CHAPTER - I

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Marketing plays a key role, rather leave it to the R & D department, to develop new products. Marketing actively participates with other departments in every stage of the product development process. Every company must carry on new product development. Replacement products must be found in order to maintain or build future sales. Furthermore, customers want new products, and competitors will do their best to supply them.

A company can add new products through acquisition and / or new product development. The acquisition route can take three forms. The company can buy other companies. Alternatively, the company can acquire selected patents from other companies. Or it can buy a license or franchise from another company.

The new product development route can take two forms. The company can develop new products in its own facility for sample development and in-house designing. Or it can contract with independent designers or new products development firms to develop specific products for the company.

The meaning of new product will include original products, improved products, modified products, and new brands that the firm develops through its own R & D efforts. Marketing is also be concerned with whether consumers see them as "new".
Booz, Allen and Hamilton identified six categories of new products in terms of their newness to the company and to the marketplace. They are:

i. New-to-the-World products:
New products that create an entirely new market for the first time

ii. New Product lines:
New products that allow a company to enter an established market for the first time.

iii. Additions to existing product lines:
New Products that supplement a company's established product lines in terms of package sizes, flavors, and so on.

iv. Improvements in Revisions to existing products
New products that provide improved performance or greater perceived value and replace existing products.

v. Repositionings
Existing products that are targeted to new markets or market segments.

vi. Cost Reductions:
New Products that provide similar performance at lower cost.

A company usually pursues a mix of these new products. An important finding is that only 10% of all new products are truly innovative and new to the
world. These products involve the greatest cost and risk because they are new to both the company and the market place. Most of the new-product activity at firm level is devoted to improving existing products rather than creating new ones.

IMPORTANCE OF INNOVATION

Corporations must be able to adapt and evolve if they wish to survive. Businesses operate with the knowledge that their competitors will inevitably come to the market with a product that changes the basis of competition. The ability to change and adapt is essential to survival (Paul Trot). Today, the idea of innovation is widely accepted. It has become part of our culture - so much so that it verges on becoming a cliche. For example, in 1994 and 1995, 275 books published in the US had the word "innovation" in their title (Coyne 1996).

'.. not to innovate is to die' wrote Christopher Freeman (1982) in his famous study of the economics of innovation. Certainly companies that have established themselves as technical and market leaders have shown an ability to develop successful new products. In virtually every industry from aerospace to pharmaceuticals and from motor cars to computers, the dominant companies have demonstrated an ability to innovate. In UK, industrial technological innovation has led to substantial economic benefits for the innovating company and the innovating country. Indeed the industrial revolution of the nineteenth century was fuelled by technological innovations. Technological innovation have also been an important component in the progress of human societies. Any one who has visited Bath, Leamington and Harrogate will be very aware of how the Romans contributed to the advancement of human societies. The introduction over 2000 years of ago of sewers, roads and elementary heating systems is credited to these early invaders of Britian.
NEW PRODUCT - DEVELOPMENT DILEMMA

Given the intense competition in most markets today, companies that fail to develop new products are exposing themselves to great risk. Their existing products are vulnerable to changing consumer needs and tastes, new technologies, shortened product life cycles, and increased domestic and foreign competition. Further, new product development is risky.

New products continue to fail at a disturbing rate. The new product failure rate in packaged goods is estimated at 80%. Klienschmidt estimates that about 75% of new products fail at launch. These estimates, of course, depend on how the researcher defines a new product failure, i.e. whether the product failed to deliver any profit or delivered profits below expectations.

Why do many new products fail? There are several factors. A high-level executive might push a favourite idea through, inspite of negative marketing research findings. Or the idea is good, but the market size is overestimated. Or the actual products is not well designed. Or it is incorrectly positioned in the market, not advertised effectively, or overpriced. Often new product development costs are higher than expected, or the competitors fight back harder than expected.

