CHAPTER 4

DYNAMICS OF MARKETING FOR SMALL SCALE ENGINEERING INDUSTRIES
4.0 Dynamics of Marketing For Small Scale Engineering Industries

4.1) Industrial Products v/s Consumer Products:

The aim of any manufacturing unit is to produce what the customer wants, at a price he is willing to pay. The production function must be carried out with a distinct customer orientation. The production function must be motivated by understanding the needs and desires of the customer. Understanding such needs mainly depends upon the characteristics of the products. Products can be differentiated in two broad categories – i) Industrial Products ii) Consumer Products. As such, their characteristics also differ from each other. Table No. 4.T 1 exhibits the same.

Table No. 4.T 1

Industrial Products v/s Consumer Products.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Characteristics</th>
<th>Industrial Products</th>
<th>Consumer Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Size of sales to each customer at a time</td>
<td>Large</td>
<td>Small</td>
</tr>
<tr>
<td>2</td>
<td>Unit value of sale</td>
<td>Generally high</td>
<td>Low</td>
</tr>
<tr>
<td>3</td>
<td>Frequency of purchase</td>
<td>Generally low</td>
<td>Generally high</td>
</tr>
<tr>
<td>4</td>
<td>Potential buyers to be approached</td>
<td>Few</td>
<td>Many</td>
</tr>
<tr>
<td>5</td>
<td>Products attributes</td>
<td>Complex and technically sophisticated</td>
<td>Barring few exceptions least complex and non-technical</td>
</tr>
<tr>
<td>6</td>
<td>Standardization level</td>
<td>Little, made to orders as per specifications of buyers</td>
<td>High levels</td>
</tr>
<tr>
<td>7</td>
<td>Consumption pattern</td>
<td>Generally low</td>
<td>Frequent or re-occurent</td>
</tr>
<tr>
<td>8</td>
<td>Pre and after sales services</td>
<td>Extensive</td>
<td>Not required generally</td>
</tr>
</tbody>
</table>
4.2) Characteristics of Industrial Buying:

The characteristics of products influence the buying process. Industrial buying is different from consumer buying. There are some typical characteristics associated with industrial buying which are not normally found with consumer buying. Some of these are as follows:

i) Bulk Buying: The quantity of industrial buying is generally bulk or value is very high. For example, an industrial buyer may procure five cars in a single lot. As against this, a consumer may purchase a single car for personal use. Also, a single CNC machine or heavy duty press will cost a few lakhs of rupees.

ii) Few Buyers: Since, the number of industries compared to the number of consumers is too less, the industrial buyers are a few in numbers. Even amongst industrial buyers, there will be a small number of buyers which will account for the major share of total purchase of the industrial products.

iii) Derived Demand: Industries manufacture products which are either directly used by consumers or are useful to those industries which manufacture consumer goods. Naturally, the demand for industrial goods will depend on demand for consumer goods. As against this, the demand for consumer products depends on economic, social, cultural and technological factors.
iv) Closer Interaction by Suppliers: As there are few buyers who make bulk purchases, suppliers need to have closer interaction with the buyers. The suppliers must study the requirements of the buyer carefully, educate the buyer if needed and co-operate with him in making his purchasing task easier. A personal relationship plays important role.

v) Formalized Buying: As the quality of the products or services purchased can affect the end product substantially, specifications are standardized before making the purchase. The five "R" s of purchasing i.e. Right quantity, Right quality, Right time, Right price and Right place are very important in industrial purchasing. In order to ensure that five "R" s are effectively followed, most of the organizations have very elaborate procedural formalities for buying their requirements.

vi) Direct Purchasing: As the requirements are bulk and / or specific, most of the industrial purchasing is done either directly from the manufacturer or from his authorized distributor. As against this consumer goods are mainly purchased through retailers.

vii) Geographic Concentration: Availability of factors of production & facilities and cost of transportation of inputs & finished goods decide the locations of industries. It is observed that certain parts of the country have certain types of industries located there.
4.3) Problems of Marketing for SSI:

