CHAPTER – II

SMALL SCALE INDUSTRIES
(Theoretical Frame work)
CHAPTER II

SMALL SCALE INDUSTRIES:

In a way, small and large-scale enterprises are two legs of industrialization process of a country. Hence small-scale enterprises are found in existence in every country\(^1\). Small-scale enterprises have been given an important place in the framework of Indian Planning since beginning both for economic and ideological reasons. To day, India operates the largest and oldest programmes for the development of small-scale enterprises in any developing country\(^2\). As a matter of fact, small sector has now emerged as a dynamic and vibrant sector for the Indian economy in the recent years. In order to promote small-scale industries in the country, the Government of India set up the Central Small-Scale Industries Organization (CSSIO) and the Small-Scale Industries Board (SSIB) in 1954-55.

The Meaning of ‘Small’:

The meaning of small connotes comparatively small in investment cost, operation, employment, production, finance, technology, market etc.

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\(^1\) Khanka S.S: Entrepreneurial Development; S.Chand & company ltd New Delhi, 1999, P.59.

\(^2\) Ram K.Vepa: Modern small industry in India; problems and prospects sage publications, New Delhi,1988, P.18.
As such, enterprises are not only beautiful but also beneficial, efficient and reliable\(^1\). The expansion of the services sector provide ample opportunities to small-scale sector in the next millennium.

**Small-Scale Industry defined:**

The SSIs have been defined in different ways at different times in India and they are mentioned here under.

The SSI Board at its first meeting held on January 5\(^{th}\) and 6\(^{th}\), 1955, defined small-scale industry as a unit employing less than 50 employees, if using power, and less than 100 employees without the use of power and with a capital asset not exceeding Rs. 5 lakhs\(^2\). This definition was adopted by the Government of India for the promotion of SSIs in the country during the period of Second and Third Five Year Plans. This criterion underwent several changes over a period of time, a shift from a workforce-based definition to an investment based definition. In 1966 the original amount invested in plant and machinery was adopted as the sole norm for defining a unit as small scale or otherwise. Other concepts, namely, ancillary and tiny

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2. Govt. of India, planning commission, Report of the village and SSI’s committee (Karve committee). New Delhi, P.61.
units were introduced in 1960 and 1977\(^1\), respectively. Further, the Government of India realized the objectives behind the development of SSI's is not encouragement of plants which employ a small number of persons but to provide, a stimulus of the small capital using plants.

The definitional change of small-scale industry over the period in India is resumed in the below given table.

Table: 2.1 Definition of Small Industry: An overview

<table>
<thead>
<tr>
<th>Year</th>
<th>SSI Units</th>
<th>Ancillary Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966</td>
<td>Rs. 7.5 lakhs</td>
<td>Rs. 10 lakhs</td>
</tr>
<tr>
<td>1975</td>
<td>Rs. 10 lakhs</td>
<td>Rs. 15 lakhs</td>
</tr>
<tr>
<td>1980</td>
<td>Rs. 20 lakhs</td>
<td>Rs. 25 lakhs</td>
</tr>
<tr>
<td>1985</td>
<td>Rs. 35 lakhs</td>
<td>Rs. 45 lakhs</td>
</tr>
<tr>
<td>1991</td>
<td>Rs. 60 lakhs</td>
<td>Rs. 75 lakhs</td>
</tr>
<tr>
<td>1997</td>
<td>Rs. 03 crore</td>
<td>N.A</td>
</tr>
<tr>
<td>1999</td>
<td>Rs. 1 crore</td>
<td>N.A</td>
</tr>
</tbody>
</table>


It is clear from the above table that the definition of SSI based on the employment limitation is dispersed with and the investment limit was taken for granted to define SSI: An Ancillary Industry is an undertaking engaged

\(^{1}\) SIDBI Report on Small Scale Industries sector, 2000 by Small Industries Development Bank of India P.27
in the manufacture of production of parts, components, sub-assemblies, tooling or intermediates or the rendering of services and the undertaking supplies or renders more than 50 per cent of its production or services as the case may be, to one or more other industrial undertakings\(^1\).

