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Indian Manufacturing and Marketing Environment

Current Status and Future Trends

ABSTRACT

Present article intends to highlight various facts related to the marketing manufacturing environment of India. The industrial scenario reveals that Indian industries and products are attaining world class level. The liberalization process, besides intensifying competition, has helped manufacturer to achieve advantage. Rural market is an emerging area. It is both opportunity as well as challenge for the marketers. There is a need to design suitable strategies to tap the growing rural market. The Small and Medium Enterprise (SME) sector also show some sign of improvement. Since this sector has to compete with global players, it requires to formulate effective strategies for manufacturing and marketing the product.

1. INTRODUCTION

Markets all over the world are witnessing an unlimited potential for global business and marketing development. The socialist-based economics in Europe, Indian and other countries have chosen free enterprise system and have adopted market driven economies. India has adopted policies of liberalization, decontrol and delicensing for the new economy and industrialization process. Awareness of people in the environment is demanding freedom from pollution and conservation of exhaustible natural resources. Eco friendly products with Eco labels are receiving special preference in all markets. Developing countries like China and India are receiving huge inflow of foreign investment in capital and technology and entry of numerous MNCs. Many Indian Companies have also extended their businesses in other parts of the world.

International Standards Organization and its ISO 9000 series of global standards have achieved the status of a vital competitive tool in modern

manufacturing and marketing environment. India is now recognized as a big emerging market with whom the US trade is expected to be greater than the combined trade with Europe and Japan in the near future. The emergence of large middleclass as the dominant consumer community can be regarded as one of the noteworthy developments in India.

It has grown in size and prosperity. Both the middle class and the upper middle class population constitute a lucrative market for all types of goods. They are now reaching out to satisfy their higher levels of psychological wants after satisfying the basic economic needs. The potential of this market segment in India is now almost at par with the total potential of major European countries like U.K., France and Germany.

2. PRESENT MANUFACTURING AND MARKETING ENVIRONMENT IN INDIA

India's new prosperity and market potential are attributed to the government's ongoing commitments to

economic reforms introduced in 1991 with the New Industrial Policy. The new reforms have allowed India to rebuild its economy and forex reserves, reduced inflation and most important improved competition and efficiency in the market place by relaxing substantially economic trade and investment controls and reducing duties, taxes and interest rates.

From the food shortage of the sixties, India has now achieved not only self sufficiency in food products but also has emerged as a major exporter of food grains in the world. About 65 percent population in India is rural, the rural market is vast and till now only partially exploited. It should be noted that the rural market's untapped potential is throwing a big opportunity to the manufacturers and marketers in India. Exploring the huge untapped rural market should be taken as both opportunity and challenge. 650 million Indians live in 560 thousand villages spread over the entire length and breadth of the country. Henry Ford's strategy in 1920, the "profits from the poor" and C.K. prahalad's, (the noted management expert) reference as the "Success at the Bottom of the pyramid" should be taken as the strategic choice for the effective exploitation of the vast Indian rural market.

The noted economist John Keynes, in his 1926 lecture "The End of Laissez-faire" had affirmed a qualified optimism about market as an instrument for growth and welfare. For India, globalization is to be taken in terms of "economic globalization". A sustained pro-market campaign by the World Bank and by the renowned economists like Jagdish Bhagwati and T.N. Srinivasan argues that globalization would not only generate higher growth and efficiency, but also improve mass well-being. It will

improve welfare by generating returns to resources that are relatively abundant in India, such as skilled and unskilled labour.

Globalization in the world not only includes transaction of goods and services but also international capital flows. International trade deals with exports and imports of both goods and services as well as invisible. As a member of WTO, India has to meet many obligations. The implications of WTO are rapid globalization and more challenges for the indigenous industry, agriculture, service sectors and R&D initiatives etc.