In the present competitive business atmosphere the saleability of product can be improved with marketing ability. A competent product has to be carried to customers basically through competitive marketing. Here the two factors play important role in achieving the success – 1) Product Quality 2) Ability of Marketing. However, in the working of SSI Engineering Units following problems of marketing can be listed out:

Problems of Marketing:

1) Poor designing
2) Poor quality
3) No quality control
4) Lack of precision
5) Poor bargaining ability
6) After sales service
7) Lack of funds
8) Lack of knowledge
9) Distribution contracts
10) Scale of production
11) Availability and pricing of raw materials
12) Limitations of small entrepreneur himself
13) Lack of customer orientation
14) Lack of unity amongst the SSI entrepreneurs
i) Poor designing - Many products suffer from poor designs which are both inefficient and inartistic. Small industry must ultimately cater to the tastes of a consuming public and artistic designing is an important factor in persuading a customer to buy.

ii) Poor Quality - The inefficient working often results in the end product being of poor quality. This inefficiency may be a result of improper raw material, improper method of manufacturing etc. Large enterprises on the other hand can obtain better quality raw materials and can ensure better quality for their products by using sophisticated methods of manufacturing.

iii) No quality control - The quality of small industries products tends to vary due to lack of quality control methods. Hence, where such products are to be used in industrial equipment, customers are unwilling to buy them.

iv) Lack of precision - Due to inadequate equipment and lack of skilled personnel the precision of the products turned out in the small sector is often below standard. This is a common complaint by the large scale manufacturers who sub-contract their components to the small unit.

v) Poor bargaining ability - This is an inherent defect of the small entrepreneur that his bargaining power with the
wholesaler and retailer is weak. Hence, they have to offer much bigger margins to the distribution channels which leaves little profits for themselves which in turn affects quality of product and regeneration of product, new product development.

vi) After sales service – Many large manufacturers provide “After Sales Service” facility which the small unit is unable to provide. This becomes a strong selling point and customers naturally prefer a product which is backed by service network.

vii) Lack of funds – This factor acquires major share in the overall problems faced by any SSI. Due to the cut-throat competition the costs have to be reduced and the payment recovery is a big headache. Due to lack of funds the new product development becomes a difficult task.

viii) Lack of knowledge – Small entrepreneurs can’t afford to have marketing experts on their staff to plan the marketing of their products as the large firms can afford. This again affects the sale of the products as they are introduced into the market without adequate preparation.

ix) Distribution contracts - Large scale units have established distribution networks which are loyal to them and with whom close contacts have been developed. It is difficult for an
outsider, particularly a small unit to break into this vicious circle. There is a great deal of competition amongst the small units themselves which further weakens their market position.

 Scale of production – The scale of production of the small unit naturally makes the cost of production higher which makes it difficult to undertake costly sales promotion campaign. Consumer prefers for frequently advertised products work against the small industry since only the large scale manufacturers can take up an advertising campaign that makes the public constantly aware of his product.

 Availability and pricing of raw materials – Availability of required materials (i.e. quality of materials) and their rising prices present difficulties in adhering to production costs.

 Limitations of small entrepreneur himself – The small entrepreneur has to look after all functional areas of management, viz- production, finance, materials government formalities, labour problems and marketing. As such how much time he can spend for marketing activity? Is a question for investigations.

 Lack of customer orientation – “Produce what customer wants at a price he is willing to pay” is a doctrine for success in today’s competitive world. The entrepreneurs should not
sell what they produce but should produce what their customers want. Many entrepreneurs neglect this fact.

xiv) Lack of unity amongst the SSI entrepreneurs – The small units, selling in small lots and with limited resources can't independently carry out any ambitious marketing exercise. With the collective efforts the SSI's can compete with large scale units. However at present the SSI's are competing amongst themselves instead of getting united.

4.4) Differences in Marketing for SSI and Large Industries:

Small scale industries are facing increasing difficulties in marketing their products due to the growing competition and recurrent recessions. There are well established large industries which produce the same products and compete with SSI's. The SSI's face lot of limitations as regards availability of money, manpower skills and time of the entrepreneur. So they find it difficult to focus attention on marketing activity which is not the case with large industries. The following Table No. 4.T 2 exhibits differences in the marketing for SSI and large industries.

