Chapter V

Findings, Conclusion and Suggestions
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FINDINGS

1. The number of leather units has increased since 1947, but Leather goods units increased only after 1980's.

2. 52.56 per cent of Leather and Leather goods units are of partnership firms because the leather and leather goods units require more capital and it is difficult for an individual to meet the requirements.

3. 34 out of 50 leather units and 16 out of 28 leather goods units are run by the Leather technology diploma holders, which come around 68 and 57 per cent respectively. This clearly indicates that technically qualified people alone could start these units.

4. 54 per cent of the Leather and 50 per cent of the Leather goods units belong to the small-scale sector and have employed below 40 workers.

5. 28 per cent of leather units had Rs 30 – 40 lakhs capital and 46.43 per cent of leather goods units had Rs 10 – 20 lakhs capital.

6. Only 28 per cent of leather and 46 per cent of leather goods units got financial assistance from banks and financial institutions.
7. 54 per cent of the sample Leather units and 64 per cent of the Leather goods units get their supply directly from the Raw material suppliers. 36 per cent of leather and 46 per cent of leather goods units depend on agents and brokers for their supplies.

8. 56 per cent of the leather units process wet blue into finished leather and Shoes and garments are the major leather goods produced by 75 per cent of the leather goods units.

9. 54 per cent of leather units and 64 per cent of leather goods units have their own tanneries while others do it on job work basis.

10. 62 per cent of the leather units produce leather below 50000 sq. ft, 20 per cent between 50,000 to 1,00,000 and only 18 per cent produce more than 1,00,000 sq. ft. of leather.

11. 46.43 per cent of the units produced leather goods worth below Rs 15 lakhs. 21 per cent of the units produced goods worth of Rs 20 – 25 lakhs. Only 14.29 per cent of the leather goods units produce leather goods worth above 25 lakhs.

12. 44 per cent of leather units exported 40000 – 60000 sqft of leather per month and 20 per cent exported between 60,000 and 1,00,000 sq. ft.

13. 36 per cent of the units exported leather goods to the tune of Rs 15 lakhs and 29 per cent of the units succeeded in exporting leather goods worth Rs 15 – 20 lakhs.
14. The top management of sample units lack high commitment for exports. However, 58 per cent of leather units and 71 per cent of the leather goods units demonstrated moderate commitment towards export.

15. 89.75 per cent of the sample units have employed 2-4 executives in export activities.

16. The leather units get the total score of 58 out of 200 and the leather goods units obtain only 30 points out of 112. The total score secured by the sample units is very low because they do not have more number of executives exclusively for exports.

17. 46 per cent of the leather units and 68 per cent of the leather goods units have not visited overseas markets even once, whereas 40 per cent of the former and 32 per cent of the latter visited the overseas markets only once in a year.

18. 12 per cent of leather units had just business promotion as their long range marketing plan, 16 per cent of the units had new product development as their plan, 4 per cent had opening new branches and expanding the areas of business as their long range marketing plan. Marketing research was significant among 68 per cent of leather units and 43 per cent of leather goods units.

19. For Marketing, Planning and Organisation, the leather units have got an average score of 37 per cent and the leather goods units have secured 35.71 per cent.
20. 38 per cent of leather units and 50 per cent of leather goods units depend on business tours to collect the marketing information. 46 per cent of leather units and 42.86 per cent of the leather goods units felt that agents were the main sources of marketing information.

21. 50 per cent of the leather units and 36 per cent of the leather goods units depended on consultancy agencies for their marketing research.

22. 54 per cent of the leather units stated that market information was less reliable, whereas 64.29 per cent of the leather goods units mentioned satisfaction in their market information.

23. From the analysis, it has been found out that the qualification in Leather technology is associated with the receipt of reliable marketing information.

24. 72 per cent of the leather units said ‘no’ to product testing and 79 per cent of the leather goods units expressed ‘yes’ to product testing before exporting them.

25. 42 per cent of the leather units and 64 per cent of the leather goods units select products of wide demand for export. If both the leather and leather goods units are taken into consideration, 9 per cent prefer less competitive products, 23 per cent select on price basis and 18 per cent prefer product with minimum adaptation.

26. Exclusive product planning for exports is done in 82 per cent of leather units and 89 per cent of the leather goods units.
27. 70 per cent of the leather units and 73 per cent of the leather goods units have research and development facility in their organisations.

