Chapter – I

Introduction
1.1 MARKETING

In a developing country like India, Small Scale Entrepreneurship plays a significant role in economic development of the country. These industries, by and large represent a stage in economic transition from traditional to modern technology after globalization. The variation in transitional nature of this process is reflected in the diversity of these industries. Most of the small scale industries use simple skills and machinery. Besides playing economic role in the country, small scale industries, because of their unique economic and organizational characteristics, also play social and political role in local employment creation, balanced resource utilization, income generation and in helping to promote change in a gradual and peaceful manner. But, if the small scale industries want to compete with the present industrial scenario then they have to adopt modern marketing tools like marketing research, promotional activities etc. These are the very essential tools to make their existence for the long run.

This study is an attempt to understand the modern aspects of marketing and marketing strategies. Marketing is an integrated system of action that creates value in good through the creation of form, place, time and ownership utilities. Marketing is the process of focusing the resources and objectives of an organisation on opportunities and needs. It finds out what customers want and plan a product in order to satisfy the needs and finally works the best way to price, promote and distribute that product. Thus, marketing in practice does not refer to any single activity such as selling, advertising or distribution. It evolves integration of several business activities whose ultimate objective is the gratification of customer needs and desires. Marketing sets the pattern of consumption and improve the living standards of the people. Broadly speaking, marketing is a discipline that deals with creation of time, place and possession
utility. This is a performance of business activities that direct the flow of goods and services from producer to consumer.

Marketing has existed for millennia, ever since people first started to barter accumulated surpluses. For most of that time, though, marketing was seen as a peripheral activity, because, in subsistence economies, such surpluses represented a relatively small part of the total. Most marketing activities were confined to disposing of surplus agricultural products. After the industrial revolution made such surpluses more commonplace, the "marketing" of these became the province of the "salesman" with his specialized skills.¹

The ability of a company to deal with customers one at a time has become practical as a result of advances in factory customization, computers, the internet and database marketing software. Yet, the practicing of a one-to-one marketing is not for every company. The required investment in information collection, hardware and software may exceed the payout. It works best for companies that normally collect a great deal of individual customer information, carry a lot of products that can be cross-sold carry products of periodic replacement or upgrading and sell products of high value.² The marketing holds that achieving organizational goals depends upon knowing the needs and wants of target markets and delivering the desired satisfactions. It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

The marketing concept emerged in the mid-1950s and challenged the preceding concepts. Instead of a product centred "sense and respond" philosophy. Instead of 'hunting' marketing is "gardening". The job is not to find the right customers for your product, but the right products for your customers. The marketing holds the key to achieving its organizational goals consists of the company being more effective than competitors in creating,
Theodore Levitt of Harvard drew a perceptive contrast between the selling and marketing concept:

Starting point | focus | means | ends
---|---|---|---
Factory | products sell & | profits through Promotion sales volume

**The Selling Concept**

Target | customer integrated profit through
Market | needs marketing customer Satisfaction

**The Marketing Concept**

Selling focus on the needs of the seller and marketing on the needs of the buyer. The marketing concept rests on the four pillars: target market, customer needs, integrated marketing and profitability. The selling concept takes an inside out perspective. It starts with the factory, focuses on existing products, and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an outside-in-perspective. It starts with a well defined market, focuses customer needs, and coordinates all the activities that will affect customers and produces profits by satisfying customers.³

The term "marketing" is derived from the word "market," which refers to a group of sellers and buyers that cooperate to exchange goods and services. The modern concept of marketing evolved during and after the industrial revolution in the 19th and 20th centuries. During that period, the proliferation of goods and services, increased worker specialization, and technological advances in transportation, refrigeration, and other factors that
facilitated the transfer of goods over long distances resulted in the need for more advanced market mechanisms and selling techniques. But it was not until the 1930s that companies began to place a greater emphasis on advertising and promoting their products and began striving to tailor their goods to specific consumer needs. By the 1950s, many larger companies were sporting entire marketing departments charged with devising and implementing marketing strategies that would complement, and even direct, overall operations. Since the 1970s, the primary marketing trend has been a greater focus on providing benefits, rather than products, to customers. Marketing originates with the recognition of a consumer need and terminates with the satisfaction of that need by the delivery of a usable product at the right place and at an acceptable price. The consumer is found both at the beginning and at the end of the marketing process. It is so basic that it cannot be considered as just one of the functions of the business. It is actually the whole business. It is the whole business seen from the point of view of the customer. Marketing is a viewpoint, which looks at the entire business process as a highly integrated effort to discover, create, arouse and satisfy consumer needs. It is the delivering of a standard of living to society.  

Recent approaches in marketing include relationship marketing with focus on the customer, business marketing or industrial marketing with focus on an organization or institution and social marketing with focus on benefits to society. New forms of marketing also use the internet and are therefore called internet marketing or more generally e-marketing, online marketing, search engine marketing, desktop advertising or affiliate marketing. It attempts to perfect the segmentation strategy used in traditional marketing. It targets its audience more precisely, and is sometimes called personalized marketing or one-to-one marketing. Internet marketing is sometimes
considered to be broad in scope, because it not only refers to marketing on the Internet, but also includes marketing done via e-mail and wireless media.