Table No. 4.T 2

Differences in Marketing for SSI and Large Industries.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Parameters</th>
<th>Small Scale Industries</th>
<th>Large Scale Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Time</td>
<td>Entrepreneur's time availability is very little</td>
<td>Full time appointed staff</td>
</tr>
<tr>
<td></td>
<td>Money</td>
<td>Scarcity</td>
<td>Separate budget allocated</td>
</tr>
<tr>
<td>---</td>
<td>------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>3</td>
<td>Manpower</td>
<td>Limited</td>
<td>Afford to set up separate department</td>
</tr>
<tr>
<td>4</td>
<td>Marketing skills</td>
<td>Lack of skills due to limitations</td>
<td>Manpower with specialized skills available</td>
</tr>
<tr>
<td>5</td>
<td>Marketing tools</td>
<td>Costly</td>
<td>Separate budget available</td>
</tr>
<tr>
<td>6</td>
<td>Marketing info</td>
<td>Not available</td>
<td>Feedback can be judged</td>
</tr>
<tr>
<td></td>
<td>system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Production backup</td>
<td>Interrupted and in batch quantities</td>
<td>Uninterrupted and in large quantities</td>
</tr>
<tr>
<td>8</td>
<td>Service backup</td>
<td>Non affordable</td>
<td>Separate department can be set up</td>
</tr>
<tr>
<td>9</td>
<td>Financial</td>
<td>Gets affected even due to slightest change in</td>
<td>Excellent doesn't get affected due to slightest</td>
</tr>
<tr>
<td></td>
<td>stability of</td>
<td></td>
<td>change in demand</td>
</tr>
<tr>
<td></td>
<td>organisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Goodwill</td>
<td>Considerable time is spent in creating</td>
<td>Make use of established name and goodwill of the</td>
</tr>
<tr>
<td></td>
<td>Goodwill</td>
<td>good will</td>
<td>organisation</td>
</tr>
<tr>
<td>11</td>
<td>Environmental</td>
<td>Gets considerably affected even due to</td>
<td>Small change in business environment does not</td>
</tr>
<tr>
<td></td>
<td>changes</td>
<td>smallest change in business environment and /</td>
<td>affect the working much</td>
</tr>
<tr>
<td></td>
<td></td>
<td>or Government regulations</td>
<td></td>
</tr>
</tbody>
</table>


As like products, the life cycle stages are also applicable for Small Scale Engineering Units. Chart No. 4.C 1 and Table No. 4.T 3 exhibits requirements of the SSI engineering units in various stages in its life cycle for the applicable criterion.
Chart No. 4.C 1

Life Cycle Stages as applicable for Small Scale Engineering Units.