28. While 54 per cent of the leather industries used latest technologies in their production and 46 per cent of them did not follow any new techniques. Only 32.14 per cent of leather goods industries used the latest technology in their production. No latest technical know-how was used by 67.86 per cent of the leather goods industries.

29. 78 per cent of leather units and 71.43 per cent of leather goods units used company’s brand names in overseas market.

30. Leather exporting firms adapt different types of computation of price for their products. Perceived value pricing method is followed by 62 per cent of the sample leather organizations. In the case of leather goods units cost oriented pricing method is followed by 46.43 per cent of the sample firms.

31. Competition prevailing in the market for the products is taken into consideration for pricing and thus competitors' price is taken into consideration by 58 per cent of the sample leather units. Leather goods companies also give importance to competitors’ prices and it is taken into consideration by 50 per cent of the leather goods units.

32. 88 per cent of leather and 60.71 per cent of leather goods units promote export through their agents.
33. Basis for promotion budget is arbitrarily done in the case of 52 per cent of the leather and 39.28 per cent of the leather goods units.

34. Leather and leather goods exporting firms have different market coverage promotion policies for themselves. In the case of leather, all markets are covered by 56 per cent of the firms. No specific promotion policy is adapted by 18 per cent of the firms. Just as leather, 50 per cent of the leather goods exporting companies too cover all the markets and no specific policy is adapted by 21.43 per cent of the leather goods industries.

35. Markets of the developing and developed countries are covered by 84 per cent of the sample leather units and 92.86 per cent of leather goods units.

36. 24 per cent of leather units export their leather to 5-10 countries. 70 per cent of them export their leather to 10 to 15 countries. Only 6 per cent of leather units export to 20 – 25 countries. In the case of leather goods 57.14 per cent export the leather goods to 5-10 countries and 42.86 per cent of them export to 10-15 countries.

37. 68 per cent of the leather units and 54 per cent of the leather goods units use agents as their distribution channels.

38. Out of the total 50 leather units, 19 units recorded a high performance with an average score of 38. The remaining 31 units recorded a low performance with an average score of 62. In the same way, 17 leather goods units scored an average
performance of 60.71, which is considered to be high. 11 leather goods units with an average score of 39.29 were found out to be of low performance.

39. There is no association between the export performance of Leather and Leather goods units.

40. When the years of experience and export marketing performance are correlated, 50 sample leather units get an average score of 30.92 and 28 leather goods units get an average of 31.57.

41. There is no significant difference in the export marketing performance of Leather and Leather Goods units with reference to years of experience.

42. When the types of organisation and export marketing performance are correlated, all the 50 leather units put together get an average score of 30.92. All the 28 sample leather goods units get an average score of 31.57.

43. There is no significant difference in the export marketing performance of Leather and Leather Goods units with reference to types of organisations.

44. When the educational qualification and export marketing performance are taken into consideration, those with Diploma in Leather Technology get the maximum score of 32.44 for 34 units. Diploma holders run a maximum of 16 leather goods units with an average score of 33.25.
45. There is no significant difference in the export marketing performance of Leather and Leather Goods units with reference to educational qualifications.

46. When the number of workers employed and export-marketing performance are taken into consideration, the leather and leather goods units secured an average score of 33.

47. There is no significant difference between export marketing performance and the number of workers working in Leather and Leather Goods units.

48. When capital employed and export-marketing performances are taken into consideration, 11 units have more than 50 lakhs as capital and they get an average score of 34.91. Out of 28 sample leather units, 13 units have employed a capital of 10 - 20 lakhs and get an average score of 33.69.

49. There is no significant difference in the export marketing performance of Leather and Leather Goods units with reference to capital employed.

50. If the source of borrowed funds and export marketing performance of the exporting companies are taken into consideration, majority of 26 leather units get assistance from all the sources and the average score is 34.50. 13 sample leather goods units get their finance from banks and financial institutions and their average score stands at 33.69.
51. There is no significant difference in the export marketing performance of Leather and Leather Goods units with reference to the source of borrowed funds.

52. When source of raw material and export marketing performance are taken in consideration, the 50 leather units arrive at an average score of 30.92. The 28 leather goods units get an average score of 31.57.

53. When types of places of production and export marketing are taken into consideration, the leather and leather goods units, which have their own place of production, got an average score of 33 and the units which are run on job work basis got 29.

