3

DETERRENT OF SOUND MARKETING PRACTICES

Marketing Practices in Small Scale Industries

The small scale industries have to face various types of marketing problems in comparison to large-scale industries. Their marketing practices are weaker in all respects than that of large-scale units. Small-scale units cannot withstand cut-throat competition in terms of cost, quality, etc. from large-scale industries. This is one of the obstacles in fuller utilization of marketing organization capacity in the small-scale sector. The second reason that exhibits the poor picture of marketing practices of small-scale industries is that the small-scale entrepreneurs have little appreciation of marketing concept and strategy. The most knotty problem in the operation of marketing practices of small-scale industries is their isolation from the market and their inability to understand quickly and accurately the prevailing trends in the market.

Overall marketing performance of the small scale industries of Uttarakhand has been influenced by the factors from the following table:

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Influencing Factor</th>
<th>No. of SSI Units Affected</th>
<th>Percentage to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Existence of cut-throat competition in terms of cost, quality, etc. with large-scale industries</td>
<td>38</td>
<td>95.00</td>
</tr>
<tr>
<td>2.</td>
<td>Underutilization of marketing organization capacity</td>
<td>14</td>
<td>35.00</td>
</tr>
<tr>
<td>3.</td>
<td>Poor marketing practices</td>
<td>17</td>
<td>42.50</td>
</tr>
<tr>
<td>4.</td>
<td>Entrepreneurs’ little appreciation of marketing concept and strategy</td>
<td>13</td>
<td>32.50</td>
</tr>
<tr>
<td>5.</td>
<td>Less knowledge of prevailing market trends</td>
<td>9</td>
<td>22.50</td>
</tr>
<tr>
<td></td>
<td>Issue</td>
<td>Rating</td>
<td>Percentage</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------------------------------------------</td>
<td>--------</td>
<td>------------</td>
</tr>
<tr>
<td>6.</td>
<td>Delay in understanding market behaviour</td>
<td>8</td>
<td>20.00</td>
</tr>
<tr>
<td>7.</td>
<td>Inaccuracy regarding prevailing market trends</td>
<td>7</td>
<td>17.50</td>
</tr>
<tr>
<td>8.</td>
<td>Reluctance towards efficient marketing techniques</td>
<td>11</td>
<td>27.50</td>
</tr>
<tr>
<td>9.</td>
<td>More focus on manufacturing</td>
<td>5</td>
<td>12.50</td>
</tr>
<tr>
<td>10.</td>
<td>Less focus on new types and areas of consumption</td>
<td>6</td>
<td>15.00</td>
</tr>
<tr>
<td>11.</td>
<td>Existence of small number of channels of communication between small manufacturer and the ultimate customer</td>
<td>23</td>
<td>57.5</td>
</tr>
<tr>
<td>12.</td>
<td>Less knowledge of changing tastes and preferences of customers</td>
<td>7</td>
<td>17.50</td>
</tr>
<tr>
<td>13.</td>
<td>Less resources and knowledge for effective sales promotion</td>
<td>18</td>
<td>45.00</td>
</tr>
<tr>
<td>14.</td>
<td>Payment of heavy commission to dealers for their efforts resulting in reduction in profit margins</td>
<td>32</td>
<td>80.00</td>
</tr>
<tr>
<td>15.</td>
<td>Higher sales volume at the place of manufacture than that of market</td>
<td>6</td>
<td>15.00</td>
</tr>
</tbody>
</table>

**Source: Survey results**

By the analysis of the above table it is clear that 95 percent of the sample, SSI units are facing cut-throat competition in terms of cost, quality, etc. with large-scale industries as the large-scale industries enjoy the benefits of higher volume of finance and production, higher level of marketing skill as well as of market research which the small scale industries may not afford. Further 35 percent of the SSI units have under-utilized their marketing organization capacity resulting in higher marketing cost per unit sold. Higher marketing cost reduces the size of profitability. Most of the small scale units market their products through commission agents who charge a fixed rate of commission on the sales effected. But this method is used only for out of State sale or sales in far off places of the State. To conduct local sales these units employ their own marketing personnel. If there is fall in local demand, the marketing personnel sit idle which escalates marketing cost per unit sold.
Through our survey it has also come into notice that 42.50 percent of the sample SSI units fell a pray to poor marketing practices. This is why their marketing performance has been very low. About one-third of the entrepreneurs found with little appreciation of marketing concept and strategy. They took marketing as selling and were not aware of other features of marketing like market research, product planning, after-sales-service, consumer welfare etc. These entrepreneurs were also not aware of the marketing plan to be used for different types of products. In the marketing of pharmaceuticals physicians’ recommendation is important whereas in the marketing of furniture dealers’ opinion is of utmost importance. Similarly in the marketing of FMCG, textiles and other consumer goods, consumers’ responsiveness helps in preparing marketing plan. Marketing strategy is the part of marketing plan which differs product to product. Near about one-fourth of the SSI units found to have less knowledge of prevailing market trends. Generally the small-scale industries remain in isolation from the market, this is why these units do not have full knowledge of latest market trends which affects their marketing performance adversely.

One-fifth of the total sample SSI units could not grasp market behaviours whenever changes were occurred in it. Besides, inaccuracy was also visible as regards prevailing market trends near about in one-sixth of the total sample units. As new changes are visible in all fields of business activities all over the world, marketing too is not an exception to it. The efficient marketing techniques have resulted in increase in increase in profitability of the business enterprises. Small scale units in Uttarakhand have been found quite reluctant towards efficient marketing techniques to the tune of 27.50 percent. One-eighth of the units have put their focus on manufacturing presuming that the goods produced would surely be sold
while only 15 percent of the sample units have put less focus on new areas and types of consumption. Both these phenomena show that the small scale industries still have not adapted themselves according to latest marketing techniques.