Some of the implications of WTO, which pose a challenge for India are as under:

1. Trips Agreement
2. Agreement On Textiles And Clothing (ATC)
3. Agreement of Agriculture
4. General Agreement On Trade In Services
5. Anti-Dumping Agreement
6. Labour And Environmental Issues

Each of the above challenges, if tackled presents itself as an opportunity as well. India can get access to the vast world markets. India's intellectual capital, one of the most precious of our country will get access to new territories to realize their true worth. Not only but also our products, both agricultural and industrial, will get better value by virtue of having larger access. India should adopt "Blessings in disguise" approach towards WTO and globalization.

Opening up of India manufacturing, services, agriculture and markets to the global arena is expected to bring the following benefits :-

Indian manufacturing, agriculture and services sectors will become globally competitive.

Our industries and products will attain world class level with large operational scales and capacities. The result will produce numerous “Indian MNCs.”

Higher quality and lower cost of production will help India to build competitive advantage.

Various experts are making predictions that Indian economy can grow at a sustainable rate of 8% for a long period to enable India to attain the status of a developed nation in the next decade or before 2020 A.D. Large Indian Companies are responding to the competitive environment by way of restructuring and refocusing their business and may have already become global players.

The liberalization process has helped a lot the knowledge sector in India. India’s distinct comparative, as also competitive advantage in the sphere of knowledge based industries has been acknowledge world wide. With the emergence of new knowledge based industries such as IT, Telecom, Pharma, Software and IT enabled services etc.

3. INDIAN RURAL MARKET

India’s growing rural market has been experiencing increased demand of consumer goods. Nine consecutive good monsoons have improved the rural economic conditions. In the countryside poverty may be widespread, but there are regions where tractors and agricultural machines have replaced bullock carts and old traditional methods of farming. Silent green and white revolutions are responsible for agricultural prosperity in many regions.

Rural market is vast but partially exploited. The top 20 percent farmers

account for more than 40 percent of expenditure on consumer goods in the rural markets. The vast rural market’s untapped potential is throwing a big challenge and opportunity to both manufacturers and marketers in India. Many rural areas are exposed to T.V., radio and Satellite communications and also the literacy rate is improving.

But the huge untapped rural of 650 millions consumers pose some problems as follows :-

Rural markets are very widely scattered with many villages may constitute few hundred residents in each.

The rural demand is closely associated with farming and hence it offers seasonal needs.

For many rural areas’ the road connectivity is poor and hence physical distribution poses a problem.

Consumer goods and agricultural commodities face higher distribution cost due to in-sufficient infrastructural facilities of transport and warehousing.

Financial incapacibilities of the rural small retailers prohibit in keeping varied stocks.

The rural consumer is extremely cost conscious and is not impressed by fanciful product features but would be more interested in knowing the benefits of the product.

Because of low purchasing power, the rural consumer prefers small package which may satisfy his daily requirements.

4. SUITABLE STRATEGIES FOR RURAL MARKETING.

The wise marketer should choose a centrally located town known as feeder town for serving a large cluster villages

around it. These villagers are satellite dependent on the town nearest to them.

The feeder town plays the role of distribution as well as collecting center. The farmers sell their farm products to the town traders and expect to procure consumer goods and agricultural inputs.

The town retailers perform all the functions of middleman in financing, warehousing and distributing. They may even use mobile vans or bicycles or trackers for distribution in villages.

Because of presence of high degree of illiteracy in the rural areas, the radio and TV are the proper media for offering useful marketing communication.

The other means of marketing communication are periodically and seasonally held village fairs, cinemas, circus and magic shows which need to be planned and organized by the manufacturers of consumer goods and consumer durable goods.

Non conventional communication media such as mobile audio-visual vans with portable exhibition kits may also be used by these manufacturers. For advertising, one has to be on the same wave length as the rural consumer and the communication has to focus on rural spots and scenes for highlighting the product's features and benefits.

The successful companies in rural marketing are Hindustan Lever, Procter & Gamble, ITC, Bajaj Auto, Asian Paints, Godrej and others.