A firm in the market economy survives by producing goods that persons are willing and able to buy. Consequently, ascertaining consumer demand is vital for a firm's future viability and even existence as a going concern. Many companies today have a customer focus (or market orientation). This implies that the company focuses its activities and products on consumer demands. Generally, there are three ways of doing this: the customer-driven approach, the market change identification approach and the product innovation approach.

In the consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers. The starting point is always the consumer. The rationale for this approach is that there is no reason to spend R&D funds developing products that people will not buy. History attests to many products that were commercial failures in spite of being technological breakthroughs.

A formal approach to this customer-focused marketing is known as SIVA (Solution, Information, Value, and Access). This system is basically the four Ps renamed and reworded to provide a customer focus. The SIVA Model provides a demand/customer-centric alternative to the well-known 4Ps supply side model (product, price, placement, promotion) of marketing management.
If any of the 4Ps were problematic or were not in the marketing factor of the business, the business could be in trouble and so other companies may appear in the surroundings of the company, so the consumer demand on its products will decrease.

Marketing is a general term used to describe all the various activities involved in transferring goods and services from producers to consumers. In addition to the functions commonly associated with it, such as advertising and sales promotion, marketing also encompasses product development, packaging, distribution channels, pricing, and many other functions. The modern marketing concept, which is applied by most successful small businesses, is intended to focus all of a company's activities upon uncovering and satisfying customer needs. After all, an entrepreneur may come up with a great product and use the most efficient production methods to make it, but all the effort will have been wasted if he or she is unable to consummate the sale of the product to consumers.

The marketing is a business philosophy that holds the key to achieve organizational goals consists of the company being more effective than competitors than creating, delivering and communicating customer value to its chosen target markets. Marketing is used to identify the customer, to satisfy the customer, and to keep the customer. With the customer as the focus of its activities, it can be concluded that marketing management is one of the major components of business management. Marketing evolved to meet the stasis in developing new markets caused by mature markets and overcapacities in the
last 2-3 centuries. The adoption of marketing strategies requires businesses to shift their focus from production to the perceived needs and wants of their customers as the means of staying profitable.

In other words, marketing would longer be regarded as a supplemental activity to be performed after the production process had been accomplished. Marketing and selling were no longer synonymous. Selling was recognized as only one aspect of marketing. As a result marketing would have a much expanded position in the business organization. Marketing is a companywide consumer orientation with the objective of achieving long run profits. All facets of business must be involved with assessing and then satisfying customer wants and needs. Marketing is a very dynamic function, and will no doubt be subject to continuous change. But in one form or marketing is playing a more important role in all organizations and in our very lives.5

Marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is “meeting needs profitably”. Whether the marketer is Procter & Gamble, who noticed that people feel overweight and want tasty but less fatty foods, and invented Olestra or CarMax, who noted that people want more certainty when they buy a used automobile and invented a new system for selling used cars.6

We can distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing play in society. One marketer said that marketing's role is to “deliver a higher standard of living”. Here is a social definition that serves our purpose. Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. For a managerial definition, marketing has often been described as “the art of selling products”.7
The American marketing association offer the following definition: marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals. Marketing management takes place when at least one party to a potential exchange think about the means of achieving desired responses from other parties. Marketing management is the art and science of choosing target markets and getting, keeping and growing customers through creating, delivering and communicating superior customer value.⁸

Marketing which often referred to as “distribution” by businessmen- “serves as the bridge between production and consumption”. It includes all the activities necessary to place tangible goods in the hands of household consumers and industrial users. Our definition of “marketing” makes it clear that this term does not include activities involving a significant change in the form of goods. In other words, it does not include the taste of manufacturing, mining, lumbering and agriculture which result in the goods themselves. Frequently the term ‘marketing’ is used to include the activities involved in providing consumers with such services as those offered by insurance, financial(banking), investment, accounting, hotel, entertainment, public utility and personal services organizations.⁹

Even the idea of marketing or responding to people's needs is too limited a view of a company's role in the market place. Many consumers do not know what they want in a product. Nokia and Ericsson fought to shape consumer perception of cellular phones. Consumers were in a learning mode and companies forged strategies to shape their wants. As stated by carpenter, “simply giving customers what they want isn’t enough anymore to gain an edge companies must help customers learn what they want”. A distinction needs to be drawn between responsive marketing, anticipative marketing, and creative marketing. A
responsive marketer finds a stated need and fills it. An anticipative marketer looks ahead into what needs customers may have in the near future. A creative marketer discovers and produces solutions customers did not ask for but to which they enthusiastically respond. Sony exemplifies creative marketing in its introduction of many successful new products that customers never asked for or even thought were possible: walkmans, VCRs, video cameras, CDs. Sony is a market driving firm, not just a market-driven firm.¹⁰

Today many companies are moving beyond the marketing concept of the customer concept. Whereas companies practicing the marketing concept work at the level of customer segment, a growing number of today's companies are now shaping separate offers, servicing and messages to individual customers. These companies collect information on each customer past transactions, demographic, psychographic and media and larger shape of each customer's expenditure by building high customer loyalty and focusing on customer lifetime value.¹¹

The importance of marketing in the modern business climate cannot be overstated. In fact, management guru Peter F. Drucker has claimed that marketing "is so basic it cannot be considered a separate function.... It is the whole business seen from the point of view of its final result, that is, from the customer's point of view." Marketing is the source of many important new ideas in management thought and practice such as flexible manufacturing systems, flat organizational structures, and an increased emphasis on service all of which are designed to make businesses more responsive to customer needs and preferences. This suggests that small business owners must master the basics of marketing in order to succeed.

