CHAPTER - I

INTRODUCTION AND DESIGN OF THE STUDY

Under the present highly competitive industrial environment, any attempt made by an organisation towards effective industrial buying would obviously help to improve total organisational efficiency. Organisations like textile mills involved in manufacturing and marketing of products invest a sizable amount of capital in their input and in the manufacturing process. The input, from textile mill’s point of view comprises of raw materials, accessories, equipments and the like which are subject to either one time or repeated purchases. These purchases account for almost 60 to 70% of the overall cost of production. In the context of limited avenues available at the market front for escalation of selling price, reduction of cost of production is the only way out available for this industry to improve its profit position. On this line, efficient industrial buying assumes significance.

In contrast to individual buying, the industrial buying is more complex because industrial buying is influenced by policies, procedures, practices and other internal forces. Thus industrial buying adds extensions and entirely new dimensions to the traditionally studied consumer buying process.

The complexity of the industrial buying process further depends on whether purchase is a new task or a routine affair. In the light of the above distinctive buying process, a systematic study of several issues specific to industrial buying behaviour would provide a platform for arriving at effective industrial buying and that inturn would contribute towards total organisational efficiency.
Statement of the problem

The industrial buyer behaviour assumes distinctive phases which differ widely from individual buyer behaviour. Those phases of industrial buying deserves indepth attention for the reasons that there exists a close inter relationship among those phases and any deviation would cause severe disturbances in the entire supply chain. The industrial buyer assumes the role of both buyer as well as seller in the sense that he buys on behalf of the potential buyers whose needs are to be fulfilled through the end product manufactured. As such any mismatch in the purchases made by the industrial buyer would ultimately lead to rejection by the customers. Further any amount of non-value added practices lengthen the order processing time and thereby result in ultimate consumer dissatisfaction. As such effective industrial buying becomes the prime basis for providing total customer satisfaction.

With specific reference to textile mills, the above issues deserves immediate attention in the light of the prevailing conditions in textile mills such as declining trend of market performance, increasing expectations of customers etc. On this background industrial buying behaviour with specific reference the textile mill has been identified as the problem for the study.

Objectives of the study

The study has the following objectives:

1. To study the existing pattern, practices and strategies of industrial buying in textile mills in relation to different buying situations.
2. To study the varying roles of buying influencers in buying decision process and their relative significance.

3. To study the problems associated with industrial buyers in the buying process.

4. To study the perceptions and attitude of suppliers of textile mills in relation to their participation in industrial buying process.

5. To offer suggestions towards improving industrial purchase system.

**Need and scope of the study**

Effective industrial marketing strategy obviously begins with understanding the industrial buying behaviour. In view of the huge financial commitment involved in purchases, a strategic industrial buying becomes essential. Therefore organisations are expected to devote more attention on activities pertaining to industrial buying. It is a fact that very limited research studies have been attempted in this area. In the light of changes that are taking place in the internal and external environment of textile mills, a study of this nature is obviously needed.

The study was confined to textile mills located in the Coimbatore District of Tamilnadu State. Coimbatore District has the maximum number of textile mills as compared to any other district in the state.
Methodology:

Study area

The study area is Coimbatore District in Tamilnadu. In Tamilnadu there are 801 textile mills, out of which 305 textile mills are located in Coimbatore itself in view of the locational advantage and other related reasons. A map indicating study area is given below.

Sampling procedure and size

The mills of Coimbatore District falls in the following categories as listed below.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Category</th>
<th>No. of Mills</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Spinning</td>
<td>290</td>
</tr>
<tr>
<td>2.</td>
<td>Composite Mills</td>
<td>15</td>
</tr>
</tbody>
</table>

As regards composite mills, the entire 15 mills have been taken as samples. As regards spinning mill 145 mills (50%) have been taken for study. The sample considered above consist of Private and Public Sector mills, Further, to study the perception and attitude of suppliers, 100 suppliers at random have been interviewed.

Data sources

The study used both primary and secondary data. Primary data were collected directly from sample textile mills and suppliers through interview schedues and personal discussions. Secondary data were obtained from the
records and reports of textile mills and several other agencies connected with textile mills.

**Tools used for collection of data**

Two separate interview schedules were constructed for the purpose of collecting data from sample textile mills and also from suppliers, so as to cover the objectives of the study. These Interview schedules have been pre-tested and validated so as to meet their accuracy. A copy of the interview schedule is shown in the Appendix.

**Statistical tools used for analysis**

The collected data have been processed both manually and with the help of computers. The following tools are used in the study -

i. Percentage of analysis

ii. Weighted average ranking technique

iii. Simple correlation analysis and its significance using 't' test

iv. Chi-square analysis.

The analysis were carried out by using SPSS (Statistical Packages for Social Sciences) and all the tests were carried at 5% level of significance.

**Weighted average technique**

Weighted average ranking technique is a technique used for average of rankings given by respondents on different factors/variables to know whether the factor was considered as very important factors by the respondents.
Correlation analysis

Correlation measures the degree or extent to which two variables fluctuate with reference to each other. The word relationship is of importance and indicates that there is some connection between the variables under observation. The correlation measures the closeness of the relationship between the variables. The correlation expresses the relationship or interdependence of two sets of variables upon each other or in sympathy with the changes in the other. Correlation is the numerical measurement showing the degree of correlation between the two variables.

Chi-square analysis

Chi-square test is applied to test the goodness of fit to verify the distribution of observed data with assumed theoretical distribution. Therefore it is a measure to study the divergence of actual and expected frequencies. Karl Pearson’s has developed a method to test the difference between the theoretical value (hypothesis) and the observed value.

Scaling

Four point scaling technique was used to determine the level of opinion of the respondents over various factors. Score 4 was given for strongly agree, 3 was given to agree, 2 was given to dis-agree and 1 was given to strongly dis-agree.

Operational definitions

1. Small mill : A mill which is having below 12000 spindles.
2. Big mill : A mill which is having above 12000 spindles.
3. Non-composite mill: A spinning mill which has only spinning process.

4. Composite mill: A spinning mill which has both spinning and weaving process.

5. NTC mills: Mills owned by National Textile Corporations, a Government of India undertaking.

6. Ginners: Suppliers in cotton business who buy raw cotton from farmers or marketing federations directly and do ginning (removing seeds from raw cotton).


8. Brokers: Suppliers in cotton business, who supply directly to mills by obtaining cotton from ginners and traders.


Limitations of the study

The findings of the study depend purely on the responses given by sample respondents. The process of collection of data was a real challenge as it consumed considerable time of the respondents as they have to refer to records for proper response. However adequate care has been exercised to collect unbiased data.
Chapter scheme

Chapter I: Introduction and Design of the study

Chapter II: Review of Literature

Following the introductory chapter, Chapter II reviews in brief the literature available in these areas.

Chapter III: Industrial buyer behaviour - An outline

This chapter provides a theoretical basis to understand the core aspects of industrial buyer behaviour.

Chapter IV: Textile Industry - An Overview

This chapter traces the historical perspective of the textile industry.

Chapter III and IV aim to present background information to have better understanding of the study.

Chapter V: Data Analysis

In tune with the objectives of the study, the presentation of data and their analysis has two parts.

Part I: Analysis of data relating to buying behaviour of Textile mills

In this part, data relating to responses by textile mills are analysed to determine buying behaviour and their long range plans for taking appropriate purchase decision.
Part II: Analysis relating to suppliers.

In this part, data relating to suppliers perception and attitude were analysed to determine the nature of their influence on industrial buyer behaviour.

Chapter VI : Summary and Conclusion

This chapter provides a summary of findings and suggest important measures to improve the overall purchase system in textile mills.