Successful new product development is hindered by many factors:

i. Shortage of important new product ideas in certain areas like steel, detergents etc.

ii. Keen competition leading to market fragmentation.

iii. Social and Governmental constraints such as consumer safety and ecological compatibility.
iv. Costliness of the New Product Development Process
v. Capital Shortage faced by firms
vi. Shorter Product life cycle.

Successful new-product development requires the company to establish an effective organisation for managing the new product development process. The company must also apply the best analytical tools and concepts in each stage of the new product development process.

THE CONFLICTING FACTORS OF NEW PRODUCTS MANAGEMENT

From the above diagram, the following aspects can be inferred:

i. The new product process must respond to the three unique inputs - the right quality product, at the right time, and at the right cost, at the right cost.

ii. The three inputs tend to conflict with each other, though there are synergies too.
iii. The three inputs contribute to the value of new products, but in different ways and in different amounts from project to project.

13 POSSIBILITIES FOR "NEW"NESS

According to Chester R. Wasson¹, in how many ways can a product be new? Of course, each case should be analysed on its own. Nevertheless, there are at least thirteen possibilities which should be considered:

A. Six novel attributes are positive, in the sense that they ease the job of introduction:

1. New Cost - or, better yet, price - if lower
2. New convenience in use - if greater
3. New performance - if better, more dependable and in the range of experience of the prospect - if believable
4. New availability, in place, or time, or both (including anti seasonality)
5. Conspicuous - consumption (status symbol) possibilities
6. Easy credibility of benefits

B. At least four characteristics make the job more difficult, slow up market developments and usually make it costlier

7. New methods of use (unless obviously simpler)
8. Unfamiliar patterns of use (any necessity for learning new habits in connection with performance of a task associated with the new product)
9. Unfamiliar benefit (in terms of the prospect's understanding)
10. Costliness, fancied or real, of a possible error in use.

C. Three others are ambivalent in their effect - that is, the effect on market development probably depends not only on their exact nature, but also on the cultural climate at the moment. However, extreme unfamiliarity would probably be negative in effect.

11. New appearance, or other sensed difference (style or texture, for example).

12. Different accompanying or implied services.

13. New market (including different channels of sale)

NEW PRODUCTS ARE ESSENTIAL AND NEED TO BE ORGANISED

The study of Booz, Allen & Hamilton¹ with more than 4000 companies since 1914 and the firms research in new products over the past few years have led to development of convictions that:

i. New products are basic to company growth and survival today more than ever before.

ii. The evolution of new products is not an abstract mystery. It is a practical business function that can best be described as a management process, and

iii. The new product program of a company must be organised and controlled if it is to be managed effectively.

WHAT OUTSIDE FIRMS CAN DO TO NEW PRODUCT DEVELOPMENT

Consulting Management Engineering firms² range in size from 1 or 2 men to a staff of several hundred. Some are prepared to provide a wide range of competent services, others specialise. Here are 10 specific services they can render a business considering the introduction of a new product.

i. Evaluate the potential sale
ii. Chart the marketing programme
iii. Set up pricing policies
iv. Locate and screen specialised new executive sales and administrative personnel.
v. Plan the integration of the new product in present or proposed manufacturing facilities.
vi. Make time-motion studies with a view toward reducing unit cost in manufacturing and handling.
vii. Investigate and analyse new material sources and costs
viii. Evaluate the competitive problems with which the new product will be faced.
ix. Determine habit patterns of potential users of the new product; data of value in its design and packaging.
x. Set up budgets and financing schedules for each phase of new product introduction.

Frank Ladik, Leonard Kent, and Perham C. Nahl opine that "Probably the most important purpose of test marketing programmes is to aid in evaluating opportunities for new products."

Of course, the term "new" may have a number of different meanings. Some new products never have been offered to consumers, while others represent simply a change in form, content, or perhaps packaging. Sometimes the term "new"

has been used when the only change has been one in marketing approach. Whatever, the precise meaning, in each case it has offered a challenge to the marketing team, including advertising to do a more effective selling job.

Because of increased emphasis on new product programmes and the corollary emphasis on test marketing, a set of general procedures and limitations are to be prepared. These can be of assistance in the design, control, and evaluation of test marketing programmes.