Marketing is defined by the American Marketing Association (AMA) as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings
that have value for customers, clients, partners, and society at large. Marketing is a product or service selling related overall activities. The term developed from an original meaning which referred literally to going to a market to buy or sell goods or services. Seen from a systems point of view, sales process engineering marketing is "a set of processes that are interconnected and interdependent with other functions, whose methods can be improved using a variety of relatively new approaches."

The Chartered Institute of Marketing defines marketing as "the management process responsible for identifying, anticipating and satisfying customer requirements profitably." A different concept is the value-based marketing which states the role of marketing to contribute to increasing shareholder value. In this context, marketing is defined as "the management process that seeks to maximise returns to shareholders by developing relationships with valued customers and creating a competitive advantage."

Finally, we should emphasize that our definition of marketing does not exclude a wide variety of activities performed either before the goods are ready for the manufacturer to sell them or after they are sold. Such activities as product planning and marketing research take place long before a good is put into production, yet these are marketing activities. Likewise, the marketing task is not necessarily completed when the customer makes a purchase. The provision of repair service and other measures to insure customer satisfaction with the goods bought important marketing activities. Thus, marketing can be defined as: those business functions which are most directly and primarily concerned with these activities- the recognition of the demand, the stimulation of demand and the satisfaction of the demand. In other words, marketing activities are those activities which are devoted to find out what the customer wants and then satisfying
those wants. In nutshell, marketing tries to find out right type of product that the firm should manufacture, the right place where it is to be made available for use and the right price at which is to be made available.

1.2 MARKETING STRATEGY

Marketing strategy formulation is the core of marketing planning. After all, it brings home the income and profits expected of the business. And it is strategy that renders one firm distinct from another and makes its offering unique, compared to those of its competitors. When the business unit is through with the strategy formulation, it is ready with the game plan on what to do with each product/brand in its fold and how to go about it. A marketing strategy consists of selecting a segment of the market as the company’s target market and designing the proper mix of product/service, price, promotion and distribution system to meet the wants and needs of the consumers within the target market.

Marketing strategy represents the plan by which the firm delivers its value to the customers. It also specifies how the firm would be enabled / empowered to deliver that value. It is marketing strategy that specifies how the firm would go about its value selection, value creation, and value communication. Marketing mix is the carrier of value and it is the marketing strategy that assembles this mix. Marketing strategy thus works as the key in value delivery. It clarifies what benefit/ value the customer seeks, how much he can afford to pay for it, and how much of the value the firm could provide to him. It also serves as the guide for the firm in creating, delivering, and communicating that value. Marketing strategy enables the business unit attain its marketing objectives. The objectives indicate what the firm want to achieve; the strategy provides the design for achieving them. Put differently, the objectives tell where the firm wants to go and the strategy shows how it will reach there. In particular, marketing strategy enables the unit realise its targeted sales
income and profit pertaining a brand/product. For example, if the marketing objective of the unit is to achieve a sales of Rs. 1000 crore and a net profit of 12 percent on that sale, the marketing strategy would indicate how and wherefrom this sale and profit will come, which brand will accomplish what portion of this objective and how.\textsuperscript{14}

Formulation of marketing strategy consists of two steps:

1. STP
   a) Segmentation
   b) Targeting
   c) Positioning

2. Assembling the marketing mix

The marketing strategy for a given period/brand takes shape when these two steps are completed. As segmentation, targeting and positioning form one homogeneous group of tasks in this process, they are grouped as one step and referred to by the acronym STP. Assembling the marketing mix/4Ps is the other step. STP and marketing mix together constitute the marketing strategy of the given product. Segmentation serves as the prelude to the target market selection. It brings to the fore the various possibilities lying within a heterogeneous market. The target market that is arrived at through segmentation show to whom, the unit intend to sell the product. Positioning and marketing mix together show how- using what uniqueness or distinction the unit intends to sell it.\textsuperscript{15}
Marketing Strategy Development

Right Target, Right Action, Right Timing

"You're headed in the right direction when you realize the customer viewpoint is more important than the company viewpoint. It's more productive to learn from your customers instead of about them." – John Romero

Marketing strategy for a product/brand is not a permanent fixture. It has to undergo appropriate changes to meet the shifts in consumer behaviour, competition and market evolution. The competitive posture a company takes in the first instance and the extent of realisation/non-realisation of that objective too is a factor in deciding whether a change has to be made or not.