Table No. 4.T 3

Requirements of SSI Engineering Units in various stages of Life Cycle.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Criterion / Requirements</th>
<th>Introduction Stage</th>
<th>Growth Stage</th>
<th>Maturity Stage</th>
<th>Decline Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Entrepreneurial skills</td>
<td>Under development</td>
<td>Under testing</td>
<td>Matured thinking level</td>
<td>Under testing</td>
</tr>
<tr>
<td>2</td>
<td>Experience in running business</td>
<td>Nil</td>
<td>Moderate</td>
<td>Sufficient</td>
<td>Vast</td>
</tr>
<tr>
<td>3</td>
<td>Finances</td>
<td>Scares</td>
<td>Need to be generated</td>
<td>Easily available</td>
<td>High requirements</td>
</tr>
<tr>
<td>4</td>
<td>Working capital cycle</td>
<td>Irregular / interrupted</td>
<td>Heavily loaded</td>
<td>Stable</td>
<td>Heavily loaded</td>
</tr>
<tr>
<td>5</td>
<td>Investment</td>
<td>Low</td>
<td>Increasing</td>
<td>Stable</td>
<td>Increasing</td>
</tr>
<tr>
<td>6</td>
<td>Overheads</td>
<td>Low</td>
<td>Increasing</td>
<td>Stable</td>
<td>Increasing</td>
</tr>
<tr>
<td>7</td>
<td>Turnover levels</td>
<td>Low</td>
<td>Increasing</td>
<td>Stable</td>
<td>Increasing</td>
</tr>
<tr>
<td>8</td>
<td>Profit ratios</td>
<td>Low</td>
<td>Increasing</td>
<td>Stable</td>
<td>Increasing</td>
</tr>
<tr>
<td></td>
<td>Labour requirements</td>
<td>Low</td>
<td>Increasing</td>
<td>Stable</td>
<td>Increasing</td>
</tr>
<tr>
<td>---</td>
<td>---------------------</td>
<td>-----</td>
<td>------------</td>
<td>--------</td>
<td>------------</td>
</tr>
<tr>
<td>10</td>
<td>Skilled manpower</td>
<td>Non affordable</td>
<td>Needs to be employed</td>
<td>Affordable</td>
<td>Non affordable</td>
</tr>
<tr>
<td>11</td>
<td>Marketing</td>
<td>Efforts for introduction of the organisation</td>
<td>Efforts for business expansion</td>
<td>Efforts for increased volume of sales</td>
<td>Efforts for new product development</td>
</tr>
<tr>
<td>12</td>
<td>Nature of activity / work</td>
<td>Come what may</td>
<td>Area of working defined</td>
<td>Technology up-gradation</td>
<td>Change in production in line</td>
</tr>
<tr>
<td>13</td>
<td>Decision regarding the line of products</td>
<td>Not defined, based on opportunity</td>
<td>Gets defined by trial and error</td>
<td>Well set product line</td>
<td>Entry in new product line</td>
</tr>
</tbody>
</table>

4.6) A Small Scale Entrepreneur – The Key Role Player

The attitude of the small entrepreneur towards marketing his own product is a deciding factor in the success and growth of his organization. Marketing is a management function and must be integrated with production. It is the market forces that guide and decide the fate of any organisation. Therefore the correct understanding of the market forces, immediate policy decision and appropriate prompt action on the taken decision are essential elements of marketing management.

While taking business decisions, the small scale entrepreneur in the day to day working has to undergo lot of pressures from internal and external business environment. Few of them are listed as under:

Pressures on small scale entrepreneur in the business environment.
a) Internal environment i.e. production side of business.

Chart No. 4.C 2

The entrepreneur as the controlling function and marketing as the integrative function.

Environmental Pressure on the Organisation

i) Labour problems: Labour turnover, disputes and productivity.

ii) Finance arrangements: Working capital & term loan arrangements and completions of various related formalities.
Provisions for taxations and certifications like ISO, QS etc. 
Arrangements for labour payments.

iii) Production problems: Tooling arrangements, tackling safety problems, maintaining delivery schedules, attending break down maintenance and technology up-gradation.

iv) Government duties and other formalities: Ensuring timely payments of sales tax, income tax, central excise duty, profession tax and taxes of local governing body. Renewal of shop act license, taking approvals from pollution control board, taking approvals from factory inspector and labour officer.

v) Materials problems: Sourcing the raw materials of appropriate quality and at cheaper rates. Testing the materials as per customer’s specifications.

vi) Ensuring quality control procedures: Following quality controls norms for inward (raw material) and outward (finished goods) materials as per customer’s specifications. Also ensuring the quality in processing stages.

b) External environment i.e. marketing side of business

Chart No. 4.C 3

The Customer as the controlling function and marketing as the integrative function. (1)

Ref. (1) “Marketing management, analysis, planning, implementation and control” by – Philip Kotler – Ninth edition – Page No. 26
External environment i.e. marketing side of business

i) Completion of post despatch formalities

ii) Providing prompt after sales service

iii) Maintaining the business relations

iv) Searching new business opportunities

v) Keeping an eye on the changing trends in business environment

vi) Creating goodwill
The entrepreneur generally finds himself engaged in getting relieved from the internal pressures which affects the attention on marketing side of business.

4.7) The Gaps Analysis:
Marketing as business function involves the movement of products and services from the producer to the user, but this is not the only requisite for guarantee of business success. The movement of products and services is always associated with the flow of information from the producer to the user and vice-a-versa. However, this flow of information gets hindered by many factors, known as Gaps in the marketing system. Chart No. 4.C 4 exhibits marketing system as applicable to small scale engineering units.