In more than half (57.5 percent) of the small scale units there exist small number of channels of communication between small manufacturer and the ultimate customer which limits the market for small industry products. Some units (17.50 percent) had less knowledge of changing tastes and preferences of customers which also limits the market diversification. Really the product must be as per consumers’ tastes and preferences only then it would be widely accepted in the market. During the survey it was also witnessed that 45 percent of the sample SSI units had less resources and knowledge for effective sales promotion. Majority of the units (80 percent) pay heavy commission to dealers for their selling efforts thus curtailing their profit margins. Some units found effecting major position of their sales at the place of manufacture and in the market their sales volume has been found very little. It has been found especially in case of packaging and furniture.

Our survey of marketing practices adopted by the small-scale industries in Uttarakhand reveals that inspite of an extensive potential market, the small entrepreneurs have been found most reluctant towards efficient marketing techniques and consequently have met with utter failure on the front of marketing of their products. When it comes to the question of markets for which the products are produced, most of the small entrepreneurs appear to be as much anchored to the past as they are in the methods of manufacturing. Types and areas of consumption are shifting but only a few products try to follow them. This, in part at least, is due to the prevailing system of distribution. Few channels of communications
exist between the small manufacturer and the ultimate customer. In many cases, the manufacturer does not even know in what part of the country, his wares are used or who buys them.\footnote{3}

Our study of 40 small-scale units has revealed that over the years, small scale units are facing increasing competition from large-scale units. Small scale sector needs to cater to changing tastes and preferences of customers if it is to withstand the growing competition. It has also been found that the small-scale units lack in resources and knowledge for effective sales promotion. Large scale industries have patented names. Small scale industries have to pay a heavy commission to dealers for their selling efforts resulting in reduction in profit margins. Some small industry products enjoy higher sales at the place of manufacture than that of market.

**MARKETING INFORMATION**

The successful marketing of products requires adequate and up-to-date information about changing market conditions. Decisions as regards to type of product, the price policy, the channel of distribution and sales promotion can be made rightly with the help of sound marketing information at the appropriate time. The large-scale industries characterized with ample financial resources conduct marketing research in order to collect marketing information. Marketing research is the gathering, recording and analysis of all facts about problems to the transfer and sale of goods and services from producer to consumer. Small scale industries with low financial resources are often unable to afford continuous marketing research. Our survey has revealed that the entrepreneurs of small-scale industries can use personal contacts and
other informal methods for collecting required information as regards to markets where products may be supplied.

The small-scale industries collect marketing information from the following sources.

1. **Secondary Sources:**

   Secondary data are those data which have already been collected by some other persons for their purpose. That is, the data taken from published or unpublished records like research papers, newspapers, periodicals, journals, office records, etc. are known as secondary data. In other words, the data obtained by other persons and being used now in the investigation are known as secondary data. Renowned statistician, Horace Secrist has stated that “the distinction between primary and secondary data is largely one of degree. Data which are secondary in the hands of one party may be primary in the hands of another.” Secondary data are in the form of finished product and are easily available. But precautions are necessary in the use of secondary data. The small scale industries of Uttarakhand have got marketing information from the following secondary data:

   (a) **Print Media:**

   Print media plays an important role as a source of marketing information which provides trade publications. News papers like Eastern Economist, The Financial Express, The Economic Times, Commerce and Business Standard and journals like Business Today and trade directories regularly publish data about various industries specially small scale industries. The entrepreneurs get a number of types of marketing information
from these papers and journals and plan their production schedule.

(b) **Government Publications:**
Government publications too are a big source of marketing information. This is why the entrepreneurs rely on information provided by different Ministries and Departments of the Central Government and State Governments. Government agencies publish regularly some bulletins, periodicals, journals and magazines which contain very useful data relating to business. Some of the important Government publications are Yojna, Company News and Reports, Annual Report on the Working of Public Undertakings, Import Policy, Guidelines for Industries, etc. Small industry entrepreneurs may also take advantage of reports of various Committees and Commissions appointed by the Government from time to time. These reports are of much use in marketing research.

(c) **Publications of Financial Institutions:**
The financing institutions which provide seed capital to the industrial units are called financial institutions. These institutions employ economists, financial experts and other experts of trade and industry who collect information too. The Reserve Bank of India. ICICI, IFCI, SFCs, etc. publish a lot of useful information. the annual report on Currency and Finance and the monthly bulletin of the Reserve Bank of India contain a large mass of data regarding the monetary and fiscal aspects of the Indian economy. Such information is of great help in the marketing of small industry products as well.
(d) **Foreign Governments and International Agencies:**

Publications in various fields of life are being made available by foreign governments and international agencies like The United Nations, the World Bank, The ILO, ESCAP, IFC, UNCTAD and the IMF. Such data may be useful in making comparisons with the Indian economy and for exploring markets in foreign countries. The small industry entrepreneurs may get various types of information from these publications and get in touch with outside world and may exploit the opportunities available in global market.

(e) **Publications of Trade Associations:**

Trade associations are formed to have dialogue with the Government to safeguard the interests of trade and industry. These trade associations put pressure on Government to get advantage of liberal trade policy, taxation policy etc. in which various concessions, rebates, relief and incentives may be granted to the industrial community. These Trade Associations and Chambers of Commerce collect and publish useful data for the benefit of their members. Such data can be very useful in analyzing business trends in a particular industry or region. In India Associated Chambers of Commerce & Industry (ASSOCHAM) and Federation of Indian Chambers of Commerce and Industries (FICCI) collect various types of information relating to trade and industry including marketing information which may be used for the efficient marketing of goods specifically products manufactured by small scale industries.
(f) **Private Organisations and Research Institutions:**

Some research organizations and institutes like National Council of Applied Economic Research, Indian Institute of Foreign Trade, Indian Institute of Economic Growth, Indian Institute of Planning, Indian Institute of Productivity, Indian Institute of Financial Management, Institute of Applied Manpower Research, Tata Institute of Fundamental Research conduct research studies regularly and publish business data of various types. These data are very useful for small industry entrepreneurs to be used in marketing of the products.