For the successful exploitation of the vast untapped rural Indian market, the manufacturers and marketers should emulate the examples of the already strategic alliances worked out by Parle Products with Coca-Cola, Godrej with Procter & Gamble, Whirlpool with TVS

and TOMCO with Hindustan Lever etc.

The National Council of Applied Economic Research (NCAER) has brought out "Indian Demographic Report 1998" which deals with the dynamics of market growth and consumer demographics. IDR 1998 provides the information of macro-economic environment useful for Indian Corporate Group. It provides analysis of growth for both rural and urban markets and supplies information for manufacturers and marketers who want to venture into new markets including the rural market.

With the onslaught of liberalization and globalization, the Indian Corporate Group must understand the dynamics of the macro-economic environment under which their business operate.

IDR 1998 highlights the presence of a huge, sustainable and growing rural market which Indian Corporate have neglected so far. The report analysis the reasons for lower levels of penetration in the rural market for consumer goods and cites three reasons such as inadequate basic infra-structure, low level of rural income and the different lifestyles of rural people.

According to the data provided in the report, the rural economy grew at a slower rate of 3 percent as compared to 4.8 percent during the eighties. Low penetration would mean huge opportunity only when the rural economy gets developed. The growth in market size depends not only on growth of population but on the growth in intensity of sue, because of growth in income. Only when this happens can penetrate growth. During the whole period of economic reforms, investments in Indian agriculture was kept aside. But the Government in New Delhi which took charge in 2004, gave due

importance to the investment in the rural and agricultural infrastructure. The manufacturer and marketers can hope for an upbeat about the future rural economy.

5. BUILDING COMPETITIVENESS IN MANUFACTURING AND MARKETING

In order to select the desired competitive position of a business it is necessary to begin with the assessment of the industry to which it belongs. We should understand the fundamental factors that determine its long-term profitability prospects because this indicator embodies an overall measure of industry attractiveness. The widely used framework for understanding the industry environment is proposed by Michael Porter in his five forces model given below.

Identification of the major component relating of each of the five forces above can lead to an assessment of the relatives strength of the manufacturer compared ot other players in an industry and thus highlight the possibilities of a manufacturer to exploit the possible change within the industry over time.

As competitors in the industry increase, so also does the competitive rivalry in an industry. The fast industry growth means that the companies should complete effectively for greater market share by means of cost reducing using activity based costing, and product differentiation and improved marketing techniques etc. SWOT Analysis stands for strenghts, weakness, opportunities and threats that exist inside and outside the organization in many different areas.

The aim of SWOT analysis is to match likely external environmental changes with internal capabilities to test

these out and challenge how an organization can capitalize on new opportunities or defend itself against future threats.

This powerful tool seeks to challenge the robustness of a company’s current strategy and highlights areas that might need to change in order to sustain or develop its competitive position.

The organization desiring to build competitive advantage should also adopt modern techniques of Deming Cycle, Customer Relations Management, Bench Marking, Reengineering ISO 9000, Total quality Management and six sigma philosophy and an efficient supply chain Management.

It should install an efficient Human Resource Development System and initiate improvement in the organizational climate to ensure enhancement in total quality.

In the percentage of technological advancement, organizations are facing the challenge of upgrading and developing technology in order to remain competitive.

Finally, the competitiveness result from the management facilitating a changed process and modifying the old maxim “Survival of the fittest” to read “Survival of those who can keep pace with the change.”

6. THE IMPROVED MARKETING CONCEPTS

The Indian market structure in the perspective of market segmentation reveals that the market phenomenon of regional market Segmentation does exist.

In each regional market, few firms dealing with commodity, enjoy some amount of monopoly power, though their share in the national market may be small.

Such firm's price cost margin performance and the regional market power stand in good situation for their regional market segmentation.