P & G's change in strategy for its detergents in India, elaborate this point. The strategy it employed, fifteen years ago, at the time of its entry into the Indian market, and the one it has been employing in subsequent years, demonstrates that firms not only bring about some modification in the strategy, but, in certain situations, even totally alter it. Another factor influencing change in strategy for a product/brand is the change in its life cycle stage. As the market for the given product evolves, grows and declines, the strategies have to necessarily change. Product life cycle and market evolution are concurrent phenomenon demanding monitoring by the marketer. The strategies aimed at a novice buyer in a newly unfolding market and the strategies needed when he becomes an experienced user of the product in
an arrived market, fully backed by his learning curve have to be different.\textsuperscript{16}

The product type has a bearing on marketing strategy formulation. The class of the product—consumer goods and business goods etc., and the sub categorisation of say consumer goods into convenience goods, shopping goods and speciality goods has a bearing on the marketing strategy to be followed. The very fact that the classification basically revolves around the nature of the buyer, the nature of use to which the product is put to, and the method of purchase point to its relevance in marketing strategy formulation. Services, as a product category, gives rise to a whole lot of new dimensions, covering both the nature of the ‘product’ and buyer-seller interaction. So marketing approach, in this case, has to be unique. Naturally, one of the important tasks for the marketer is to confront the differences among the various product categories and evolve the right strategies for them. And, within consumer goods, he has to modify the strategies based on whether he is dealing in a convenience good, a shopping good, or a speciality good.\textsuperscript{17}

In many industries consumer tastes and preferences keep fluctuating. And customer’s brand loyalty too keeps changing. Today customers may want a cheaper version of a given product; tomorrow however, they may be bothered more about quality and may therefore go after some specific brands. Industries like cosmetics, personal care products, garments, and entertainment products are example. A perpetual process of customer analysis is therefore needed to make marketing planning effective. Changes in customer preferences, if left unmonitored, may sound the death knell of a business. At the same time, if properly monitored, they often end up as attractive business opportunities. Only by keeping track of changing customer needs, can one grab the opportunity emerging in the environment.
A marketing strategy outlines the manner in which the marketing mix is used to attract and satisfy the target market(s) and accomplish an organization's objectives. It is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. Marketing starts with market research, in which needs and attitudes and competitors' products are assessed, and continues through into advertising, promotion, distribution, and, where applicable, customer servicing and repair, packaging, and sales and distribution.

A marketing strategy can serve as the foundation of the marketing plan. A marketing strategy often integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. A marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centred on the key concept that customer satisfaction is the main goal. A marketing strategy is most effective when it is an integral component of corporate strategy, defining how the organization will successfully engage customer, prospects, and competitors in the market arena, corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company’s revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

A marketing strategy can serve as the foundation of a marketing plan. A marketing plan contains a set of specific actions required to successfully implement a marketing strategy. For example: "use a low cost product to attract consumers. Once our organization, via our low cost product; higher margin products and services that enhance the consumer's interaction with the
A strategy consists of a well thought out series of tactics to make a marketing plan more effective. Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results.

A marketing strategy often integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. Similarly, the various stands of the strategy, which might include advertising, channel marketing, internet marketing, promotion and public relations, can be orchestrated. Many companies cascade a strategy throughout an organization, by creating strategy tactics that then become strategy goals for the next level or group. Each one group is expected to take that strategy goal and develop a set of tactics to achieve that goal. This is why it is important to make each strategy goal measurable.

1.3 SMALL SCALE INDUSTRY (MSME) IN INDIA

Small scale industries (MSME) are playing an important role in Indian economy in terms of employment generation and its overall growth. It is estimated that this sector has been contributing about 40 percent of the gross value of output, produced in the manufacturing sector. It is generating employment five times more in comparison to that of large scale sector. The role of village industries emphasized on the growth of employment generation, equitable distribution of income, mobilization of capital, mobilization of entrepreneurial skill and regional dispersal of industries. The small scale industries are also producing various types of commodities starting from simple consumer goods to the manufacture of sophisticated electronic goods. Small scale industries (MSME) are labour-intensive and thus are generating a huge number of employment opportunity. Small scale industries (MSME) has been resulting more equitable
distribution of national income and wealth. This is mainly due to the fact that the ownership of industries is quite widespread as compared to large scale industries. The small scale sector is having a higher employment potential than that of large scale sector. The small scale industries can mobilize a good amount of saving and entrepreneurial skill from rural and semi-urban areas. Small scale industries (MSME) are playing an important role in dispersing the industrial units of the country in various parts of the country. As the large scale industries are mostly located in some state like Maharashtra, West Bengal, Gujarat, Tamil Nadu, thus dispersal of SSI (MSME) units throughout the country can achieve a balances pattern of industrial development in the country. The small scale industries (MSME) are maintaining better industrial relation between employers and employees and thus can lessen the frequency of industrial disputes. On the other hand large-scale industries are facing the problems of strikes and lockouts. Furthermore good industrial relations are very difficult to maintain. Thus, the loss of production and man days are comparatively less in small sector.

Ministry of Agro and Land Rural Industries and Ministry of SSI have been merged into a single namely, Ministry of Micro Small & Medium Enterprises. The President under Notification 9th May 2007 has amended the Government of India (Allocation of business) Rules 1961, Pursuant to this amended Ministry of Agro and rural Industries (Krishi Evam Gramin Udyog Mantralay) and ministry of SSI (Laghu Udyog Mantralay) have been merged into a single Ministry, namely, Ministry of Micro Small & Medium Enterprises (Suksham Laghu Aur Medium Udyam Mantralay).