The Survey results as regards collection of marketing information from secondary sources relating to small scale industries of Uttarakhand are given in the following table:

**Table 3.2**

**Secondary Sources of Marketing Information as regards Small Scale Industries of Uttarakhand**

<table>
<thead>
<tr>
<th>Source of Information</th>
<th>Marketing Information</th>
<th>No. of SSI units receiving information</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print Media</td>
<td></td>
<td>5</td>
<td>12.50</td>
</tr>
<tr>
<td>Government Publications</td>
<td></td>
<td>3</td>
<td>7.50</td>
</tr>
<tr>
<td>Publications of Financial Institutions</td>
<td></td>
<td>2</td>
<td>5.00</td>
</tr>
<tr>
<td>Foreign Governments and International Agencies</td>
<td></td>
<td>4</td>
<td>10.00</td>
</tr>
<tr>
<td>Publications of Trade Associations</td>
<td></td>
<td>7</td>
<td>17.50</td>
</tr>
<tr>
<td>Private Organisations and Research</td>
<td></td>
<td>5</td>
<td>12.50</td>
</tr>
</tbody>
</table>

Source: Based on survey
By the analysis of the above table it is clear that small scale industries do not heavily depend for marketing information on secondary sources. Only 12.50 percent of the units depend on print media for necessary information. Only 7.50 percent of the sample units take help of Government publications for the marketing of their products. Very few (5 percent) of the units resort to publications of financial institutions to collect marketing information. One-tenth of the sample small scale units study the reports of foreign governments and international agencies to strengthen their information base. Publications of various trade associations are utilized by 17.50 percent of the trade sample units. One-eighth of the SSI units get marketing information from private organizations and research institutions.

2. **Primary Sources:**

Sometimes secondary data are not found suitable or appropriate in the marketing of small industry products. Under such circumstances it becomes quite necessary to collect first hand information known as primary data. The most important factor in any statistical enquiry is that the original collection of data is correct and proper. If there are inadequacies, short-comings or pitfalls at the very source of the data, no useful and valid conclusions can be drawn even after applying the best and sophisticated techniques of data analysis and presentation of the results. The data which are originally collected by an investigator or agency for the first time for any statistical investigation and used by them in the statistical analysis are termed as primary data. The data are primary to the source who collects and possesses them for the first time. In the case of primary data which are to be collected originally, the entire scheme of the plan starting with the definitions
of various terms used, units to be employed, type of enquiry to be conducted, extent of accuracy aimed at, etc. is to be formulated.

In our survey we got primary data relating to small industry marketing from the following sources:

(a) **Customers:**

We know an established fact that all the consumers are customers but all the customers are not consumers. Consumers are the final users and ultimate judge of products and services. They are, therefore, an invaluable source of primary data to collect market information. A representative sample of consumers had been selected and information were obtained from them regarding the quality, design, package, price, etc. of the different firms' products covered under the definition of small scale enterprise. Direct contact with the ultimate consumers has provided an opportunity to invite suggestions regarding the features of the product. The data obtained from different dealers and sales persons could also be checked for their reliability. Some firms have formed a panel known as ‘consumers panel’ to know the opinions of consumers. The consumers included in the panel were interviewed personally to know their tastes, attitudes and fashion on a regular basis. They were provided with a diary to note down their experiences regarding the use and other specifications of the product/products manufactured by the small scale industrial units.
The above mentioned panel research is very crucial as far as marketing of small industry products is concerned. This panel research can be used-
(i) to find consumer attitudes and preferences,
(ii) to test sample of a product,
(iii) to assess market trends,
(iv) to determine brand loyalty, and
(v) to find out response to package design.

(b) **Dealers:**
Dealers are the important channel of distribution and strong middlemen. The middlemen dealing in the products of small scale industries can be a helpful source of primary data. These dealers may be requested to provide information about the marketing policies of the competitive business community. Alternatively, investigators may be sent to contact the dealers or distributors personally to find out the popularity of the firm and of its products, the market share of the firm, the other products handled by the dealer etc. Inspite of our best efforts and pertinence we could not prepare the dealers to disclose the secrets of their agreements with other firms and the information supplied by them may not be fully reliable. Any how, dealers are one of the important source of marketing information.

(c) **Sales Persons:**
Salesmen are always in personal contact with the customers. They are in a position to supply data relating to the buying habits and preferences of customers. We may also take help of salesmen in the preparation and submission of periodical reports
on customers' tastes and preferences. Salesmen provide the first-hand information on market conditions within a very short span of time. They can keep the marketing manager fully informed of customers' opinions and reactions. If the information supplied by the salesmen is utilized in formulating the marketing polices of the firm, they feel motivated. However, the information supplied by the salesmen may not be deemed to be free from bias. The salesmen are clever enough and may not give correct information if they doubt that it will affect their interest adversely and may prove detrimental to their career prospects.

The success of marketing practices depends upon sound marketing information. The marketing information may be sound and more dependable preferably if primary data are collected. In Uttarakhand, the position of collected primary data as regards small industry products has been recorded as under:

Table 3.3
Position of Primary Data as regards marketing Information of Industry Products in Uttarakhand

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Source of Marketing Information</th>
<th>No. of SSI units receiving information</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>Customers</td>
<td>12</td>
<td>30.00</td>
</tr>
<tr>
<td>(B)</td>
<td>Dealers</td>
<td>28</td>
<td>70.00</td>
</tr>
<tr>
<td>(c)</td>
<td>Sales Persons</td>
<td>6</td>
<td>15.00</td>
</tr>
</tbody>
</table>

Source: Based on survey

Customers’ responsiveness as regards quality, design, packaging and prices of small industry products is of utmost importance for the
entrepreneurs of small enterprises. Thirty percent of the sample SSI units have got marketing information from customers. These customers were the final users of plastic items, FMCG, textiles and electronic items. Majority of the units (70 percent) got necessary marketing information from dealers who are important chain between manufacturers and the final consumers. Fifteen percent of the sample small scale units were provided required marketing information by their sales persons who are in direct touch of the customers, hence information provided by them is quite reliable.