54. There is no significant difference in the export marketing performance of Leather and Leather Goods units with reference to types of place of production process.

55. When the type of processing and export marketing performance are taken into consideration, the 28 units processing wet blue into finished leather got an average score of 32.96.

56. If the type of articles and the export marketing performance of leather goods are taken in to consideration, 11 units are engaged in the export of shoes and their average score stands at 34.10.

57. When the monthly leather production and export marketing performance are correlated, it is found that 19 units have produced below 25000 sqft of leather and the average score stands at 28.05. 12 units with 25000 to 50000 sqft of leather
production get an average score of 32.60. 5 more units with an average monthly leather production of 75000 – 100000 sqft get an average score of 33. 9 Leather units produce more than 100000 sqft of leather and they get an average of 35.33. All the 50 units together get an average score of 30.92.

58. The value of leather exports in dollar terms has a declining trend. But the export of leather and leather goods in terms of rupees shows an increasing trend. It is only because of the rate of exchange variations between Indian rupee and the U.S Dollar, this mirage has been experienced. By comparing the two trends, it can be clearly understood that the leather and leather goods exports do not have a satisfactory performance.

59. Opinions ascertained about price fluctuation from leather exporters revealed the fact that 70 per cent registered high price fluctuations, 24 per cent very high and 6 per cent insignificant. As for as leather goods exporters are concerned price fluctuations were very high for 57.14 per cent and high for 42.86 per cent of the exporters.

60. 76 per cent of the leather units and 71 per cent of the leather goods units accepted that delayed deliveries by the exporters create innumerable problems to them.

61. 95 per cent of the leather and leather goods units suffer from price fluctuations.
62. 94 per cent of the leather units and 65 per cent of the leather goods units face problems due to delayed payments from the buyers.

63. All the leather units accept that the absence of standard assortment technique is a burning problem to them.

64. 62 per cent of leather units and 71 per cent of leather goods exporters vociferously claim that the present export policy of the Government of India is not encouraging.

65. All the leather and leather goods units complained that the export trade is affected heavily by the frequent power cuts.

66. 54 per cent of the leather units and 85 per cent of leather goods units have frequently experienced quality rejections by the importers and thus considered this problem as a threat to export trade.

67. The effluent discharge norms of Tamil Nadu Pollution Control Board specify that the total dissolved solids from the plant should be less than 2100 p.p.m (parts per million). But no tannery in the world has been able to follow this norm.

68. 54 per cent of the Leather units and 85 per cent of leather goods exporters have frequently experienced quality rejection by the importers and thus consider this problem as a threat to export trade.
CONCLUSION

The analysis of the previous chapters has led to the following conclusion.

The export marketing performance of the selected sample leather and leather goods units is satisfactory. The performance of both sample units ranges between 64 per cent and 66 per cent. Thus, their performance is considered to be above average.

The export marketing practice includes factors like marketing planning, marketing research, product management, pricing, promotion and selection of distribution channels.

The first variable – Export Marketing planning and organization – is poor in both the sample units. Export marketing planning is more or less the same (35 to 37 per cent) in the sample units. This is caused by the number of executives and number of visits to overseas markets by them. Contrasted to this the commitment of the top management as well as long-range export plan is satisfactory.

The marketing research which is another variable promoting export performance of sample units is satisfactory. The average scores (70 to 77 per cent) indicate better marketing research practice. Marketing research in leather units and reliable marketing information in leather goods units need more attention.

Another important variable, which constitutes export marketing performance, is the product management. The average score indicates that the product management in sample units is the most
satisfactory one (82-87 per cent score). Except product testing before export in leather units and the use of latest technology and know-how in leather goods units, all other measures of product management were quite encouraging.

A proper price fixation process is absent among the sample leather units. Most of the leather units use perceived value pricing for their products. In other words they allow the buyer to fix the price for their products. This ultimately minimises the profit margin and results in unhealthy competition among exporters in the leather market.

The promotion aspect of export performance is good for the sample units. However Internet and E-mail as a source of export promotion requires more attention. Similarly most of the leather units as well as leather goods units fix their promotion budget arbitrarily and according to the market conditions respectively. The same promotion policy is followed in almost all markets by the sample leather and leather goods units.

