

# A CASE STUDY ON BUDDING INVENTIVE TRENDS IN MARKETING PRODUCTS OF SMALL INDUSTRIES IN INDIA

**Dr. N. Naveen Kumar<sup>1</sup>, Dr. Nalla Bala Kalyan<sup>2</sup>**

<sup>1</sup>Assoc. Professor Department of Computer Applications, Madanapalle Institute of Technology & Science, Madanapalle Chittoor District, AP, India

<sup>2</sup>Associate Professor Department of Management Studies Sri Venkateswara College of Engineering Karakabadi Road, Tirupati-517507 AP, India

## **Abstract**

***During the last two decades or so, the small industries have played a very significant role in the economic development of the country. Small Industries in India has been increasing extremely fast in recent years. The paper highlights the causes and remedies of industrial problems of small industries in India. The objective of all business enterprises is to satisfy the needs and wants society. Marketing is, therefore, a basic function of all business firms. The activities have to be coordinated so as to develop the marketing mix, which provides maximum satisfaction to the customers. That is why marketing research and product planning occupy an important role in marketing. The prime objective of the present paper is modern concept of marketing and a new product designed to meet the changing needs of the consumer is a big factor both in the healthy growth of established business and in the birth of a new business.***

**Keyword: Business, Emerging New Trends, Marketing, Small Industries, Products.**

## **1.INTRODUCTION**

The magnitude and character of the problems faced by the small industry is changing with the changed situations. Marketing was not as much a problem as it is in the context of the present economic situation in the country. With an increasing trend towards free competition, the sellers' market is rapidly giving way to the buyers' market. Important functions of marketing

include: buying and assembling, selling, standardization, packing, storing, transportation, promotion, pricing and risk bearing. Thus, the scope of marketing is very wide and no more restricted to merely selling of products. Marketing occupies an important place in the management of small scale industry. It is a key factor in determining the success of an industrial concern. Traditionally, marketing has consisted of those efforts which effect transfers in ownership of goods and care for their physical distribution .In economic terms, marketing covers those activity which relate to the creation of time, place and possession of activities. Marketing mechanism in small scale industries involves all the activities undertaking in the transferring of goods and titles there to from producer to consumers. The efficiency of marketing determines the sales and profit of the small scale industries.

### **1.1 Modern Concept**

It must be stated at the very outset that marketing is not just selling or distribution. It embraces all the activities that begin with ascertaining the needs of the consumer and the market opportunity, setting up production to meet this anticipated demand, pricing, distribution, advertising and culminating in the sale of the product hopefully at a profit. The modern concept of marketing is thus one which starts from preproduction stage with the interpretation of consumers' needs qualitatively, quantitatively and price-wise and ends up in providing the needed goods and services with necessary after-sale service where ever essential. This entails a great deal of meticulous planning right from the state of choice of the

product line, product design and development, pricing, appropriate channels of distribution and advertising.

### **1.2. New Product Development**

To a marketer, a new product is at once a challenge and an opportunity. Its introduction and its development would certainly be the most fascinating part of his job. To him, to sell is to live. In a growing economy like ours, the business simply cannot afford to stand still. New wealth has to be created. New consumer needs must be discovered and satisfied. A new product designed to meet the changing needs of the consumer is a big factor both in the healthy growth of established businesses and in the birth of a new business. But the product has to be a good one. And that means a product which the customer thinks good. This is truly a stage where it is indeed a fact that the customer is always right. The right product is the one which the customer wants; not the one the manufacturer thinks he ought to have, even though the latter may be superior from all technical points of view. Of course, a manufacturer has to keep a full sense of responsibility. He should not sell a product which is harmful or dangerous or utterly useless, merely because it is what the customer wants. It may sometimes be his duty to educate the customer into wanting a product that really is better than the one he prefers.

### **1.3. The idea for a new product**

The new consumer products which arrive to make life easier or materially more rewarding, owe much to the directed efforts of company researchers. It is with research that assessment of the potential return to the company in terms of eventual profits must be made before a new line of inquiry is embarked upon. The following questions must be asked about the new product idea:

- First of all has it some chance of reaching the sales volume appropriate to the company?
- Is its market a growing one?
- Will it fit in with the company's Sales Organization?
- What kind of competition is it likely to encounter?

### **1.4. Testing a New Product**

In the office of one successful marketing man, hangs this business wisdom: Find out what people like and do more of it. Find out what people don't like and do less of it'. Business is keenly aware of this situation and a number of companies and setting up proving ground for testing customer opinion and customer reactions.

### **1.5. Brand name**

The next important factor in the success of a new product is the name it carries. The brand name of the product should be short, simple, easy to spell, easy to read, easy to remember, and easy to recognize.