The responsiveness of sample small scale units as regards marketing information may be clear with the help of the following table-

**Table 3.4**

Respondents’ Responsiveness regarding Small-Industry Products

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Marketing Information</th>
<th>Percentage of Respondents agreed</th>
<th>Percentage of Respondents not agreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>The quality of the product is high</td>
<td>17.5</td>
<td>82.5</td>
</tr>
<tr>
<td>(ii)</td>
<td>The design of the product is satisfactory</td>
<td>55.0</td>
<td>45.0</td>
</tr>
<tr>
<td>(iii)</td>
<td>The packaging of the product keeps it quite safe</td>
<td>70.0</td>
<td>30.0</td>
</tr>
<tr>
<td>(iv)</td>
<td>The price of the product is reasonable</td>
<td>42.5</td>
<td>57.5</td>
</tr>
<tr>
<td>(v)</td>
<td>There is cut-throat competition in the product market</td>
<td>85.0</td>
<td>15.0</td>
</tr>
<tr>
<td>(vi)</td>
<td>The behavior of dealers irritates the customers</td>
<td>37.5</td>
<td>62.5</td>
</tr>
<tr>
<td>(vii)</td>
<td>The product is according to the taste of the consumers</td>
<td>32.5</td>
<td>67.5</td>
</tr>
<tr>
<td>(viii)</td>
<td>The product fulfils the changing fashion requirements of the consumers</td>
<td>27.5</td>
<td>72.5</td>
</tr>
<tr>
<td>(ix)</td>
<td>The product enjoys brand loyalty in the market</td>
<td>20.0</td>
<td>80.0</td>
</tr>
<tr>
<td>(x)</td>
<td>The unit has information about the marketing policies of the competitive units</td>
<td>12.5</td>
<td>87.5</td>
</tr>
<tr>
<td>(xi)</td>
<td>The product is popular among the consumers</td>
<td>35.0</td>
<td>65.0</td>
</tr>
<tr>
<td>(xii)</td>
<td>The consumers frequently complain of the product</td>
<td>7.5</td>
<td>92.5</td>
</tr>
</tbody>
</table>

*Source: Based on survey*
Our survey results reveal that 17.5 percent of the SSI units of Uttarakhand enjoy high quality of their products. They have wide acceptability in the market due to high quality. The design of the product is satisfactory in case of 55 percent of the total units. As far as packaging of the products is concerned it is found quite safe in 70 percent of the units. As there is tough competition in the market, the industries are forced to keep the prices of their products quite reasonable. With the fast expanding industrialization, 85 percent of the units are facing cut-throat competition. Besides, the SSI units are forced to depend on the services provided by the dealers. Thus the dealers think themselves king of the market. Their rude behavior irritates the customers. Nearly one-third of the customers have been found victim of this rude behavior of dealers.

Further it is an established fact that changing socio-cultural atmosphere has resulted in change in the tastes of the consumers. One-third of the SSI units of Uttarakhand got success in producing items according to the changing tastes of the consumers. With the change in tastes there is also happening change in fashions too. More than twenty seven percent of the units have fulfilled the changing fashion requirements of the consumers. The brand image of some FMCG is very high. Our survey has shown that products of one-fifth of the units enjoy brand loyalty in the market.

As far as information about the marketing prices of the competitive units is concerned, only one-eighth of the SSI units got success in this area. Out of total products manufactured or produced by the small scale industries nearly one-third of such products are popular among the consumers. There is dark side also of the small industry products. The consumers complain in this or that way of some small industry products (75 percent) as regards quality, durability, size, packing etc.
MARKET ASSESSMENT

Several techniques are available for sales forecasting. But in case of small industry products, we have used only the following methods:-

(i) **Survey Method:**
In this method, information about demands is collected from dealers, sales persons and experts. On the basis of their opinions the likely demand is calculated.

(ii) **Statistical Methods:**
Time series and multiple regression analysis are widely used statistical methods for sales forecasting. Under time series analysis data relating to previous years are extrapolated to estimate future demand. For example, if the demand has been growing on an average by 12 percent during the last 15 years, demand for the next 15 years can be estimated with this 12 percent increase per year. Under regression analysis method, demand is estimated on the basis of its established relationship with some variable, e.g., per capita income. It is noteworthy to mention here that the person using statistical methods must have deep knowledge of collecting data and statistical tools as well.

(iii) **Leading Indicator Method**
Some indicators move up or down ahead of others. By observing the movement of such leading indicators, the events that follow can be predicted. For example, increase in production of vehicles whether light or heavy, two wheelers, three wheelers or four wheelers, may be an indicator suggesting increase in the demand for auto accessories, diesel and petrol.
Bases of Segmentation for Small Industry Products

The segmentation for small industry products in Uttarakhand has been made on the bases of the following variables:

(i) **Geographic Segmentation**: The characteristics of customers often differ across the territories. For instance, urban customers are better educated and have higher income levels than rival customers. Similarly, export markets, may have different requirements than domestic markets. In Uttarakhand geographical regions are-upper Himalayan region, lower Himalayan region, foot hill region, Tarai region and plains.

(ii) **Demographic Segmentation**: Population variables such as age, sex, marital status, number of children are widely used for market segmentation. These variables have also been used in Uttarakhand too. On the basis of age customers may be classified into children, teenagers, adults and elderly people. Manufacturers of toys, toffees and comics often focus on children.

(iii) **Education**: The demand of some product is based on education level of the consumers. Reading habits of people differ according to their education level. Publishers of books and magazines often use education as the basis of market segmentation.

(iv) **Socio Economic Variables**: The income level of people influence the quantity and quality of products demanded. For example, housing bodies like HUDCO, Avas Vikas Parishad, divide market into LIG, MIG and HIG categories.
(v) **Psychological Variables**: In market segmentation, psychological variables like life style, tastes, attitudes etc. can also be used. For example, some products like pens, watches, cosmetics and brief-cases are designed differently for general masses and status seekers.