The definition for small-scale industrial (MSME) undertakings has changed over time. Initially, they were classified into two categories- those using power with less than 50 employees and those not using power with the employee strength being more than 50 but less than 100. However the capital
resources invested on plant and machinery buildings have been
the primary criteria to differentiate the small-scale industries
(MSME) from the large scale industries. An industrial unit can be
categorized as a small-scale unit if it fulfils the capital
investment limit fixed by the Government of India for the small-
scale sector. As per the latest definition which is effective since
December 21, 1999, for any industrial unit to be regarded as
Small Scale Industrial (MSME) unit Investment in fixed assets like
plants and equipments either held on ownership terms on lease or
on hire purchase should not be more than Rs 10 million. However
the unit in no way can be owned or controlled or ancillary of any
other industrial unit. The traditional small-scale industries
(MSME) clearly differ from their modern counterparts in many
respects. The traditional units are highly labour consuming with
their age-old machineries and conventional techniques of
production resulting in poor productivity rate whereas the modern
small-scale units are much more productive with less manpower
and more sophisticated equipments. Khadi and handloom,
sericulture, handicrafts, village industries, coir, Bell metal are
some of the traditional small-scale industries (MSME) in India.

The modern small industries offer a wide range of products
starting from simple items like hosiery products, garments,
leather products, fishing hook etc. to more sophisticated items
like television sets, electronics control system, various
engineering products especially as ancillaries to large industrial
undertakings.

Over 1999-2000, the number of SSI (MSME) units is
estimated to have increased by 1,58,000, production at current
prices by Rs. 72,609 crore and at constant prices by Rs. 33,714
crore. Employment increased by 7, 14,000 persons, while exports
were higher by Rs. 5,778 crores. 7.67 According to projections
made by the Ministry of Small Scale Industries during 2000-01,
the SSI (MSME) sector recorded growth in production of 8.09 per
cent over the previous year. The small scale industries (MSME) sector has recorded higher growth rate than the industrial sector as a whole (4.9 per cent during 2000-01). It contributed about 40 per cent towards the industrial production as a whole and 35 per cent of direct exports from the country.

The Government has been taking various measures from time to time in order to enhance the growth rate of the MSME sector. Nowadays, Indian small-scale industries (MSME) are mostly modern small-scale industries. Modernization has widened the list of products offered by this industry. The items manufactured in modern Small-scale enterprises in India now include rubber products, plastic products, chemical products, glass and ceramics, mechanical engineering items, hardware, electrical items, transport equipment, electronic components and equipments, automobile parts, bicycle parts, instruments, sports goods, stationery items and clocks and watches.

Indian small-scale industries (MSME) have a significant role in the Indian economy in view of its contribution to production, employment, and export. However, since 1991 small scale industries (MSME) in India find themselves in an intensely competitive environment due to globalization, domestic economic liberalization, and dilution of sector specific protective measures. The formation of World Trade Organization in 1995 also forced the member countries (including India) to drastically scale down the restrictions on import. Small and Micro producers are crucial in developing economies, and their role is even greater in the largely rural economies of South Asia. In India as well, the sector is the second largest employer, after agriculture, and accounts for nearly 6 percent of the country's GDP. India was an exception in that it gave the small-scale sector large incentives, and protection, in the period 1948-1991, going to the extent of reserving certain production lines solely for the sector. In the historical context of this, this paper shall attempt to analyze the
issues peculiar to a 'small's scale of production' in India in an increasingly globalised scenario. It shall also look at some of the other issues plaguing the sector such as credit availability and maintaining quality standards. The Small scale industries (MSME) sector has been considered as power instrument for realizing the twin objectives ‘accelerated industrial growth’ and creating ‘productive employment potential’, in rural and backward areas. Small / cottage / tiny industries play a very vital role in the country’s economy despite the phenomenal growth in the large scale sector. In fact, they contribute significantly in the national economies the world over and are considered to be the engine of growth in most of the developed and industrialized countries. Small and medium sized industries have played a crucial role in economic development in developed and developing countries. In recent years they have occupied a pivotal position in economic development of developing countries. This is primarily due to changing business.

1.3.1 Performance of SSI (MSME) in Globalization Era

Globalization has stretched the social, political and economic activities of countries beyond political frontiers, regions and continents. This has resulted in a rapid flow of investments, trade, finance and migration.

Small scale industries (MSME) were deeply affected by a globalization of the markets; Globalization has rapidly gained momentum as a result of certain factors. They are: Rapid technological advances in accessing and disseminating information have resulted in reduction of costs and complexities of going global. The world markets are now open to new products and services, and the small scale industries (MSME) which were earlier limited by cost considerations are open to export opportunities.

The protective tariff and non tariff barriers, which separated domestic markets from international markets, are slowly coming
down. This has given SSI (MSME) an option to either operate in the protective domestic environment or accept the challenge of facing competition in the international arena.