### **1.6. Packaging**

The packaging of a consumer product is an important part of the marketing plan. It is more so nowadays because of the changing habit of the modern shopper who prefers to make his selection. As this habit becomes more prevalent, more selling becomes necessary on the part of the package. In the same way, sales have been increased by designing a package so that it would have a second use after the product itself was consumed. If a product is to give satisfaction it must be used in the right way. When people complain about a product inquiry will often show that they did not use it properly. Good design is aimed at a specific objective such as to influence acceptance at the point of sale; to stimulate 'impulse' buying or to build a desired impression in the public mind. The test of good design is not how pretty a product looks, but how effectively it attains its major objective.

### **1.7. Pricing**

Pricing is a vehicle for moving your products. Certainly a price must be shaped according to the realities of the market, the competitive nature of the area in which you are working and the demand level of the groups you are trying to sell. Convenience in use, modern and scientific packaging, design and application features, quality refinements, availability of products etc. all these have a strong influence on the pricing policy. A pricing policy in general is based on three simple objectives and these are:

- To market the goods
- To recover the cost
- To generate reasonable return on your investment.

### **1.8. Distribution**

Dealer development: The importance of dealers is theoretically well established. Everyone, no doubt, realizes that it is not enough just to manufacture a product. The product must be sold and the channels of distribution through which your product reaches the consumer are of vital importance. With rising production and better technology, we all hope that in this country also, we shall move into an era of plenty in the not too distant future. Do not forget that an era of plenty is also usually an era of intense competition. As time goes on, it will, therefore, be more and more important to pay attention to the subject of marketing in general and to the subject of dealer development in particular. The manufacturer wants that the dealer does his best to push his products to the consumer and that he does this without any resort to undesirable methods like price-cutting or making promises not compatible with the product. The dealer wants regularity of supplies, publicity from the manufacturer, the stability of prices and above all a good product with consistent quality.

### **1.9. Marketing – A Management Function**

“Consumption is the sole end and purpose of all Productive.” The goods produced have to be distributed and sold at prices which consumers are prepared to pay. Manufacturers and consumers are at the two ends of the distribution circuit. From the point of view of manufacturers, Marketing is an important management function which organizes and directs all those business activities involved in assessing and converting consumer purchasing power into effective demand for a specified product (or service) and in moving the goods or services to the final consumer or user so as to achieve the profit target or other objective. Manufacturers have to so organize their marketing and distribution processes that their products move to the consumer at the right time, place and price. Marketing is, therefore, the total effort required to satisfy consumer demand. Some of the more important marketing management functions which

manufacturers are expected to undertake (although in varying degrees) are:

- **Marketing Research:** Activities connected with obtaining marketing information ‘to find facts for decision marketing’.
- **Product Planning:** Activities to develop a product (or adapt an existing product) to meet specific customer needs which enables the enterprise to utilize its productive capacity fully.
- **Pricing** – Activities concerned with determining the price of the product on the basis of cost of (a) production, (b) selling and distribution and (c) markets factors.
- **Advertising** – Activities concerned with making the product known to customers and creating a demand for the firm’s product bringing the customers nearer the product.
- **Sales Promotion** – Activities (other than advertising) which operate as selling aids to stimulate demand and to increase sales-moving products towards the customer.
- **Distribution** – Making the product available and easy to buy-selecting appropriate distribution channels.
- **Selling** – Operations which facilitate the ‘sale’ to ultimate consumers, ensuring consumer satisfaction.

## **2.SMALL MANUFACTURERS AND THE MARKETING ENVIRONMENT IN INDIA**

India is the world’s second-largest market. The population is still rising. The country is vast. The Constitution of India guarantees “freedom to practice free and uninterrupted trade and commerce” throughout the length and breadth of the country. In common with other developing countries, large sections of the population are poor and consequently, the per capita income is one of the lowest in the world. There are a few metropolitan cities and some large towns with fairly well-developed infrastructure res aids (e.g. transportation) in the marketing sense. In contrast, vast sections of the population are in rural centers and backward areas of the country without well-developed means of communication. Yet another feature of the Indian marketing scene is the inadequacy of distribution facilities for the products of industrial manufacturers to reach ultimate consumers. Perhaps, this led to some of

the leading manufacturers. The textile industry, Bata and Flex in the leather footwear industry, ESSO, Shell and Caltex in the Petroleum industry to spread their distribution arm longer to reach retail selling outlets. It is, therefore, said that the domestic market in India is undeveloped and offers vast scope, in the marketing sense. India has witnessed accelerated industrial development during the post-independence period. A large number of industrial goods which were hitherto imported are being produced within the country. The small industry sector has succeeded in producing a variety of goods, catering to different market segments, including the affluent sections of the community. Among these can be mentioned bicycles radios, television, sewing machines, fans, etc. Because we are operating in a 'mixed economy', both large and small industries have to compete for their share of the market which is open to both

### 3. MARKETING ASSISTANCE TO SSI IN INDIA

Small scale sector in India has succeeded in producing a variety of sophisticated products including consumer durables. In these lines, they are able to organize themselves well and complete successfully with large scale industries. A large number of products like radios, television sets, electronic instruments, bicycles, sewing machines may be mentioned in this connection marketing assistance by government agencies to small units that can be broadly divided into two categories.