According to latest definition of SSI it is an industrial undertaking in which the investment in plant and machinery, whether held on ownership terms or on lease /hire-purchase basis, does not exceed Rs. 10 million. However, the limit for the units in select products of Knit wears and hand tools is allowed up to Rs. 50 million\(^2\).

A women entrepreneurs enterprises is termed as an SSI unit/industry-related service or business enterprise, managed by one or more women entrepreneurs in proprietary concerns, or in which she/they individually or jointly have a share capital of not less than 51 per cent as partners/shareholders/directors of private limited companies/members of a co-operative society\(^3\)

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2.1 NEW INDUSTRIAL POLICY 2001 MISSION (KARNATAKA):

Karnataka's Mission is to achieve an economic growth rate of 8% - 9% over the next decade by promoting the rapid growth of a market driven, knowledge based, efficient and competitive industrial sector\(^1\). This will be done by providing industry access to high quality infrastructure, extending institutional support for technology up gradation, de-regulating the business environment for an efficient, pro-active and transparent administrative framework and catalyzing the entrepreneurial as well as creative capabilities of the human resources.

The proposed industrial policy will, therefore, aim to achieve an average industrial growth rate of 10% to 12% per year and attract investment of at least Rs. 20000 crores per year and create, on an average, employment potential of at least 1.5 lakhs per year.

Objectives:

In fulfilling this mission, the focus will be on the objectives set out below:-

\(^1\) Department of Industries and Commerce, New industrial policy 2001-2006, Government of Karnataka, Bangalore P.4.
a) encourage rapid growth of sectors and markets in which Karnataka has strategic advantages.

b) encourage value addition in products and processes through rapid technology upgradation.

c) enable optimal utilization of capacity and resources in different sectors viz., Agriculture, Horticulture, Animal Husbandry, Minerals and Human Capital.

d) give impetus to knowledge based industries and the service sector.

e) enable industry to access new markets-domestic and export through new products that meet global standards of quality competitiveness.

f) create a market driven environment with the private sector being the primary engine for growth.

g) provide industry access to high quality infrastructure.

h) fully tap the potential of the small scale sector and encourage establishment of new tiny and small scale industries, particularly in the rural areas to achieve the twin objectives of employment generation and utilization of local resources.
Towards this end Government will undertake, through an expert group, a detailed study of the small scale industrial sector in the state to ascertain their present status; problems and prospects and come out with a separate policy on employment generation in the industrial sector which among other things would also include a suitable incentives scheme linked to employment generation.

**Strategy:**

In order to achieve these objectives the following strategy will be adopted.

a) Forge a strong partnership with the private sector in all aspects of industrial policy and its implementation to provide for a demand driven decision making process in an increasingly market oriented economy;

b) Create a policy framework to facilitate competitiveness of local industry and enabling case of doing business;

c) Enhance public and private expenditure to build efficient and competitive industrial infrastructure;
d) Give impetus to technology up gradation by forging symbiotic and mutually beneficial institutional arrangements between Government, Academic – R&D institutions and industry;

e) Focus on catalyzing comparative advantages that Karnataka has in the Global market by increasing its exports in information technology, biotechnology, food processing, electronics and communication, garments, machine tools and precision engineering goods;

f) Assist the tiny, small and medium scale industries to upgrade their technologies and manufacturing processes to face the increasing competition; and

g) Radical restructuring of the state public sector under-takings as well as Government infrastructure agencies sector initiative in these activities.