**Table 3.5**

**Bases of Segmentation for Principal Small Industry Products in Uttarakhand**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Basis of Segmentation</th>
<th>Relevant Small Scale Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Geographical Segmentation</td>
<td>Heavy &amp; light weight furniture, textiles, hand bags, pieces of fashion jewellery, wooling garments, readymade garments,</td>
</tr>
<tr>
<td>2.</td>
<td>Demographic Segmentation</td>
<td>Footwears, soaps, bath and hygiene articles, bodycare products, toothpastes, perfume bottles, sports products, video-games, baby products, baby cycles,</td>
</tr>
<tr>
<td>3.</td>
<td>Education</td>
<td>Plywood products, toys and games, computers &amp; Accessories,</td>
</tr>
<tr>
<td>4.</td>
<td>Socio-Economic Variables</td>
<td>Furniture, automobiles, medicines, modular kitchens &amp; wardrobes, electronic items, products of home &amp; kitchen, personal care appliances,</td>
</tr>
<tr>
<td>5.</td>
<td>Psychology variables</td>
<td>Cosmetics, watches, brief-cases, suit-cases, soaps, biscuit &amp; other food products, beauty products,</td>
</tr>
</tbody>
</table>

**Source: Based on Survey**

In the above mentioned segmentation every possible effort has been made to put reasonable basis. Besides there are a large number of items for which basis of segmentation could not be determined. Such products are pharmaceuticals, packaging, some sorts of furniture, engineering goods, some sorts of electronic goods, steel items, various types of plastic items, auto-mobiles and a few FMCG.
Marketing is a very complicated field of business operations. All types and scales of business enterprises face marketing problems in this or that form. But in case of small scale industries marketing problems are more serious. First, small scale industrial units are not in a position to withstand cut-throat competition in terms of cost, quality, etc. from large scale industrial units. This reason has been observed one of the obstacles in fuller utilization of installed production capacity in the small scale industrial sector. Secondly, most of the entrepreneurs of small-scale industrial units have little appreciation of marketing concept and strategy. The small scale industrial units are isolated from the market and are generally incapable to understand quickly and accurately the prevailing trends in the market.

While commenting on the marketing practices adopted by the small scale entrepreneurs in India the Ford Foundation made the following observations. “In spite of an extensive potential market, the Indian small entrepreneurs were most reluctant towards efficient marketing techniques and consequently have met with utter failure on the front of marketing of their products. When it comes to the question of markets for which the products are produced, most of the small entrepreneurs appear to be as much anchored to the past as they are in the methods of manufacturing. Types and areas of consumption are shifting but only a few products try to follow them. This, in part at least, is due to the prevailing system of distribution. Few channels of communications exists between the small manufacturer and the ultimate customer. In many cases, the manufacturer does not even know in what part of the country, his wares are used or who buys them.”

The small scale industries of Uttarakhand are not enjoying sound marketing practices. The following are the deterrents of sound marketing practices in these industries:

1.

2.
(A) **INADEQUACY OF MARKETING INFORMATION:**
The success of a business enterprise depends upon its marketing system and the soundness of marketing system to a large extent depends upon adequate and up-to-date information. The changing market conditions affect the marketing of the products. Decisions as regards the type of product, the pricing policy, the channel of distribution, and sales promotion can be made rightly with the help of right marketing information at the right time. The large scale industries conduct marketing research to collect marketing information. Marketing research is the gathering, recording and analysis of all facts about problems relating to the transfer and sale of goods and services from producer to consumer. Small scale industries with their limited financial resources are generally unable to afford continuous marketing research. However, they can use personal contacts and other informal methods for collecting required information about markets.

The small scale industries too like large scale industries collect marketing information through two sources viz, secondary and primary. The Secondary sources include press, government publications, publications of financial institutions, foreign governments and international agencies. Besides, publications of various trade associations and research institutions have also been utilized for this purpose. In our survey we have found that secondary data are inappropriate and may not be utilized as it is because the market conditions are different for different types of small scale industries. Even market conditions differ for different types of products. This has been found the important drawback of marketing practices adapted by small scale industries of Uttarakhand.
Small scale industries do collect primary data from customers, dealers and sales persons. Consumers are the final users and ultimate judge of products and services. This is why consumers are known as invaluable source of primary data. Data regarding quality, design, package, price etc of the products of small scale industries have been collected by selecting representative sample. Unfortunately direct contact made with the ultimate consumers failed to provide an opportunity to get concrete suggestions regarding the features of the products. The reliability was not of high degree as the dealers and sales-persons did not help to the required extent in this regard. Most of the small scale units failed to conduct interview of consumers to know their tastes, attitudes and fashion on a regular basis. The dealers of the small industry products all over the State were requested to provide information about the marketing policies of the competitors but they too did not cooperate upto required extent. The dealers were found reluctant to disclose the secrets of their agreements with other firms. Information supplied by these dealers is not fully reliable. Data relating to the buying habits and preferences of customers were also collected with the help of salesmen. The salesmen are the real source of primary data as they are fully informed of customers' options and reactions. The information received from these salesmen, helped much in formulating the marketing policies of the enterprises.

(B) DIFFICULTY IN MARKET ASSESSMENT:

The customers of a market require different types or qualities of a product. A single small-scale unit may not meet the requirements of all types of customers. So, it has to choose a target market or group of customers. After identifying the target market, total demand is estimated. Market demand for a product is the total volume that would be bought by
a defined customer group in a defined geographical area in a defined time period, in a defined marketing environment under a defined marketing programme.

Out of the several techniques used in demand forecasting we have used survey method and some statistical methods for this purpose. Under the survey conducted information about demand of various types of products produced/manufactured by small scale units was sought from dealers, sales persons and experts of marketing. In Uttarakhand, we came to know that number of persons engaged in marketing services is quite negligible. This is why our data lack in inclusion of experts’ advice. Besides, the dealers and sales persons were found all the time busy and were reluctant to provide the necessary information to serve our purpose. In this way, survey method proved of so much use in demand forecasting.