**Direct Marketing service**-Government agency buying the products of the small scale units and selling the same either to business intermediaries ultimate consumers, undertaking the risks involved is not being able to sell the items.

**Indirect Marketing**- indirect assistance aimed at stretching the organizational setup and the marketing base of the small scale units.

The SSI sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. SSI is complementary to large industries as ancillary units and contributes enormously to the socio-economic development of the country. The fast-changing global economic scenario has thrown up various opportunities and challenges to the MSMEs in India. While on the one hand, many opportunities are

opened up for this sector to enhance productivity and look for new markets at national and international level, it has also, on the other hand, put an obligation to upgrade their competencies to meet the competition as new products are launched at an astonishing pace and are available worldwide in short time. Micro, Small & Medium Enterprises do not have any strategic tools/means for their business/ market development as available with large industries. In the present competitive age, Marketing is one of the weakest areas wherein MSMEs face major problems.

### 4. PROBLEMS OF MARKETING SMALL INDUSTRIAL PRODUCTS

The small industry sector has peculiar marketing problems. These can be broadly grouped into two categories.

1. Those arising out of small size or scale or operation.
2. Those arising out of inadequacy of marketing management skills amongst small industrialists.

Economies of scale in marketing and distribution cannot be achieved because of the relatively small size of the market share small industry products may not, of course, need. In most small scale units, ownership and management are not divorced. The proprietor partners take nearly all decisions and also oversee their execution as well. Recognizing the important role of the SSI in the national economy, the Central and State Governments have taken active steps to promote and foster their growth. These measures have been particularly effective but many of the problems of production, distribution, and finance still continue to affect the SSI sector. While some of them are more or less common to a wide range of small industries, others have particular relevance to a group of small industries and to industries situated in rural and backward areas. The problems of SSI are divided into two groups external and internal. As is obvious, external problems are those which result from factors beyond the control of the industrialist like the availability of power and other infrastructure facilities required for the smooth running of small-scale industries; while internal problems are those which are not influenced by external forces. The internal problems affecting the small-scale industries relate to

organization, structure, production channel, distribution channel, technical know-how, training, industrial relations and inadequacy of management, etc. The major problems of Small scale industries.

#### **4.1. Marketing**

Marketing is one of the major stumbling blocks for small-scale industries. The many problems which they face in marketing their products are enumerated below:

- Lack of standardization;
- Poor designing;
- Poor quality;
- Lack of quality control;
- Lack of precision;
- Poor finish;
- Poor bargaining power;
- Lack of service after sales;
- Scale of production;
- Brand preferences;
- Distribution contacts;
- Lack of knowledge of marketing;
- Competition;
- Ignorance of potential markets;
- Unfamiliarity with export activities—procedures and market know-how and
- Financial weakness.

Because of the weak financial base, a small industrialist cannot afford to spend heavily on marketing his products. A rare exception is the pharmaceutical industry, in which the gap between the manufacturing cost and the selling price is very large. This is a special situation, in which marketing techniques are different, and therefore the cost of marketing is very high, particularly the marketing cost of those drugs for which there is stiff competition. The small industrialists in this line have to follow this trend in order to survive in the global market. In the absence of a marketing channel of their own, many small units sell their products to large selling houses. Voltas, for instance, markets a number of products produced by small units. The large companies make handsome profits from marketing the products of small units by charging a much higher price from the consumer. In this respect, there is a need for a larger number of marketing consortia, whose primary responsibility will be to assist small units.

#### **4.2. Raw Materials**

In view of the rising tempo of industrial activity, the shortage of the right type of raw material at standard prices has affected the entire industrial sector. Because of their smallness and weak financial position, small-scale industries have to utilize the services of middlemen to get raw materials on credit. Such an arrangement, however, results in higher costs and is particularly disadvantageous when raw materials are imported, for the profit margins of middlemen are rather high. Their meager resources induce small industrialists to use cheap and inferior materials, which naturally affect the quality of their finished products. Moreover, the irregular supply of certain raw materials adversely affects their production programs. The raw material problem has been extremely acute for steel-based industries like bicycles and their spare parts, sewing machines and spare parts, automobile leaf springs, agricultural implements, etc.