2.2 MARKETING ASSISTANCE FOR THE SSI SECTOR:

Governments, both at the state and the central level, have been extending marketing assistance to small scale industries in government procurements through purchase and price preference. The state has also established the Karnataka small industries marketing corporation to provide marketing assistance to the small scale industries sector. These
measures have helped the SSI sector to a great extent. However, with the coming into force of the Karnataka [Transparency in Public Procurement] Act 2000, the special preference available to the small scale industries sector has been negated while the act provides for exceptions to the applicability of the act to procurements from Government departments, Public sector undertakings, Statutory Boards and such other institutions specified by the government, there is no such exceptions made in respect of SSI sector. In view of the serious sickness faced by the SSI sector as a whole and the problems getting much more serious with full implementation of the provisions of various agreements signed with the WTO, it is necessary that SSI is protected for some more time. In this background it is necessary that purchase and price preference to the SSI sector be continued for at least another 5 years. It is also necessary that the purchase and price preference is adhered to strictly by all Govt. departments, public sector undertakings, Statutory Board and Corporations. It is therefore proposed to amend the Karnataka [Transparency in public procurement] Act 2000 to provide purchase-price preference to SSI units of the sector by Government of India from time to time, in the following manner:

a) 75% of the items reserved by the SSI sector shall be processed from the units located within the state, through an open tender system;
b) SSI units of the state shall be offered a price preference of 15% over the lowest price quoted;

c) This benefit will be available for a period of 5 years from 1st April 2001.

The role of KSIMC will also be re-oriented to help the SSI sector:

i) Improve the quality of the products;

ii) Improve the production – manufacturing processes;

iii) Reduce prices; and

iv) Augment exports.

2.3 INCENTIVES AND CONCESSIONS:

In order to achieve the objectives as set out in this policy and to ensure that the strategy/approach detailed in this policy is implemented successfully, the government offers the following incentive and concessions for new investments made in industrial sector on or after 1st April 2001. For the purpose of various incentives and concessions as detailed here under the state has been classified into four zones namely

Developed Areas ..... Zone A
Developing Areas ..... Zone B
Backward Areas ..... Zone C
Growth centers and Mini Growth centers
Specialized Industrial Parks and list of taluks ..... Zone D
1. Investment subsidy:

The government will provide subsidy to all new Tiny/SSI sector. The details of investment subsidy available to Tiny/small scale sector industries in different zones will be as follows.

Table: 2.2 Industries sectors Eligible for subsidy

<table>
<thead>
<tr>
<th>Zone</th>
<th>Particulars</th>
<th>Industry Sector Eligible for subsidy</th>
<th>Investment subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Developed areas</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>B</td>
<td>Developing areas</td>
<td>Tiny Industries</td>
<td>10% value of fixed assets subject to a max of Rs. 5 Lakhs.</td>
</tr>
<tr>
<td>C</td>
<td>Backward areas</td>
<td>Tiny Industries</td>
<td>20% value of fixed assets subject to a max of Rs. 10 lakhs.</td>
</tr>
<tr>
<td>D</td>
<td>Growth center &amp; Mini growth centers etc.</td>
<td>Tiny &amp; Small Scale industries</td>
<td>25% value of fixed assets subject to a max of Rs. 12.50 lakhs.</td>
</tr>
</tbody>
</table>

Source of Table:- Department of Ind. & Com. Govt. of Karnataka New Industrial Policy 2001-2006 P.14.

Additional subsidy to an extent of 5% of the value of fixed assets subject to a ceiling of Rs. 1.00 lakh shall be available for tiny/small scale units, except in zone-A, in respect of entrepreneurs belonging to scheduled castes and scheduled Tribes and women entrepreneurs.
2. **Entry Tax exemption:**

Entry tax exemption will be extended to all new industries including large and medium scale industries as detailed below:

a) During the implementation of the project on production machinery and equipments directly involved in the production process, subject to the conditions that the benefit will be available for a maximum period of 3 years from the date of commencement of project implementation.

b) On commencement of commercial production, on raw materials, components, semi-finished goods, sub-assemblies, consumables. Entry tax exemption will be available as indicated in the following table.

Table: 2.3 Entry Tax Exemption period.