The small scale industries (MSME) segment has its strength and weaknesses and therefore created a niche for itself by its unique positioning in terms of offering value added services and being flexible and yet cost effective. Being a small setup, the decision making process is quicker and services and product offered are more customizable. The entrepreneur is ideally the sole decision maker or at the most a small group of people who reach a consensus relatively easily. The committee approach is avoided and the lag time between getting an offer on business opportunities and grabbing the offer is kept as a minimum. When it comes to the question of improving the competitive strength of their SSI (MSME) sector, the developing countries, despite realizing the need and urgency to do so, are constrained to extend the required kind of support to them because of their own limitations, some of which could be grouped as under:

- Financial limitations.
- Lack of necessary infrastructure.
- Lack of know-how the expertise.
- Lack of expertise to forge cooperation among SSI’s (MSME) of different countries.
- Problems related to transition such as rigid mind set, resistance to change both at administrative and enterprise levels.
1.4 SMALL SCALE INDUSTRY (MSME) IN HIMACHAL PRADESH

Development activities in Himachal Pradesh were started after a long time of independence. Himachal Pradesh is one of the least industrialized states of the country. The reason responsible for this is the inadequate means of transportation and communication. The state cannot be industrialized in the absence of physical and financial means i.e. transport, financial institutes, communication etc. Industrialization in Himachal Pradesh is also a necessity for the economic development of the state. The political leadership of the state is equally aware about the need for industrial development. Himachal Pradesh is full of natural resources of water, forest, manpower, minerals etc. All these factors provide favourable conditions for setting up agro based, forest based, food processing and electronic industries in the state. In pre-independence time spring, handicrafts and weaving were the most common occupations. The village community had blacksmiths, goldsmiths, weavers, carpenters and lather workers. During those days unsuccessful efforts had been made to run woollen textile mills under the name of “The Mandi Industries Ltd.”

After independence, the employment in the industry was around 5 percent in 1951. The government had set up nearly 60 training-cum-production centres for handicrafts such as shawl making, footwear, caps and carpets etc. The numbers of small scale units (MSME) were 1663 up to 1966. During the 4th five year plan, various new corporations in public sector came into existence. The Himachal agro based industries were set up in 1970. The Himachal Pradesh state handicraft and handloom corporation was set up with an authorized capital of Rs. 1 crore in 1974 to develop the state and its rich handicrafts. The government of Himachal Pradesh has offered attractive packages to the industry. About 400 plots for industries have been
developed at Parwanoo, Barotiwala, Baddi, and an electronic complex has been developed at Solan, Dharampur, Parwanoo, Kasauli, Barotiwala, Nalagarh, and Arki. The sector act as a nursery for the development of entrepreneurial talent and has been contributing significantly to the national gross domestic product besides meeting the social objectives including that of providing employment opportunities to millions of people across the country.

Himachal Pradesh has made a significant achievement in the field of industrialization in the past few years. With the ushering in the liberalized economy and consequent delicensing and notification of special package of incentives for the state, the flow of investment in the Pradesh has increased manifold resulting in very good response for setting up new industrial ventures in the state.

At present, there are 471 medium & large scale industries registered in the state having an investment of Rs. 8918.60 crore and employment potential of about 55823 persons. In addition there are about 11931 small-scale industries (MSME) registered having an investment of about Rs. 4573.59 crore and employment potential of 65148 persons. With a view to accelerate the pace of industrialization and to generate more employment opportunities in the Industrial Sector in the State, the Govt. of India had notified a New Package of Incentives for the States of Himachal Pradesh on 7th January, 2003. The special package of incentives includes fiscal incentives e.g. Investment Subsidy on Plant & Machinery @ 15% subject to a maximum of Rs. 30 lakh, 100% outright excise duty exemption for a period of 10 years (This component of the package has been withdrawn from 31.3.2010) and 100% Income Tax exemption for a initial period of 5 years and thereafter 30% exemption for Companies and 25% for individuals for another period of 5 years to new units as well as units undertaking substantial expansion.18
1.4.1 Concentration of Industry

Industrial development in the state has been uneven. The periphery district of Solan, Sirmaur, Kangra and Una are comparatively better developed. On the other hand the inner districts of Bilaspur, Chamba, Hamirpur, Kullu, Kinnaur, Lahaul & Spiti, Mandi and Shimla have been categorised as backward district.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of districts</th>
<th>No. of units</th>
<th>Employment generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chamba</td>
<td>667</td>
<td>1532</td>
</tr>
<tr>
<td>2</td>
<td>Kangra</td>
<td>2702</td>
<td>7602</td>
</tr>
<tr>
<td>3</td>
<td>Lahaul &amp; Spiti</td>
<td>82</td>
<td>251</td>
</tr>
<tr>
<td>4</td>
<td>Kullu</td>
<td>634</td>
<td>3080</td>
</tr>
<tr>
<td>5</td>
<td>Mandi</td>
<td>1453</td>
<td>5481</td>
</tr>
<tr>
<td>6</td>
<td>Hamirpur</td>
<td>993</td>
<td>2310</td>
</tr>
<tr>
<td>7</td>
<td>Una</td>
<td>844</td>
<td>5942</td>
</tr>
<tr>
<td>8</td>
<td>Bilaspur</td>
<td>883</td>
<td>1790</td>
</tr>
<tr>
<td>9</td>
<td>Solan</td>
<td>976</td>
<td>22905</td>
</tr>
<tr>
<td>10</td>
<td>Sirmour</td>
<td>886</td>
<td>10570</td>
</tr>
<tr>
<td>11</td>
<td>Kinnaur</td>
<td>1499</td>
<td>3165</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>312</td>
<td>520</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td><strong>11931</strong></td>
<td><strong>65148</strong></td>
</tr>
</tbody>
</table>


The periphery districts of Solan and Sirmaur are the most developed and have been categorised as developed districts. While Kangra and Una are less developed and come under the category of backward districts. Thus state has been classified into two categories viz. industrially developed and backward areas/districts.