Under statistical methods least square method, extrapolation and multiple regression analysis are widely used. Under time series analysis data relating to forthcoming years are extrapolated to estimate future demand. The least square method shows two parts of demand constant-demand (a) and variable demand rate of growth (b) multiplied by x. This growth rate helps in estimating future demand. Under regression analysis demand is estimated on the basis of its established relationship with other variable, e.g., per capita income of customers. In real life the customers hesitate to mention their real per capita income which is one of the major drawback in the forecasting of demand. The hidden purchasing power in the pockets of the customers also pushes up the demand. Eventually, it may be put that demand forecasting methods may not forecast demand exactly.
(C) LEAKAGES IN MARKET SEGMENTATION:

The customers of small scale industry products also are heterogeneous who differ in terms of their needs, preferences and buying capacities. First we divided the different customers in different groups on the basis of their income slabs, age-groups, gender, needs and geographical areas. These different groups are known as different segments or homogeneous customer groups. To know the incomes, age, gender, needs and geographical area of the customers a structured questionnaire was prepared which comprised multiple choice questions. The respondents showed no much interest in providing these information which resulted in poor market segmentation. Unless sound market segmentation is attained, efficient marketing operations are not possible

According to Philip Kotler, "Market segmentation is the sub-dividing of a market into homogeneous subsets of customers where any subset may conceivably be selected as a target market to be reached with a distinct marketing mix." With the help of market segmentation marketing efforts are fine tuned so as to match the requirements of the target market as far as possible. Our survey has revealed that the small scale units generally do not waste their efforts in trying to sell to all types of customers, instead they focus its efforts on the segment most appropriate to its marketing programme. These units lack in marketing experts as a result of their limited financial resources, hence may not focus on all segments of market.

The following points of poor market segmentation have been noticed as regards small industry products units of Uttarakhand:

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(i) The characteristics of customers based on geographic segmentation do not differ much across the territories. The rural customers are not less rational in comparison to urban customers as far as purchase of products is concerned. To maintain their standard of living some small industry products are equally liked and purchased by both urban and the rural customers irrespective of their income levels. In this way the theory of market segmentation based on geographic territories does not hold true in case of small industry products. As far as exports are concerned, the domestic markets and foreign markets have different requirements.

(ii) Demographic segmentation based on population variables such as age, sex, marital status, number of children etc. was made with great difficulty. People have been found quite reluctant in telling their correct age and they have made misleading statements in this regard. Our classification of customers on the basis of age into children, teenagers, adults and elderly people could not be made with appropriate accuracy. The preference, taste and need of each age group is different and the entrepreneurs make different marketing programmes to promote their sales. In this way the leakages in information received puts adverse impact on marketing practices.

(iii) Some small industry products with varied features are such that are required by customers of different education levels. For example, publishers of books and magazines often use education as the basis of market segmentation. While classifying the customers in different groups based on education level, we had to face much difficulty in determining this education level. It is difficult to draw a demarcation line between different education levels. Hence, the segmentation stood of low grade.
(iv) Market of small industry products was also segmented on the basis of psychological variables which include personality, life style, tastes, attitudes, etc. Products like watches, pens of all types, cosmetics and brief cases are designed for general masses as well as status seekers both. In the same way wearing apparels and some durables are also purchased by common man and status seekers both. Here, life styles and personality are important variables but the information collected as regards these variables was neither sufficient nor accurate resulting in poor market segmentation.

(D) **DEFECTIVE PRICING POLICY**:

In the whole business world pricing plays an important role. Price is an important element of marketing mix as it influences the profit margin and the sales volume. Pricing a product is the process of translating into quantitative terms the value of a product to customers. Pricing involves not only fixing the base price but also deciding the discount structure, mode of payment, currency to be used, etc. Here, it is important to mention that pricing objectives are determined first before formulating the pricing policy of an organization. These objectives may be any one or more of the following—

(i) to maximize total profits of the enterprise;
(ii) to maximize the sales revenue;
(iii) to achieve a target rate of return on investment;
(iv) to capture a desired market share;
(v) to meet completion;
(vi) to discourage entry of new firms by keeping prices low; and
(vii) to create and maintain high quality image of the firm by keeping prices high.

Like other industries, the small scale industries too adopt any one or more of the following pricing policies—skimming price policy, penetrating price policy, price discrimination and resale price maintenance. These are discussed as under:

(i) **Skimming Price Policy:** Under this policy, small scale industries too charge high initial price with a view to recover the costs quickly. This policy has been adopted in cases of new products, innovative products, products of high prestige value, products used by rich customers and products the demand of which is inelastic. But these small scale industries failed to complete the large scale industries. There are other competitors also present in the market. Some small scale units have resorted to innovation and developed improved products thus reduced the price to meet cut-throat competition.

(ii) **Penetrating Price Policy:** The entrepreneurs who want to attract more and more customers and intend to capture the lion’s share of the market charge low initial price of their products. In this way large scale production and mass of scales help in reducing the cost production. Our survey has revealed that this policy is suitable if (a) the product is the item of mass consumption; (b) demand of the product is very elastic; (c) the installed capacity of the enterprise is large; and (d) there is strong threat of potential competition. It is noteworthy that penetrating pricing is opposite of skimming pricing. Our survey has revealed that most of the small scale industries of Uttarakhand failed to follow this policy because of financial constraints as the large scale units are much stronger than the
small scale units. This is why small scale units could not take benefit of this policy.

(iii) **Price Discrimination:** This policy has been widely used by small scale industries of Uttarakhand because the different geographical locations make this possible. Under this policy the same product is sold to different customers at different prices. This discrimination is done on the basis of quality of the products to be sold, geographical areas, bargaining power of the customers, level of terms of payment (cash or credit) of the buyers, time of purchase, etc. It is noteworthy that price discrimination may be suitable only when price elasticity of demand varies from one market segment to another and the demand levels change widely from one time period to another. Here, it is also worth mention that a lower price is charged during off peak demand.