Market segmentation, according to the theoretical premises, would force the firm to operate on the inelastic. Segment of the demand curve and the elastic segment of the supply curve. This suggests that the firm's strategy may not be to expand output. This is because if the firm expands its output beyond a level which its sub-market could absorb, it will be forced to enter into other sub markets. Because of the diseconomies associated with after-sales-service, advertisement and transportation coupled with restriction, on inter-regional movements and differential tax rates, the average net revenue realized from the new sub-markets will be lower than what it has realized from the initial sub-markets. Hence, a rational firm would limit its output to such a level, that its sub-market can absorb.

In India, liberalization has led to the delicensing of most of the equipments, entry of major global players, with the reduction of excise and custom duties.

The liberalization process has made foreign players to increase the market share in the Indian market and the Indian firms are resorting to long term growth by means product differentiation and maximizing short run profit by means of manipulation.

This is evident in the automobile, TV and the mobile phone sets segments. As a measure of improving the after sales service, especially in the consumer durable segment, both the domestic and foreign companies, are relying on the performance of their dealers or of third party agents.

7. SME SECTOR & COMPETITIVENESS

The growth of small and medium enterprise (SME) sector in India has been impressive. It is also true that the mortality rate of small and medium scale units has been alarming due to various reasons such as lack of marketing ability, shortage of working capital, labour trouble, Government regulations, severe competition and non-availability of raw materials etc.

On the onslaught of the globalization and liberalization, the SME sector should also march forward to attain competitive character in the twenty first century.

There is no usefulness for the SME sector -- entrepreneurs to compete directly with large industries or MNCs ; instead, they should attempt to do the following:

1. Taking up manufacturing or services of substitute items being offered by large industries or MNCs through market segmentation to a target group of customers.
2. Taking up contract manufacturing jobs on behalf of large industries or MNCs according to their specified quality and service.
3. The important aspect to be borne in mind that marketing is more difficult than manufacturing. The first hand entrepreneur should first gain marketing experience before commencing a new venture. Many SME units have failed due to lack of marketing ability.
4. There is no use in spending money on advertisement or sales promotion by SME units. Instead, the entrepreneurs must analyse and work out efficient and less expensive distribution network and

arrange to keep direct contact with customers as far as possible. They may also look for extending distribution system to rural areas with sizeable population.

Foolproof arrangement for prompt after sales service should be completed well in advance of commencement of selling and marketing activities. The other important considerations are that the entrepreneur must have the ability to work hard against all business odds for a sufficient long period and must conduct the business practices in accordance with principles of business ethics.

8. INNOVATION

In the face of globalization and liberalization in the twentyfirst century, only those companies that lean to live and breathe continuously innovation will thrive in this stimulating world. Innovation is a practical way to ensure the long term health of the organization. The best innovation is user-driven. In the ideal innovative culture, there is a harmony of interests between customer, employee and the management.

Innovative organizations are not only encouraging product and process innovation but are also creating bright future. Innovations in manufacturtring and marketing have become crucial and comprehensive in today's economy.

The innovation process has three major components. The first stage is getting ideas, the second stage is turning ideas to reality and the third stage is getting the product to the market and making a huge success; which includes activities like distribution, pricing, marketing and public relations etc. Innovation is risk management and if organizations are committed to innovation, they need to have a very high tolerance for risk and failure.

Following companies are well known world wide for their innovative culture and practices.

3M, USA cultivates an atmosphere where ideas flow from one division to the other and through its 15% rule, an employee can devote upto 15% of his time develop new projects/products of his own choice.

3M's 30/4 rule means 30% of sales must come from products not less than 4 years' old. Dupont, USA maintains R& D as a model-department with an unstinting commitment to resources and talent which can lead top revolutionary scientific progress. Dupont has over 300 topic specific networks linking all employees around the world. It just-in-time care programme allows employees to receive comprehensive counseling and this has led to marked increase in morale and company loyalty.

