CHAPTER I

INTRODUCTION:

1.1 The primary business of any business is to remain in business. This is possible, provided the business gets adequate number of customers. Then, these customers should not be there on one time basis. They must come back to the business again and again. This will be possible only if these customers are happy with the offerings of the business. Gone are the days, when in the early Twentieth century, Henry Ford could say that "Let the customer have any colour of car as long as it is black". For several industries in India even in a protected economy today, a large number of manufacturers cannot afford to make similar statements. A time has come when all business organisations must review their philosophies, in order not only to remain in business but also to prosper. A passive company will soon face extinction, an adaptive company will manage to survive and register a marginal growth, but it is a creative company which only can hope for phenomenal growth. This creativity will come only when all the business organisations take a realistic and pragmatic approach. This approach is the modern marketing approach.
1.2 In India, over the last two decades, the small scale sector has registered an impressive performance. Inspite of that, the mortality rate of industries, more so in the small scale sector, is the largest in our country. The Reserve Bank of India has defined a sick industry as one which has:

a) closed down in less than three years.
b) is working much below the breakeven capacity.
c) is not in a position to meet any of its liabilities, especially the payment of interest on the borrowed capital.

Several studies have been carried out on the causes of sickness and mortality of industries and businesses in small, medium and large-scale sectors. One of the causes of failure has been identified as ineffective marketing strategies. This emanates from the fact of total lack of understanding of marketing management, ignoring the threats posed by the marketing environment, lack of understanding of consumer behaviour and competition.

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Mr. S.L. Kirloskar, doyen of Indian Industrialists, was recently interviewed in a business magazine. He was asked the question as to what is the major drawback of Indian Managers? His quick answer was that 'they have failed in the Marketing area'. Today, the success or failures of different new products as well as the existing products could be attributed to the efficient or inefficient marketing management; as the case may be. No more it is possible for the business organisations to obtain results merely on account of better products, quality or price advantage. Something more than this is required.

No wonder then that quite a few Indian organisations have lately started discovering Marketing. This statement may sound strange because, perhaps, there is nothing new in Marketing. Those business units prospered which knew their markets well. In that case, why this recent discovery and sudden interest in Marketing?

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* Society, November 1982.
Several pointers as listed below could be considered as the major factors in this process of perhaps re-discovery of Marketing:

a) Many organisations have observed that over the years their sales have started declining.

b) The sales might show an increase but the profits are either declining or are certainly under strain.

c) The sales and profitability might show marginal increases but the market share has been declining over the years.

d) The competition is on the rise, which today comes from similar as well as substitute products, from organised sector as well as unorganised sector, each competitor having his own strengths and weaknesses. Gone are the days when companies could enjoy the near monopoly for their products or services in the market.

e) The customers are becoming more demanding and have developed specific tastes and usage patterns. They are not going to accept whatever that is forced on them.
f) Last, but not the least, the environment is continuously undergoing a change. It poses different types of threats and opportunities on business organisations. The macro environmental factors like economy, technology, government policies and cultural changes, certainly affect the organisations and affect the decisions.

The above factors have accelerated thinking of business organisations in terms of Marketing.

1.5 In India, after independence, the industrialisation process was very fast. The organisations which were started at that time registered impressive growth rates. This was mainly due to the fact that they were in the seller's market. However, because of this, these companies started getting the feeling of complacency. They thought that theirs is a growth company, and that this growth will come their way automatically and continuously. This was a totally wrong belief. This emerged from the assumptions:

a) That the demand for their products and services is directly related with the population and as the population is continuously growing, the
demand for their products will also automatically grow.

b) That the customers only want good quality products at a reasonable price and that it is possible to give the same by going in for mass production. The latter resulted in lowering the unit cost of production.

c) That there will never be a superior product or technology, which will drive their existing products out of the market or make it obsolete.

It was Theodore Levitt who came out with a philosophy that 'there is nothing like a growth organisation'. What are available are only growth opportunities offered by the environment. The history of every dead or dying so called growth organisation shows a self-deceiving cycle of bountyful expansions and undetected decay.

1.6 Several examples of Indian products and businesses could be quoted here in order to prove the points made so far.

To list a few:

a) 'Facit' mechanical calculators which were much in demand till 1973, became obsolete when the new technology of electronic calculators entered the market. A technological change, which was ignored by the earlier company threatened its position in the market.

b) 'Gold-Seal' margarine which was introduced by Hindustan Lever, the leaders in the consumer market failed to gain acceptance of Indian consumers. 'Gold-Seal', which is a popular product in the American Market could not take off in the Indian market because of different tastes desired by the Indian consumers.

c) The mini-steel plants which were started with lot of fan-fare in the early seventies are performing much below par. This is mainly because of lack of availability of electrical power and scrap as raw material. The economies of scale also resulted in the failure of the mini-steel plants.
d) The diesel engine industry in India has shown a cyclical pattern of recession over the last two decades. In spite of these trends, the industry on the whole and its constituents have not learned their lessons. They, therefore, go through good and bad patches of performances.

e) The refrigeration and air-conditioning industry has always been crippled since its inception mainly due to the government policy of taxation on this industry. As the government considered this as a luxury item, the multiple taxation on the products makes the final price not within the easy reach of the common man. With the result, the established capacities are working at a low utilisation and thereby contribute to the sickness of the industry.

Several such examples could be quoted from Indian context on the failures of different business organisations.
What about the companies which cannot be necessarily branded as failures, but are registering moderate success. Are they working at their optimum capacities?

This question could be more relevant for the multi-product and multi-market companies. Every company will have an aim towards optimisation of resources. For this purpose, marketing resources and their best combinations can be one of the key factors towards success.

Finally it is not the technology, price advantage, wide distribution and vigourous advertising which will get the results but the people behind that. In obtaining the results for an organisation, the contribution of the marketing staff is certainly an important one. Is the marketing staff of the company effective enough to achieve the organisational goals?

Much depends on a positive answer to this question.

It is thus, imperative that every organisation must have specific objectives which will lead them to their goals and targets. Unless an organisation
knows where it is going, any road will take it there. And this road may not be the most efficient one. In order to achieve the improved results, marketing will have to play a major role.

1.10 An hypothesis, therefore is formed that 'a continuous evaluation of all the marketing activities could result in improving the overall effectiveness of the organisation in general and the marketing operations in particular'. This evaluation can be carried out through a study named as 'MARKETING AUDIT'. This thesis is, therefore, entitled as 'MARKETING AUDIT FOR IMPROVED PROFITABLE PERFORMANCE'.

1.11 The detailed objectives of this study, cover the following aspects:

a) Understanding the total scope of Marketing Audit.

b) To study the applicability of Marketing Audit to Indian companies and to find out its suitability for large, medium and small scale industries, multi-product or single product,
new or old, public sector or private sector, industrial goods and consumer goods manufacturing companies, as well as those marketing services, those dealing in national markets as well as overseas markets etc.

c) To find out the timing of carrying out Marketing Audit for above business organisations. This will study whether the Marketing Audit should be a one time or a continuous activity, whether it should be done when the company is not doing well or otherwise also.

d) To study how to set up an exercise in Marketing Audit and to find out difficulties involved in carrying out Marketing Audit.

e) To find out the limitations of the Marketing Audit, if any.

f) To test the hypothesis, by studying, if the Marketing Audit can really improve the effectiveness of Marketing operations and thereby can result in improved profitable performance of the organisation.