(iv) **Resale Price Maintenance:** Sometimes the firm wants to maintain the image of its product, hence it is advisable to stipulate the minimum retail price. Such policy ensures a good profit margin to the dealer. Under this policy, there is no need for price cutting by competitors or bargaining by customers. As far as the side of customers is concerned, they are deprived of the benefits that may accrue to them from competition. The main drawback of this policy is that inefficient dealers are protected and they make no efforts in promoting the sale of the product. This policy is much criticized on the ground that it lacks in open competition which is the most prominent feature of the modern marketing system.
PRICING PRACTICES:

There is no single method of pricing for all the products and services produced or manufactured by the small scale industrial units. Different firms have used different methods for fixing prices of their products. The main pricing methods adopted by these units are given as under:\(^6\)

1. **Cost Plus Pricing:** Under this method a certain profit margin is added to the total cost per unit. This is a simple and easy method of price fixing widely used by the small scale industrial units. This method of pricing ensures recovery of full cost which is beneficial for the small scale units characterized with small financial resources. In the period of depression, it becomes quite difficult to sell the products at the rate higher than full cost. But in long term this method of pricing would help the small scale units to survive in the market.

2. **Marginal Cost Pricing:** Under this method, the price of a product is fixed on the basis of its incremental cost. This method may be adopted only during the short-run when there is acute competition or the installed capacity of the enterprise is unutilized. The small scale units may not resort to this method of pricing for a long period. Only the large scale industries with sound financial position may resort to this method.

3. **Market Rate Pricing:** Under this method the price of the product is fixed at current market rate. This method is used when the product cannot be differentiated from the competitive products or in case of non-branded products. This is also known as customary pricing. The small scale industries are at loss as far as market rate is concerned because the quality of their products is not at par with that of large scale industries. As a result of high quality, the large scale industries may get higher price of their products in comparison to small scale industries.
4. **Loss Leader Pricing:** Under this method, the price of a product of mass consumption is fixed at lower than its cost to attract customers for other more profitable products. The profit sacrifice on the product is made good by profits on other products. Our survey has revealed that this method is fit in case of retail trade but such kind of loss is beyond the capacity of small scale units.

5. **Price Leadership:** Under the conditions where the market is dominated by one big firm, the other small firms follow the leader’s price. It is not possible for the small firms to afford a price war with the big firm.

6. **Administered Price:** In order to ensure supply of essential commodities to public at large at affordable prices, the government statutorily fixes prices of certain products, e.g., steel, fertilizers, cement, sugar, drugs, etc. such prices are called administered prices. In case of sugar dual pricing is used. At fair price shops (ration shops) sugar is sold at administered price while in open market it is sold at market price.

   The Survey findings as regards pricing practices followed by small scale manufacturers in Uttarakhand have been as follow:

1. The firms do not always follow full-cost pricing. Rather these firms often adjust prices according to changes in marketing conditions.

2. Cost is considered only as a reference point and not a pricing variable.

3. The firms have been found to have different mark-ups for their different products.
4. Some firms have been found to simply match the price which the large firms in the industry have established.

5. Some firms have been found generally concerned about their ‘image’ and they price their products to improve this image, while simultaneously considering the impact on profits.

6. In many cases pricing was found to be a matter of trial and error. For example, the incremental principle of pricing was not followed because either-

   (i) Such firms lacked in information and expertise; or

   (ii) Such firms have been found content in getting a reasonable level of profit and, therefore, simply followed the established price; or

   (iii) Such firms aimed at things other than maximization of profits, e.g., goodwill, market share, etc.

(E) **WRONG SELECTION OF CHANNELS OF DISTRIBUTION:**

Every small scale industry requires a channel that can distribute its product to the right customers at the right place, at the right time and at the right cost. Channel of distribution is the pipeline through which products move from producer to consumer. It consists of all the middlemen which participate in the distribution of goods and which serve as a link between the manufacturer and the consumer.

Depending upon the requirement of the industrial unit any one of the following distribution channel may be adopted:
(i) **Manufacturer---Customer:** This is also known as direct setting because no middleman is involved. Here, the small scale unit may sell directly through its own retail stores, through mail or through door-to-door selling. This is the simplest and shortest channel and is fast and economical as well. It enables the producer to have direct contact with customers and full control over the distribution of his product. But a small-scale manufacturer can rarely afford the investment and expertise required for direct selling.

(ii) **Manufacturer—Retailer—Customer:** In this channel, the producer sells to big retailers like departmental stores and chain stores who in turn sell to consumer. This channel is very popular in the distribution of consumer durables. As majority of the consumer durables are manufactured by large scale industries, this channel is not fit for small scale units.

(iii) **Manufacturer—Wholesaler—Retailer—Customer:** This is the traditional channel of distribution generally followed by all levels of business enterprises including small firms. It is widely used in the distribution of consumer products like groceries, drugs, cosmetics, etc. It is quite suitable for small-scale producers whose product line is narrow and who require the expert services and promotional support of wholesalers. But in this channel the producer loses direct contact with his customers and control over distribution. In some cases, an agent is employed in place of in addition to the wholesaler. For example, in the distribution of cloth, mills generally appoint a sole selling agent/distributor in addition to wholesalers and retailers.

While selecting a distribution channel, the manufacturer compares the costs, sales volume and profits expected from alternative channels of
distribution. In order to select the right channel for distributing its product, a small scale manufacturer keeps in mind the following considerations:

1. **Nature of Product**: Generally, bulky and heavy products are distributed directly to minimize transportation of products. Similarly, perishable and expensive items are sold directly or through a short channel. If the product is technically complex and depends on installation and maintenance services, it is sold directly. In case of easily substitutable products with low brand loyalty direct selling is desirable. But the standardized and highly branded products like toothpaste, talcum powder, bath soap, detergents, etc can better be sold through a long channel. If one product is complementary to another (e.g. toothpaste and tooth brush) the same channel can be used.

2. **Nature of Market**: If the market is small and is located in a narrow area, direct selling is preferable. On the other hand, in case of mass market and geographically scattered customers, a longer channel becomes necessary. Industrial buyers prefer to deal directly with manufacturers while consumers prefer to buy from retailers. Direct selling is convenient where the purchase order is large and the numbers of orders is small. Customers’ requirements for credit, home delivery, etc. also influence choice of channel of distribution.