<table>
<thead>
<tr>
<th>Zone</th>
<th>Particulars</th>
<th>Entry Tax Exemption Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Developed Areas</td>
<td>Nil</td>
</tr>
<tr>
<td>B</td>
<td>Developing Areas</td>
<td>3 years</td>
</tr>
<tr>
<td>C</td>
<td>Backward Areas</td>
<td>5 years</td>
</tr>
<tr>
<td>D</td>
<td>Growth Centers, Specialized industrial parks</td>
<td>8 years</td>
</tr>
</tbody>
</table>


3. **Stamp duty exemption and concessional Registration charges:**

All new industries and also such units taking up expansion, diversification and modernization will be eligible for 100% exemption of stamp duty and reduction of registration charges to Rs.1 per Rs.1000 in
respect of loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing financial assistance from state government, or SFC, Industrial Investment Development Corporation etc.

4. **Special Concessions for exports:**

The following benefits will be extended to export-oriented units (EOU):

A. 100% Export-oriented Units
   i) Investment subsidy,
   ii) Exemption from power cut,
   iii) Exemption from payment of entry tax and ST payable on purchase of raw materials, components, packing materials, consumable, capital goods, spares, material handling equipment, intermediates, semi-finished goods and sub assemblies from a registered dealer.

B. Units other than 100% EOUs with an export effort of a minimum of 25% of the value of total turnover.
   i) Investment subsidy
   ii) Refund of ET and ST payable on purchase of raw materials, components packing materials etc from a registered dealer.
5. **Waiver of Conversion fee:**

The payment of conversion fee for converting the land from agriculture use to industrial use will be waived for tiny and SSI units set up in areas other than zone-A. This concession will be limited to a maximum extent of 2 acres only. Conversion of agriculture land to industrial land in identified industrial zones of respective Municipal/Town planning Authorities and other Local Bodies will henceforth for automatic and orders issued in 45 days by the respective DCs, failing which conversion will be deemed to have been given.

2.4 **CENTRAL AND STATE GOVERNMENT POLICIES:**

Recognizing the importance of the SSI in the economic development of the country, the Government of India formulated an industrial policy frame work after independence, based on the Karve committee recommendations. So far six important Industrial policy Resolutions have been issued as listed below:

I. Industrial Policy Resolutions, 1948
II. Industrial Policy Resolutions, 1956
III. Industrial Policy Statement, 1977
IV. Industrial Policy Statement, 1980
V. Industrial Policy, 1990
VI. Industrial Policy, 1991
The above Industrial Policy Resolutions/Statements, *inter alia*, facilitated the promotion and the development of Small scale Enterprises through various measures. These measures include the identification of industries to be promoted in the private sector – individual and co-operative enterprises, strengthening of facilities for the creation of infrastructure, provision of incentives and other amenities for SSIs, reservation of items for exclusive manufacturing by SSIs, development of industries in the backward and rural areas, review of the definition of the SSI unit, setting up of institutional support structure, Government procurements through preferential purchases from SSIs etc.

**Policy changes in the post liberalization era:**

In the post liberalization era, there have been suitable policy changes depending upon the changing economic scenario, policy changes were also necessitated for provision of product specific incentives and concessions to small enterprises for product standardization, technology up gradation, modernization, etc\(^1\). The focus attention on various issues relating to the SSI sector, anew Ministry of SSIs and agro and Rural Industries was created by the Government of India on October 14, 1999, (since renamed as Ministry of

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\(^1\) SIDBI Report on small scale industrial sector, Small Industries Development Bank of India, Lucknow 2001. P.45
SSI) under the independent change of a Minister of state. The new ministry prepared a blue print for the small and village enterprises which gave a new policy focus to the SSI sector and was named as “Mission for the Millemium”. The important objectives of mission included creating new investment avenues, strengthening the credit delivery system, promoting modernization and the technology upgradation of the SSI sector, providing support to small enterprises to meet the challenges of WTO agreements and to enhance their competitiveness.