Chart No. 4.C 4
Marketing System applicable for Small Scale Engineering Units.
These gaps can be broadly classified as internal gaps i.e. within the internal environment of the organization and external gaps i.e. in the external environment of the organization.

a) Internal communication gaps: These include communication gaps within various departments of the company about customer's expectations as regards—quality, delivery time schedule, technical specifications etc.

b) External environmental gaps:

i) Communication gaps—Company's communication with customers regarding availability of manufacturing facilities, products and services offered, company's service standard levels etc.

ii) Goods & services gaps: Quality and timely delivery of the goods and services provided.

iii) Finance gaps: Delayed payment from customers and less profits realized.

iv) Information gaps: New products availability in the market, technological changes, expectations of customers about the service standards, new opportunities in the business.

Clear understanding of such gaps and taking efforts for minimizing the same is essential for achieving the success in business.
4.8) Total Quality Marketing:

Ability to produce is a necessary condition but not the only condition for guarantee of business success. Capability to sell confidently at a profit is the critical test. Acceptable quality and competitive price brings status and standing in the market for any product. Consumer is at the center of the marketing function and marketing management rotates round him. Success in sales can't be profitably managed unless the sales force is properly trained and controlled with imagination and vision. It thus becomes a specialized and professional function when the dimensions of the marketing operation widen. Management expert Philip Kotler has stated internal and external marketing as: (2) - To foster team work among all departments the company carries out internal marketing as well as external marketing. External marketing is marketing directed at people outside the company. Internal marketing is the task of successfully hiring, training and motivating able employees who want to serve the customers well. In fact internal marketing must precede external marketing. It makes no sense to promise excellent service before the companies staff is ready to provide excellent service.

The need for specialization and professionalisation is evident irrespective of where the goods are sold i.e. in the country or abroad, to the government purchasing agency or private buyers. Therefore careful selection, continuous

Ref. -(2) “Marketing management, analysis, planning, implementation and control” by – Philip Kotler – Ninth edition – Page No. 24
training and effective supervision of the sales personnel are vital to the sales promotion. To sell the product is an art and if the art is properly developed it would not only gather more turnover but would also satisfy customer. Marketers play several roles in helping their company to deliver high quality goods and services to their customers. Some of such roles are listed as follows:

i) To bare the responsibility of identifying the customer’s needs.

ii) Conveying such needs correctly to product designers.

iii) To ensure that customers orders are fulfilled in time.

iv) To ensure that the customer has received proper instructions and training about the use of product.

v) To ensure that the customers are satisfied and remain satisfied after the sales is over.

vi) To gather customer’s ideas for product and service improvement and convey them to the appropriate company department.

When marketers do all this, they are making their contributions to total quality marketing.

It is seen from the preceding paragraphs that:

i) Industrial products differ from consumer products in many ways.

ii) Industrial buying exhibits certain typical characteristics, the marketers must consider these while marketing their products.
iii) In day to day working the small scale engineering units face problems of marketing due to quality, scale of production, availability and pricing of raw materials, lack of customer orientation and limitations of the small entrepreneur himself.

iv) There does exist differences in marketing for small and large engineering industries. These are mainly due to the limitations of money, time and requirements of manpower skills.

v) As like products the small scale engineering units also undergo life cycle stages, as such their marketing requirements differ in various stages. Due attention must be paid to such requirements while taking policy decisions and strategy formation.

vi) In day to day working, the small scale entrepreneur has to undergo pressures from internal as well as external business environment. The entrepreneur generally finds himself engaged in getting relieved from the internal pressures which affects the attention on marketing side of business.

vii) Existence of gaps in the marketing system creates hindrance for the business. Clear understanding of such gaps and taking efforts for minimizing the same is essential for achieving the success in business.

viii) For achieving the success, both internal and external marketing of any organization has to be customer oriented and the marketers have specific roles to play for achieving total quality marketing.
The small entrepreneurs in association with the Polymarketing Organisation can take care of the above mentioned marketing related factors for the betterment and smooth functioning of their units.