Finally, the selection of distribution channels of the sample units is somewhat satisfactory. It is clear from the analysis that the sample units concentrate only on developed overseas markets and that too in the selected countries like Italy, the United States of America, Germany etc. They are reluctant to export their products to the developing countries.
SUGGESTIONS

The following are the suggestions made to improve the Export Marketing performance of the sample units in specific and leather industry in general.

I. Leather units:

1. The export marketing performance of Leather units requires further improvement. The most important factor, which requires the immediate attention of leather units’ owners, is searching suitable buyers in overseas market. The analysis shows that there is a chance for vast improvement of market search. Even the 40 per cent of sample leather units owners who made a single visit to overseas market may be increased to many.

   Similarly the number of executives employed by the sample units should be increased in almost all the units. The number of executives should be increased in order to maximise export marketing performance. All these leather and leather exporting units require sound export marketing planning and organization.

2. As for the marketing research is concerned, getting access to marketing information is a difficult task for sample leather units. Reliable marketing information can be collected through modern communication facilities like Internet and E-mail. The study reveals that this source of marketing
information is totally not utilized. Hence it is suggested that
the sample leather units may make use of this source
strongly.

3. 60 per cent of total export of leather is marketed only in 4
countries namely Germany, the United States of America,
the United Kingdom and Italy. There is a scope for
extending leather markets in Asian countries like Hong Kong,
Malaysia, Singapore, Korea etc. The concentration on
developed country for marketing leather can be shifted to the
above developing Asian countries. This would enhance
export-marketing performance of sample leather units.

II. Leather Goods Units

1. The most important factor that should be considered for the
export marketing performance of leather goods units is the
frequency of visit by the exporters to the overseas markets.
When compared with leather units, the exporters of leather
goods units are less interested to visit the foreign markets for
obtaining orders and marketing information. Therefore they
should try to increase their visit to the markets.

2. The performance of export-marketing organisation of leather
goods units is highly influenced by the limited number of
executives exclusively meant for export promotion. If the
number of executives is increased, the export performance
of leather goods units may go up. The extent of knowledge
and training possessed by executives working in these units may be increased by imparting modern methods of production, marketing and communication.

Hence the marketing planning and organisation of these units also should be strengthened.

3. Another aspect in which the leather goods units should make improvement is to increase the number of foreign buyers. The leather goods units have to take more steps than the leather-manufacturing units because there are more opportunities to increase the export marketing of leather goods in the developing countries.

III. Leather Industry in General.

Marketing planning and organisation, selection of distribution channels and collection of marketing information are the most important factors which require the immediate attention of the leather and leather goods exporting units as well as the government.

Suitable remedial measures should be taken to develop proper form of organization structure, to increase the number of executives for exports and to intensify the commitment by top management.

Regarding the selection of distribution channels, it is suggested that the services of the experienced agents should be used as one of the factors for the successful export marketing performance.
Thus the leather industry seeks the services of reputed, experienced and active agents.

Another important suggestion is related to the establishment of national level marketing information organization. It should be sponsored by the Central as well as the State Governments because the collection and preservation of statistical data are easy in the hands of the state government than the non-governmental organization. This may strengthen the existing information network in the country in relation to the leather industry.

The manufacturers should make all arrangements to deliver the material before the stipulated period. Planning is essential before execution. They have to plan much in advance every thing connected with exports such as procurement of raw material, processing period, delivery schedule etc. Unnecessary and unwanted delays should be avoided.

The manufacturers should not entertain the principal contract buyers to sell the Indian products under the importer's name and brand. They must try to reach the consumers directly.

It is very clear that the banks and financial institutions do not help the leather and leather goods manufacturers and show only a lukewarm attitude. It is incumbent on the part of them to render more service to the industry. Then only a satisfactory performance of export of leather and leather goods can be achieved.

The stringent pollution control laws of the Government should be minimised to a certain extent and the financial assistance
to tanners to start Common Effluent Treatment Plants should also be increased. As this industry needs more and more educated and efficient entrepreneurs, Government can give long term loans to educated unemployed leather technologists to start leather and leather goods units. It is the duty of the Council for Leather Exports to introduce standard assortment techniques to avert loss and humiliation that results in rejection. The recent decision of the Government to reckon the profit earned by exporters for tax calculation, not paying duty drawback amount in time and imposing 15 per cent duty for finished leather should be reconsidered.