1.4.2 The Industrial Sector over Years

Industrialization is a comparatively recent phenomenon in Himachal Pradesh. It gained momentum during the last two
decades. Monetary and fiscal benefits as incentives and subsidies to industry, provided by the state as well as the central government and the availability of quality industrial infrastructure in the form of developed plots and shed equipped with basic amenities, have played a key role in the industrial development of the state. Industries in Himachal Pradesh are now producing from traditional to a wide spectrum of high-tech products like computer-monitor, magnetic components, high quality precision components, tele-communication equipment, electronics, drugs and pharmaceutical, processing food, textiles and spinning products.

**Industrial Policies and their Impact**

In order to promote effective and systematic industrial growth, the industry department of the state government has been formulating industrial development policies and strategies on a regular and continuing basis, particularly in the last two decades. In this hilly and industrially backward state, the major bottleneck is the possibility of an industrial unit becoming unviable mainly because of the high cost of the procuring raw materials and reaching market outside the state. Therefore, for the utilisation of its natural resources and opening up of new avenues of employment supported by a package of incentives to improve their validity.

Since the sixth five year plan (1980-85) emphasis has been laid on the co-ordinated development of large and medium and small scale, tiny and cottage industries, with a thrust on:

- Package of attractive concessions and subsidies to promote investment.
- High priority to industries that are based on local raw materials and provide major employment opportunities.
- Thrust on rural industrialization, small scale, tiny and cottage industries.
- Creation of quality infrastructure through setting up industrial areas/estates. At least one industrial areas/estate is to be established in each district of the state.
- Strengthening support institutions and setting up new industrial projects in the public sector.

The sixth five year plan (1980-85) provides an outlay of Rs. 20.35 crore for the implementation of various promotional schemes and a package of incentives, concessions and spent Rs. 20.48 crores. The seventh plan (1985-90) continued with the same policy but with greater vigour and thrust. The seventh five year plan provided an enhanced outlay of Rs. 35.45 crores but the actual expenditure was 42.62 crores. During the sixth and seventh five year plans the industry gained a momentum and grew at a faster pace.

During the eighth plan (1992-97), an outlay of Rs. 76.2 crores were approved and the expenditure incurred was Rs. 86.46 crores. In this plan, the main emphasis was on providing more infrastructure facilities to the entrepreneurs by establishing industrial areas/estates at the tehsil and block levels, thus enabling industrial activity in the rural and far-fling areas of the state.

During this period, new industrial policies were introduced in 1991 and 1996. According to the industrial policy of 1991, the industrial areas were categorised in A, B or C grade to bring about a balanced industrial development in the state.

The categorisation was based on location and the following parameters:
- Distance from the boarder of the adjoining states of Punjab, Haryana and Uttar Pradesh (except within Shimla district)
- Extent of industrial development/industrial backwardness existing in that block.
- Extent of potential for generating employment for the local people.
The existing development blocks were categorised accordingly. The quantum of concessions and subsidies and the duration of their applicability will depend on the category of the industrial block (A, B or C), the type of industry (tiny, khadi & village/small scale/large & medium) or whether these were in the priority or general sector. Based on these parameters, the industrial policy of 1996 also continued to provide the package of incentives and subsidies which includes:

**Sales Tax Concessions**

- Electricity duty exemption
- Capital investment and interest subsidies.
- Special schemes of incentives to specific categories of entrepreneurship like the schedule caste, the schedule tribes, women and the physically handicapped.
- Special package of incentives to tiny, cottage and Khadi and Village industries.
- Up to 15 percent purchase price preference in government/semi-government organisations to the tiny/SSI sector and up to three percent to the large and medium sector.
- Additional concessions to priority industries like out-of-turn allotment of plots.
- Special schemes and facilities to NRIs and special support and incentives for export promotion.
- In addition, the government of India provided 75 percent transport subsidy to industry.

The beginning of the ninth plan (1997-2002), continued with the same concessions and incentives as stated in the industrial policy of 1996, but new policy guidelines in 1999, laid emphasis on expansion and upgradation of the infrastructure and ensuring advantages to investors. The plan also envisages a thrust on the development of the tiny, cottage, Khadi & Village and small scale industries (MSME) by graded incentives. According to these
guidelines, the state has been divided into two categories, namely "industrially developed areas" and "industrially backward areas" instead of A,B and C categories. The development blocks of Poanta Sahib and Nahan in Sirmaur district and Nalagarh, Dharampur and Solan in Solan district would fall in the category of "industrially developed areas". The rest of the state will be in the category of "industrially backward areas". The industrial policy of 1999 also incorporates a special package of incentives for fruits, vegetables and maize based units consuming locally available raw material.

