father of Yash Kalra doesn't know anything about GPS technology. He has assured to Yash if this system can be installed up to an affordable limit then he will positively apply this suggestion after making a thorough enquiry about that system.
- (xiv) Yash has observed that there is no facility to provide the regular training and counseling to the drivers of their agency so that accidents of vehicles are increasing. He has recommended for signing a Memorandum of Understanding (MOU) with a reliable driving training and counseling centre. He is also thinking to write on all vehicles "in case of rush driving please inform at this no. of Kalra tours & travels so that public feedback of drivers may be collected."
- Balkishan is reluctant on these ideas and according to him these are merely the theoretical concepts.

Finally, there is difference of opinion between the father (Balkishan) and his son (Yash). Father wants to run his business on traditional values/ways but his son wants to modernise this business of tours & travels. With

all possible alternates that arouse after the brainstorming session between Yash and Balkishan Kalra, they were in a dilemma of accepting either of the said options or look for better possibilities to create a new niche. Yash along with his father Balkishan started looking for new ventures and fresher pastures to operate successfully in spite of the raging price war. They considered various aspects and brainstormed several options to regain control before things spiraled out of hand. Yash had his own fresh ideas and his father had the wealth of business acumen garnered through years of experience. In the meeting they came up with lot of options for the business.

Heat of the Moment

Yash was feeling the pressure of the changing market. A lot of local taxi operators had emerged in the market with the passage of time, due to the easing up of bank loan schemes on vehicles. Yash doesn't want to leave this business only because of cut throat competition. According to him this business still has lot of potential and he is strongly convinced that business of tours & travels will surely be reformed after implanting the recommendations given by him. He is not of the opinion of shutting down this business. To prove himself right/managerially skilled person he is taking all possible precautions. Yash is also supporting his report on the basis of some numerical data which are presented through four exhibits given at the end.

WHAT LIES AHEAD?

There are several business questions which 'Kalra Tours & Travels' has to find answers in order to survive in such a highly competitive market. After reading this case try to give your answers on the basis of the arguments of duo son (Yash) and father (Bal Kishan) and general understanding about this industry of India. Some questions are as follows:

1. The financial performance of 'Kalra Tours & Travels' is going down during the last five years. Try to find out the main reasons for this financial down fall.
2. Calculate net profit of last five years of Kalra Tours & Travels.
3. Assume yourself as management consultant, what kind of recommendations/suggestions would you give to Kalra Tours & Travels for the betterment of the business.

Exhibits

Exhibit 1: Comparative Monthly Salary (per person, in Rs.) of Employees Working in Different Similar Tours & Travels Agencies

Designation	Kalra Tours & Travels	Hari Nar-ian Tours & Travels	Jayant Tours & Travels	Somya Tours & Travels
Middle Level Managers	14,000	11,000	10,500	10,500
Supporting Staff	5,500	4,500	5,000	4,800
IT Professionals	12,000	10,000	9,500	10,000
Drivers	15,000	11,200	10,000	11,000
Cleaners	7,000	6,900	6,800	6,500

Source: Primary data

Exhibit 2: Comparative Rates (in Rs.) of Different Vehicles by Different Agencies (per Kilometer)

Particulars	Kalra Tours & Travels	Hari Nar-ian Tours & Travels	Jayant Tours & Travels	Somya Tours & Travels
Bus-Big (A/C)	40	44	43	43
Bus-Big non (A/C)	32	35	36	34
Mini Bus (A/C)	35	38	38	37
Mini Bus non (A/C)	30	34	34	33
Tempo Traveller Van	14	16	16	17
Innova	12	14	13	13
Swift Dezire/Indigo	8.5	11	10.5	11
WagonR	8	10	9.5	10

Source: Primary data

Exhibit 3: Statement of Profit & Loss of Kalra Tours & Travels

Particulars	2011-12 Amount (000 Rs.)	2012-13 Amount (000 Rs.)	2013-14 Amount (000 Rs.)	2014-15 Amount (000 Rs.)	2015-16 Amount (000 Rs.)
Spare Parts Expenses	1300	1305	1360	1390	1380
Rates & Taxes	220	221	256	269	296
Insurance Premium Paid	1640	1636	1644	1650	1656
Advertisement & Publicity Expenses	200	202	203	150	140
Depreciation	3300	3280	3265	3310	3295
Repairs & Maintenance	961	980	988	1005	1095
Office & Administrative Expenses	294	296	297	298	302
Salary & Wages	1684	1695	1705	1720	1730
Vehicles Hire & Tours Income	15933	15480	15170	14520	13980
Rent Paid	600	600	660	660	660
Fuel Expenses	4281	4292	4294	4295	4299

Source: Kalra Tours & Travels

Exhibit 4: Registration of Vehicles in Rajasthan State

S. No.	Year	Two Wheeler	Auto Ricksha	Tempo	Cars	Jeeps	Tractors	Trailers	Taxi Car/Jeeps	Bus-es	Trucks	Oth-ers	Total	% Growth over last Year
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	2005-06	377153	6651	6506	35564	10456	31757	1428	4918	2887	15174	804	493298	—
2	2006-07	439830	8047	7436	40240	9734	39559	2522	5022	2341	25626	1829	582186	18.02
3	2007-08	427949	6762	6056	45021	12027	33733	3002	6620	2285	20102	2809	566366	-2.72
4	2008-09	454140	6737	5485	47117	13321	32072	2046	6620	3693	13939	1905	587075	3.66
5	2009-10	514619	6607	6161	53685	20770	35732	2153	8020	3959	23877	1934	677517	15.41
6	2010-11	629265	7034	6620	64461	24218	38766	1238	9775	4723	33348	2155	821603	21.27
7	2011-12	770024	7492	7178	70684	26930	55576	1140	11736	5365	38755	3333	998213	21.50
8	2012-13	836120	7532	7113	68473	33216	68764	2067	14695	5271	39935	3281		8.84
9	2013-14	865279	7648	6849	74374	31434	72645	836	10925	5276	32396	4733		2.39
10	2014-15	941091	7368	7535	80163	37698	65849	1141	8660	3758	37986	3340		7.39

Source: Transport Department, Government of Rajasthan.

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