3. **Nature of the Firm**: If the manufacturer is financially strong and possess marketing expertise, he must resort to direct selling. For a single product firm, direct selling is not economical. In the cases where manufacturer desires control over distribution, direct selling is preferable. The distribution policy of the enterprise also influences the choice of distribution channel.
4. **Nature of Middlemen:** If the middlemen desired by the enterprise are not available, direct selling may be necessary. Same is the case when middlemen are not able/willing to provide transportation, storage, display and other services. Preferences, costs, financial standing, etc. of middlemen are also important. Customary channel in a particular trade should also be considered. Legal restrictions are also considered. For example, liquor and drugs can be marketed through licensed shops only. Through our survey of small scale industries of Uttarakhand as regards choice of channel of distribution, it has been found that distribution channels adopted by more than one-third enterprises were not appropriate. The factors affecting choice of distribution channel have not been assessed properly. This is why smooth flow of goods at minimum cost of distribution could not take place thus adversely affecting the profitability of the enterprises. This is also a deterrent of sound marketing practices.

(E) **INADEQUATE ADVERTISING AND SALESMANSHIP:**

Promotion element of marketing mix comprises advertising, salesmanship, sales promotion and publicity. The manufacturers resort to advertising which consists of all the activities involved in presenting to a group a non-personal, oral or visual, openly sponsored message regarding a product, service or idea. This message called an advertisement is disseminated through one or more media and paid for by the identified sponsor.

**For small scale industries advertising is of huge use as—**

(i) it helps the enterprise to face competition.
(ii) it helps in creating steady demand for the products manufactured by smoothening seasonal and other fluctuations in demand.

(iii) it helps in increasing sales volume.

(iv) it assists in introducing new products.

(v) it helps to improve goodwill and employee morale.

(vi) it provides information and education to consumers.

(vii) it generates employment on large scale.

(viii) it sustains newspapers, magazines and T.V. channels.

(ix) it improves and diversifies living standards.

(x) it stimulates innovation and creativity.

Advertising is criticized on the following grounds:

(i) it involves heavy expenditure which is beyond the bearing capability of the small scale units and ultimately leads to higher prices.

(ii) it leads to wasteful consumption.

(iii) sometimes it misguides consumers.

(iv) it causes wastage of national resources.

(v) it undermines culture and social values.
No doubt, advertising by itself is useful and necessary. It becomes wasteful and objectionable when used by dishonest and unknowledgeable persons. Money spent on advertising yields results if used in rational manner. The business community and the society as a whole think the advertising in the interest of all if it is scientific and honest. The advertising practices of small scale industries of Uttarakhand may be termed poor because-

(a) it failed to attract the attention of masses to a considerable extent

(b) it could not educate and guide consumers to the required extent

(c) its ability to convince the customers also has been of very low degree

(d) there are cases in which advertising could not appeal to the sentiments and instincts of customers

(e) it has not been able to lead the customers to desired actions upto satisfactory level

Salesmanship or personal selling involves personal contact between the buyer and the seller. It is the art of presenting a product or service in such a manner that the potential customer appreciates the need for it and the sale of product takes place with the mutual advantage of both the buyer and the seller. As far as effectiveness is concerned, personal selling is more flexible and pinpointed than advertising because it provides feedback and performs the complete job of selling. For small firms personal selling is more appropriate but it is more expensive and time-consuming.
Survey Results

The following table reveals the deterrents of sound marketing practices of small scale sector in Uttarakhand:

**Table 3.6**

**Deterrents of Sound Marketing Practices**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Description of Deterrent</th>
<th>Intensity of Deterrent (No. of Units Affected/Total Sample Units)</th>
<th>Average of Likert’s Grading Points</th>
<th>Weighted Grading Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inadequacy of Marketing Information</td>
<td>0.625</td>
<td>3.75</td>
<td>2.34375</td>
</tr>
<tr>
<td>2</td>
<td>Difficulty in Market Assessment</td>
<td>0.450</td>
<td>2.80</td>
<td>1.26000</td>
</tr>
<tr>
<td>3</td>
<td>Leakages in market Segmentation</td>
<td>0.400</td>
<td>3.96</td>
<td>1.5840</td>
</tr>
<tr>
<td>4</td>
<td>Defective Pricing Policy</td>
<td>0.275</td>
<td>4.20</td>
<td>1.1550</td>
</tr>
<tr>
<td>5</td>
<td>Wrong Selection of channels of Distribution</td>
<td>0.225</td>
<td>3.60</td>
<td>0.8100</td>
</tr>
<tr>
<td>6</td>
<td>Inadequate Advertising and Salesmanship</td>
<td>0.525</td>
<td>4.65</td>
<td>2.44125</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>9.5940</strong></td>
<td><strong>1.599</strong></td>
</tr>
</tbody>
</table>

Here it is noteworthy to mention that the intensity of deterrent has been calculated with the help of dividing no. of SSI units affected by total sample units. Average of Likert’s grading points has been arrived at by dividing the total of grade points with total sample units i.e., 40. Likert’s grade points are given as under:

- **Strongly Agreed** = 5
- **Agreed** = 4
- **Indifferent** = 3
- **Disagreed** = 2
- **Strongly Disagreed** = 1
The weighted average of grade points is 1.6 which is less than simple average of 3.2. It shows that the intensity of deterrents heavily affects the grades. In other words it may also be put that the deterrents have affected sound marketing practices adversely resulting in low profitability.

**Conclusion:**

The marketing problems of small scale industries are more serious and complicated when compared to large scale industries. Small scale units have little appreciation of marketing concept and strategy and are generally incapable to understand quickly and accurately the prevailing trends in the market. Small entrepreneurs are reluctant to efficient marketing techniques. In case of SSI units of Uttarakhand, the deterrents of marketing practices have been noticed as under-

(i) inadequacy of marketing information;
(ii) difficulty in market assessment;
(iii) leakages in market segmentation;
(iv) defective pricing policy;
(v) wrong selection of channels of distribution; and
(vi) inadequate advertising and salesmanship.

All these deterrents have resulted in adverse impact on the operational efficiency of the small scale units. This is why these units could not take benefit of marketing opportunities upto required extent.

**References**

2. Based on Survey results.

3. Based on Discussions with Respondents.


5. Based on the information provided by the executives of the small scale sample units.

6. Based on discussion with marketing executives of the small scale sample units.