General Electric is another remarkable innovating company in the business world. Since 1970, GE under the inspired leadership of Jack Welch, has come as a roll model of ceaseless innovation and the world's most profitable organization today. In GE, people are allowed to express their ideas and opinions which result in innovative suggestions.

Pfizer Inc. is another remarkable pharmaceutical innovator in USA, whose products have enhanced and extended the lives of millions of people throughout the world. It has built one of the world's premier knowledge gathering systems. It has effectively harnessed the power of learning for developing a comprehensive knowledge base and for speedier decision making.

These successful MNCs regard innovation as a practical way to ensure

the long term health and prosperity of their organizations, for their customers, employees and communities. Indian organizations have to learn from them about innovation.

9. INDUSTRIAL COMPETITIVENESS- INDIA vs CHINA

India and China have always been compared and this comparison is inevitable because of striking similarities amidst differences. China out-performs India by any Yardstick except on the inflationary front. This is accepted by all the experts.

China had built social infrastructure in the pre-reform period and physical infrastructure in the post reform period and these have helped China to rapidly with Superior performance.

This paper makes an honest attempt to examine the performance of China with an objective as to what lies at the root of China's competitiveness and what India can learn from China. Since, the eighties, China has been producing many daily-utility goods used in the western countries and Japan, in its numerous export oriented units and has been successfully competing in both domestic and international markets. This is something which India has not done due to its sustained opposition to export-oriented growth during that period.

China's remarkable industrial growth took place in the "Township and Village Enterprises" (TVEs). These are collectively owned industrial enterprises owned by the respective township or village. These TVEs in China do not have to pay rent for land on which factories are situated, resulting in substantial price advantage.

China's savings rate is more than 40 percent compared to India's about 25%

Major part of this saving is utilized in the industrial enterprises, which reduces the dependence to TVEs on costlier bank credits for working capital. Thus, capital for China is substantially cheaper.

According to Human Development Index (UNDP 2001) China with HDI of 0.718 is way ahead of India with HDI of 0.571. The percentage of adult literacy in China is 83 percent against India's 56%.

Literacy may make possible higher productivity and the identification of the workers with the object of production is higher in the case of a handful of village where all enterprises including firms are collectively owned.

In the eighties, China has made reforms in the labour laws in relation to industrial discipline, wages and productivity. India is still to do something in this area. Thus, overall, the absence of land market, export production, educated labour force, greater identification of labourers with TVEs, favourable labour laws and cheaper capital are some of the factors responsible for China's higher productivity, lowest unit cost of production and competitiveness in the world market for manufacturing and hence China is gainer of competitive advantage over India.

Thus, for Indian manufacturing sector, instead of seeking refuge in protection, should take measures to upgrade quality, productivity and enhance price competitiveness to meet the challenge posed by the Chinese exports.

10. GOALS SETTING FOR THE PROGRESS

A goal may be defined as dreams with a deadline. Goals in fact are an outgrowth of our dreams. We may say the goals are the stepping-stones to fulfill dreams. Goals assist us to focus our dreams

and make us specific when we want to achieve them. A goal firmly cultivated in our mind will force us to stay in track until we reach our objectives. Successful people make a habit of positive expectation in advance of the event. A strong sense of purpose is essential to all challenges and meaningful objectives. For an entrepreneur having a definite goal, no effort is small, no hours are long and no efforts are big. He or she should stake everything to achieve goal.

Setting of a goal is not a simple task. Those who have achieved excellence in life did goal setting on a routine basis. A goal must be specific, achievable and time-bound.

According to a Chinese proverb “A journey of thousand miles begins with a single step”. It is important to be aware of the first step and the last one.

Late Dhiurbhai Ambani (Ex-Chairman of Reliance Industries Ltd.), the legendary industrialist of the 20th Century in India had built up from scratch, the world economy scales industrial units with the total asset value of Rs. 80,000 Crore employing nearly 6 million people; has rightly commented “Always dream big and have big goals. Our expectations should be very high, our determination be firm and efforts be great.”

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