#### **4.3. Recoveries**

One of the most difficult problems of the small industrialist today is recoveries from sales. It is an established practice for buyers to expect credit from sellers. This practice is forced upon the small industrialist by the larger ones. Initially, credit was available for a month or two; but with a very tight money market, a situation has developed in which buyers do not pay their suppliers for over 12 months, and get away with it.. The bank may, if at all, extend further assistance: but this assistance, after all, is not limitless. The New Bill Market Scheme of the Reserve Bank of India has not touched this problem. The only way out of this situation is for the Central Government to introduce measures to curb the practice and save the small industrialist.

#### **4.4. Labour**

Handling labour, which is a major contributor to industrial production, is one of the most difficult tasks of the industrialist because of the human element involved in it. One has to keep abreast of the maze of labour laws, which keep changing from time to time. Labour today is fully aware of its rights. It has, therefore, to be handled with patience and understanding. Unfortunately, trade unionists politically exploit the problems of labour, and,

at times, even create a problem where there was none before. To protect their vested interests, politicians often prevent a settlement of a dispute between labour and employers, and thus work against the interests of both. It is very important, therefore, to evolve a code of conduct for trade unionists to protect the interests of labour as well as of employers; this will add to the general prosperity and well-being of both.

#### **4.5. The Emerging Situation**

In recent years is the interest taken by small industrialists themselves either through their Associations or through informal groups to tackle one or more of their marketing functions. This seems to be the most fruitful line of action to be pursued in the future. The strategy for marketing assistance to small industries should be so evolved as to afford maximum scope to small industrialists to help themselves mutually. The small Industries sector has come to be recognized as self-reliant. This sector has to continue to make its contribution to national economic and industrial development. In order to sustain the progress already achieved and to provide a reliable basis of 'hope' to new entrepreneurs, it is desirable to undertake a comprehensive study of the marketing problems faced by the small scale units.

#### **5. CONCLUSION**

The small industries sector has come to be recognized as self-reliant. The sector has to continue to make its contribution to national economic and industrial development. In order to sustain the progress already achieved and to provide a reliable basis of hope to new entrepreneurs, it is desirable to undertake a comprehensive study of the marketing problems faced by the small scale sector. SSI has been recognized as the backbone of the Nation's economy. The growth and performance of these SSI largely depend upon their long term marketing strategies that create and retain a satisfied customer through the process of value addition. Further, the SSI in India requires aiming at customer satisfaction in their strategies to avail of long-term viability and competency. This sector is rife with problems like shortage of electricity and development of basic infrastructure along with problems related to the market. In order to solve these problems and

develop the MSMEs, major efforts have been done in the eleventh five-year plan (2007-2012). The problems of entrepreneurs are multidimensional. These can be solved by coordinate efforts of entrepreneurs, coordinate the functioning of promotional agencies, and government assistance without red tape. The small scale industries sector has become to be recognized as self-reliant. This sector has to continue to make its contribution to national economic and industrial development. In order to sustain the progress already achieved and to provide a reliable basis of hope for new entrepreneurs, it is desirable to undertake a comprehensive study of the marketing problems faced by the small scale units. Marketing is a process, which identifies, anticipates and satisfies customer needs efficiently and profitably. Modern marketing begins with the customer and ends with the customer. The functions of marketing can be broadly classified as buying, selling, assembling, transportation, and storage, financing, grading, and marketing information. There are a large number of decision areas in marketing. Most of these pertain to the four basic elements of the marketing mix, i.e., product, price, place, and promotion. A marketer is always in search of a well-knit marketing mix that has good consistency within its elements.

#### **REFERENCES**

- [1] Ahluwalia it (1991), Productivity and Growth in India Manufacturing, Oxford University press, New Delhi.
- [2] Baruch, Financial Statement Analysis: A New Approach, Prentice Hall, Inc., New Jersey, 1974, p.134
- [3] Baumol. J. W. (2007), Entrepreneurship and Innovation: The (micro) Theory of Price and Profit.
- [4] Economic and Political Weekly September 30, 2006.
- [5] Government of India, 2009-2010. Economic Survey.
- [6] Government of India, Development Commissioners (SSI) 2002, New Delhi, pp. 174.
- [7] Hallberg, K. (2001), a Market Oriented Strategy for Small and Medium Scale Enterprises. Discussion paper NO.48, International Finance Corporation.

- [8] Kamala Kannan. K and Namasivayam. N, (2007) —Incentives for Small Scale Industries||, Third Concept, February, P.30
- [9] Mathew. P.M. (2009), —The SME Sector a Golden Chance in the Waiting,|| The Hindu survey of Indian industry pp 57-64.
- [10] Saxena k. k. (1987) —Regional Input Model for Small Scale Industries,|| Hindustan Publications, Udaipur (Rajasthan)
- [11] Scale industry performance small business. IFCAI publication, Hyderabad, June 2006.
- [12] Vansant Desai, Himalaya Publishers, Mumbai 2008, pp.342.
- [13] [www.msme.gov.in](http://www.msme.gov.in)
- [14] [www.smallindustries.com](http://www.smallindustries.com)