**New Policy Initiatives:**

A. Study Group on Development of Small Enterprises.

The planning commission, Government of India, in May 1999, had set up a study Group on Development of Small Enterprises under the chairmanship of Dr. S.P. Gupta, Member, Planning Commission to review present policies, look into the problems of the sector and to suggest policy modifications and new policy initiatives. The study Group submitted its interim report on July 13, 2000 and the final report was presented in February 2001. Major recommendations made by the study Group are as under:
i) A separate category of small industries may be created to allow them to become modern and technologically competitive. These units/category should be termed as technology and export intensive SSIs.

ii) The 3rd census being conducted by Ministry of SSIs should capture the impact of liberalization/globalization on the growth of the SSIs sector. It should also cover issues like sickness, closer impact of reservation/dereservation, on the units engaged in exports.

iii) There is a need for giving treatment to SSI sector akin to the agriculture with regard to sub-allocation of target within the priority sector credit advances.

B. New Thrust in policy for Small Scale Enterprises – Group of Ministers for SSI policy measures.

In order to strengthen the SSI sector through better co-ordination on various policy issues pertaining to more than one ministry, an inter-ministerial Group of Ministers (GOM) was constituted by the Prime Minister on June 28, 2000 under the chairmanship of Shri. L.K. Advani, Horrible Union Home Minister. Other members of the group included the Ministers of commerce, Industry, Textiles, Finance, Dy. chairman (planning commission) and Minister of state (SSI). The terms of reference for GOM were, A package for Khadi and village Industry sector has been announced
separately by the Ministry of small scale Industries on May 14, 2001 to further enhance the role of the sector to meet the objectives of creating more jobs in rural areas and empowering the women and backward classes.

C. Small Scale Industries Board:

In order to co-ordinate the policy initiatives of state Governments and to evolve policies for the SSI sector at the central level, the SSIs Board was constituted in 1954. The SSI Board is a non-statutory high-power body to advise the government on all policy matters relating to the development of SSIs. The SSI Board has powers to appoint the standing committees and Working Groups for specific purposes and to invite any other persons to meeting of the Board as and when necessary. The present SSI Board was reconstituted on September 25, 2000 and consist of 94 members that include the Minister of State for SSIs as the chairman.

D. Amendment to the State Financial Corporations Act, 1951:

The SFCs Act, 1951 was enacted to provide for the establishment of the SFCs to create an institutional framework for financial Small and Medium Enterprises. To enable the State Financial Corporations to equip themselves in the emerging environment, it was considered necessary to
enlarge their shareholder base, provide them with greater functional autonomy and operational flexibility. Therefore, comprehensive amendments to the SFCs Act 1951 were passed in the parliament and assented to by the president of India in September 2000.

Marketing Support:

The SSI sector generally experiences a lack of resources for sales promotion and advertising. Marketing of SSI products is an important form of assistance to the sector. The marketing infrastructure, as available for SSIs consists of a combination of agencies and incentive schemes as given below:

* Quality Certification:

The Bureau of Indian Standards (BIS) has been developing standards for different manufactured products and its registers SSIs for the adoption of quality standards as a measure of marketing support. Small Industries Development Organization (SIDO) has set up 4 Regional Testing Centres that provide testing facilities to SSI units as per BIS standards. In addition, there are 10 field-testing stations extending testing facilities and assistance to SSIs. SIDO is operating a scheme to reimbursed (up to 75 per cent subject to a maximum of Rs.75,000) the cost of acquiring ISO 9000 series quality certification.
* Marketing Development Assistance Scheme:

Ministry of commerce, Government of India reimburses the expenditure incurred by SSI delegations that visit foreign countries (60 per cent of the expenditure incurred by the delegation) for the purpose of exploring marketing possibilities. This incentive is extended for admissible items only.

* Training Programmes for Export Packaging:

SIDO, in partnership with the Indian Institute of packaging, organizes training programmes for SSI exporters on packaging for exports. Exporters are provided information on the latest packaging standards and techniques in order to boast exports.