The ninth plan provided an outlay of Rs. 150 crore but utilised only Rs. 91.90 crore. The tenth plan (2002-07) has an approved outlay of Rs. 104.73 crore for the industrial sector and the expenditure was 72.24 crore. Whereas in the 11th plan an outlay of 177.68 crore was approved out of which 120.58 crore was used. Plan-wise approved outlay and actual expenditure and its percentage to the total plan figures are given in the table below: 19

<table>
<thead>
<tr>
<th>Plan</th>
<th>Period</th>
<th>Outlay(in crores)</th>
<th>%age share to total plan</th>
<th>Actual exp.(in crores)</th>
<th>%age share to total exp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>6th</td>
<td>1980-85</td>
<td>20.35</td>
<td>3.27</td>
<td>20.44</td>
<td>3.08</td>
</tr>
<tr>
<td>7th</td>
<td>1985-90</td>
<td>35.45</td>
<td>3.01</td>
<td>42.62</td>
<td>3.22</td>
</tr>
<tr>
<td>8th</td>
<td>1992-97</td>
<td>76.20</td>
<td>3.20</td>
<td>86.54</td>
<td>3.05</td>
</tr>
<tr>
<td>9th</td>
<td>1997-2002</td>
<td>150</td>
<td>2.63</td>
<td>91.90</td>
<td>1.29</td>
</tr>
<tr>
<td>10th</td>
<td>2002-2007</td>
<td>104.73</td>
<td>1.01</td>
<td>72.24</td>
<td>.81</td>
</tr>
<tr>
<td>11th</td>
<td>2007-2012</td>
<td>177.68</td>
<td>1.29</td>
<td>120.58</td>
<td>.89</td>
</tr>
</tbody>
</table>

Source:- Different five year plans, H.P.

Table clearly shows that the small scale industries (MSME) has grown at an impressive rate during different five year plan in terms of investment, but in 10th and 11th plan the investment has declined. Therefore, it is suggested that efforts should be made to strengthen small scale industries in Himachal Pradesh. Policy
makers should formulate measures to make small scale industries more accountable for the overall growth of the economy.\(^{20}\)

In spite of having huge potentialities, the small scale industries (MSME) in India could not progress satisfactorily. These industries are suffering from various weaknesses. Following major weaknesses of the small scale industries (MSME) can be summarized:-

- Inefficient human factor.
- Faulty and irregular supply of raw material.
- Lack of machinery and equipment.
- Absence of credit facility.
- Absence of organized market facility.
- Competition from large scale units and imported articles.
- Old and orthodox design.
- Huge number of bogus concerns.
- Unsuitable location etc.

Due to all these weaknesses, the development of industries could not reach to a prestigious stage. The small scale industries (MSME) are occupying a very important place in the industrial structure of the country. Thus, suitable steps should be taken to remove all those weaknesses from which these industries suffer.

1.5 MARKETING AND SMALL SCALE INDUSTRIES (MSME)

The small scale industries (MSME) continue to play a key role in the country's planned economic development with their advantage of low investment, high potential for employment generation, diversification of industrial in rural and semi-urban areas. Due importance is given to the small scale industries (MSME) in every state. The government and many other financial and advisory institutions have come forward to provide many facilities to the establishment of small scale industries (MSME). The social and economic changes pose major challenges to business in general and to marketing in particular. The major
problem areas of small scale industries (MSME) are finance, marketing, technical, labour and infrastructural facilities. Thus, marketing is the major area of operation in the small scale industries (MSME). The economic and social justification of a company's existence is the satisfaction of consumer's wants. It leads to the direction of all activities of the company whether they may be in production, engineering or finance towards first determining the customers, wants and then attempting to satisfying them while making a reasonable profit. The objective of all business enterprises is to satisfy the needs and wants of the society. Marketing is, therefore, a basic function of all business firms. When a salesperson sells washing machines, a doctor treats a patient or a government ask people to take their children for getting polio drops, each is marketing something to the targets. Traditionally, small firm owners did not give as much importance to marketing as to other functions such as accountancy, production and selling. Training programmes enterprise development and the current thrust for competitiveness have now given high priority to promoting marketing awareness among small business owners, and marketing is now assuming its rightful place along with other business functions. Since early 1990s there has been a change in the thinking of businessman from product orientation to consumer orientation. Modern business concerns lay emphasis on selling satisfaction and merely on selling products. The activities have to be coordinated so as to develop the marketing mix, which provide maximum satisfaction to the customer that is why marketing research and product planning occupy an important role in marketing. The other important functions of marketing include: buying and assembling, selling, standardisation, packing, storing, transportation, promotion, pricing and risk bearing.

Marketing executives must develop a societal orientation and awareness of their social responsibilities. These industries
must satisfy consumer wants and generate profits for their firms. Marketing orientation is compatible with society's long run interest. Small scale industries (MSME) should set its marketing activities, taking into consideration the environmental forces that influence their marketing efforts. The entrepreneur should believe that customers buy utilities, functions, benefits or solution to their problems rather than the products and services offered to them. When more than one firm offer similar products or services the buyer makes a value analysis and takes a decision. He compares costs with functions and, if can get the same performance at a lower cost or perhaps an improved performance at same cost, he would choose that brand which would offer such an advantage, therefore, the small firm should identify the specific requirements of the target market and incorporate the value engineering concept into its product which would appeal to the buyer as a differentiated source of supply. By applying the principles of value analysis to the products, the entrepreneur will be able to develop a superior customer oriented pricing and marketing strategy that will yield a much higher profit and market share.

Thus, if a small scale industry (MSME) wants to capture the market, then it has to make the best possible strategic combination of four elements i.e. its product, price structure, distribution system, and promotional activities- with which it can build marketing mix. In all stages of the marketing process, management should use marketing research as a tool for problem solving and decision making.
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