* Organizing Exhibitions and International Trade Fairs:

For promoting exports, SIDO annually participates in selected International Trade Fairs and Exhibitions held abroad by the India Trade Promotion organization. All expenses on space charges, display, shipment, insurance, handling and clearance, publicity, etc. are borne by the SIDO. Expenses incurred on transportation of SSI products (to and from Mumbai) are to be met by the participating SSI units.
Export Promotion Councils:

The Export Promotion Councils (EPC’s) for specific industries provide the SSI member units with a platform for export marketing. A number of EPC’s are providing marketing infrastructure through procurement of direct orders and distribution of items among member units for production and sale. These councils also arrange for quality testing of products, pre-shipment inspection, packaging and sales transaction’s assistance and arrange for the participation of member units in various Exhibitions and Trade Fairs.

2.5 MARKETING MANAGEMENT FOR SMALL UNITS:

With the advancement of society, marketing has become an important function in the management of a business enterprise. The large industry in India has already made good advancement in the direction of professionalising its marketing function. We have companies like Hindustan Lever, Voltas, and Larsen and Tourbro, which are having strong marketing organizations with specialized people to look after their sales, distribution, market research, and advertising activities. Elaborate planning is done to set the marketing goals and budgets. Extensive market surveys are conducted in order to know the consumers tastes and preferences. Studies are made to
ensure that the expenditure on advertising, personal selling, and sales promotion yields maximum results. The distribution policy is designed so as to ensure that the right quantity of goods is available at various points in the distribution channel at all times. There are product managers who look to it that a particular product is developed according to the needs and wants of the customers, and that it is put in the market in the most effective manner. In many cases, a product is test marketed in a small but representative market segment before it is launched nationally. The large companies employ specialized people who constantly upgrade the information about the environmental factors including the government policies, economic changes, technological developments, and cultural changes, and study their impact on a company's marketing and other strategies. To help the decision making, mathematical models are often used.

A small scale unit has neither the resources nor the need to go in for such sophistication in the marketing of its products. Its problems and constraints are quite different from those of a large unit. Typically, a small unit is run by one or two individuals who have to perform the functions of a technical expert, and a manager in various areas of business operations-marketing, finance, production, and personnel. Because of this, the capabilities of an entrepreneur and his psychological traits have a great
impact on the functioning of a small units. Most of the items manufactured by the small units are such that they do not pose any great difficulties in production; however, marketing of these remains a perennial problem for the entrepreneur.

2.6 PROBLEMS OF MARKETING SMALL INDUSTRY PRODUCTS:

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

i) those arising out of small size or scale of operation.

ii) Those arising out of inadequacy of marketing management skills amongst small industrialists.

* Problems arising out of size:

Economies of scale in marketing and distribution cannot be achieved because of the relatively small size of the market share (some small industry products may not, of course, need such national markets). Because of the small size of operations, the business proposal attracts only proprietary or at the most partnership forms of ownership. The owner's organizational and financial resources may be so inadequate as to inhabit growth and expansion even when market opportunities permit. The constitutional guarantee relating to free flow of trade and commerce throughout the length and breadth of the country is of no assistance because small entrepreneurs cannot organize nationwide marketing network
* Non Availability of Appropriate Marketing Skills:

In most small scale units ownership and management are not divorced. The proprietor or partners take nearly all decisions and also oversee their execution as well. Their skills and experience are necessarily limited. Further, marketing skills, in contrast to manufacturing skills, are scarce, costlier and often unavailable to small entrepreneurs. The selection of entrepreneurs from among persons without business experience and even without formal technical or business education has resulted in a number of firms choosing products without identifying the scope for marketing of their output. Naturally, the small scale units themselves indulge in inter competition. In the marketing sense, management failure may arise out of the wrong decisions taken while choosing the available alternatives among anyone or more of the marketing-mix variable like products, markets; pricing, promotion, distribution channels etc.

It is in recognition of these handicaps and problems of small manufacturers that the Government of India have been following, while formulating programmes for the development and promotion of SSIs a deliberate policy of organizing marketing assistance to this weak industrial sector.
2.7 MARKETING AUDIT:

Marketing audit is a review, an appraisal, an evaluation or a re-examination of marketing activities of an industry. The relevance of the concept of “Marketing Audit” has grown manifold in recent times, in the Indian context because of liberalization and restructuring of the industrial policy.1

Abe Schuchman defined marketing audit as, “a systematic, critical and impartial review and appraisal of the total marketing operation. Of the basic objectives and policies of the operation and the assumptions which underlies them as well as of the methods, procedures, personnel and organization employed to implement the policies and achieve the objectives”2.

Evans and Barry define marketing audit as, “a systematic critical and unbiased review and appraisal of the basic objectives and policies of the marketing function, and of the organization, methods, procedures, and personnel employed to implement those policies and to achieve those objectives. Clearly, not every evaluation of marketing personnel,
organizations or methods is a marketing audit: at best most such evaluations can be regarded as parts of the audit”

2.8 BUSINESS & MARKETING: CHANGING SCENARIO

We can say with some confidence that “the market place is not what it is used to be”. It is changing radically as a result of major societal forces such as technological advances, globalization, and deregulation. These major forces have created new behaviors and challenges:

**Customers** increasingly expect higher quality and service and some customization. They perceive fewer real product differences and show less brand loyalty. They can obtain extensive product information from the internet and other sources, permitting them to shop more intelligently. They are showing greater price sensitivity in their search for value.

**Brand manufacturers** are facing intense competition from domestic and foreign brands, which is resulting in rising promotion costs and shrinking profit margins. They are being further buffeted by powerful retailers who command limited shelf space and are putting out their own store brands in competition with national brands.

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Store-based retailers are suffering from an over saturation of retailing. Small retailers are succumbing to the growing power of giant retailers and “category killers”. Store-based retailers are facing growing competition from catalog houses; direct-mail firms; newspaper, magazine, and T.V direct-to-customer ads; home shopping T.V; and the Internet. As a result, they are experiencing shrinking margins. In response, entrepreneurial retailers are building entertainment into stores with coffee bars, lectures, demonstrations, and performances. They are marketing an “experience” rather than a product assortment.

2.9 MARKETING IN THE TWENTY-FIRST CENTURY:

Leaders who must plot the future of their companies are challenged to find a path that makes sense. Change is occurring at an accelerating rate; today is not like yesterday, and tomorrow will be different from today. Continuing today’s strategy is risky; so is turning to a new strategy.\footnote{Phillip Kotler “Marketing Management” (The Millennium Edition) Prentice Hall, New Jersey, U.S.A 2000, P.1.}

There are a few certainties that must be heeded: First, global forces will continue to affect every one’s business and personal life. Manufacturing will move to more economically favorable locations, or protectionist measures will stop these moves but raise the cost for every one.
Second, technology will continue to advance and amaze us. The cloning of the sheep Dolly was only the beginning of the biogenetic revolution. The Human Genome Project promises to usher in new medical cures. The Digital Revolution is releasing smart chips to make smart homes, smart cars, and even smart cloths. We are at the dawn of a time when intelligent robots will do much of our work for us. And some of us may even visit or live in spaceships. Third, there is a continuous push toward deregulation of the economic sector. More people, in more countries, are convinced that markets work better under relatively free conditions where buyers can decide what and where to buy and companies are free to decide what to make and sell. Competitive economies produce more wealth than highly regulated or planned economies. Many countries are privatizing state owned companies to unleash the benefits of competition.

These three developments—globalization, technological advances, and deregulation—spell endless opportunities. As John Gardner observed many years ago, “Behind every problem is a brilliantly disguised opportunity.”

But what is marketing and what does it have to do with these issues? 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 and Gamble, which notices that people feel
overweight and want tasty but less fatty food and invents Olestra; or CarMax, which notes that people want more certainly when they buy a used automobile and invents a new system for selling used cars; or IKEA, which notices that people want good furniture at a substantially lower price and creates knock-down furniture- all illustrate a drive to turn a private or social need into a profitable business opportunity.