ORGANISATION OF NEW PRODUCT DEVELOPMENT

E.J. Mc. Carthy ¹ says that there are six different methods for co-ordinating new product development, classified as to the person or department that does the coordinating.

i. a facilitating committee (usually top management)

ii. a member of management, perhaps assisted by a co-ordinator or a committee

iii. the research or engineering department

iv. the sales department

v. a new product development department reporting to the director of research and

vi. a new product development department reporting to management

The last method, a new product development department reporting directly to top management, is the one generally being suggested in current

literature. This approach usually requires co-ordination (through committees!) with all the various dimensions of the company. A review of the various methods makes it obvious that, except for the first one, a committee method is not required at all. However, it should also be emphasised that a committee approach could be used for all six approaches.

**MARKETING DIMENSIONS OF NEW PRODUCT DEVELOPMENT**

Marketing has the following decisions for new products:

i. Identifying unsatisfied needs that offer product opportunities
ii. Projecting sales opportunities in such markets
iii. Gathering or conceiving product ideas that would meet the needs
iv. Determining marketing tasks and costs expected in a product venture.
v. Planning and conducting product and concept tests
vi. Appraising market reactions to proposed products or concepts
vii. Planning the method, timing and scale of product introductions
viii. Planning price strategies and establishing prices schedules
ix. Planning production and distribution schedules and
x. Establishing market performance standards and control systems

It is in marketing that the most crucial evidence is gathered and proposals are made. Only if the right product, marketable at an acceptable price, is chosen can the product venture succeed. It seems fair to view marketing as the most critical sector of product planning. Nevertheless, a glance at the essential decisions that lie primarily in non-marketing sectors quickly dispels any illusion that marketing is independently powerful in product matters. Product planning is a joint concern with other functions, demanding good synchronising and communication.

REVIEW OF LITERATURE

PATTERNS OF SURVIVAL


From time immemorial, traditional industries have become an anchor of artistic craftsmanship and are a generator of employment opportunities. Historically, the dexterity of Indian handlooms had defied the demarcation of national boundaries. Handloom weaving is still the largest activity in the traditional sector, next only to agriculture, both in terms of employment and value of output. The continued survival of handlooms was, for a long time, attributed in great measure to the steps taken by the Government. Of late, social research scholars have pointed out that handloom weaving has survived through its innate resilience, flexibility and adaptability.

HANDLOOMS LIVED WITH PRODUCT STRENGTH

The RBI funded study by Mukund and Sundari has made an in-depth analysis of handloom weaving in Andhra Pradesh, which is one of the most important handloom weaving regions in the country. It provides an alternative view and a corrective to the widespread notion that handloom weaving is inherently unviable and non-competitive and demonstrates its marked market dynamics with national and international linkages.

HANDLOOM WEAVING IS NOT A SUBSISTENCE ACTIVITY

Handloom weaving in India has never really conformed to the conventional picture of traditional industry as a subsistence activity catering to circumscribed local markets. Though the handloom sector served local markets
also, the distinguishing feature of the handloom industry in India has always been its links with extra local markets.

The nature of markets, the marketing channels, the responses of the weavers to the changing environment, their economic condition and the role of the Government are the larger realities which determine the functioning of handloom weaving. One of the problems is that the market for handloom fabrics is seen to be extremely sensitive to prices. It is feared, therefore, that higher input prices are not offset by higher selling prices, but by lowering the component of wages in the cost.

The authors studied the three agencies involved in this sector - the weaver, the trader and the government. They examine the interactions between these three actors through an analysis of the relations of production, the markets and the marketing channels.

GLOBAL POVERTY IN THE LATE 20th CENTURY

Michel Choscowdovsky, Professor of Economics opined the late 20th century will go down in World History as a period of global impoverishment marked by the collapse of productive systems in the developing World, the demise of national institutions and the disintegration of health and educational programs. This "globalisation of poverty" which has largely reversed the achievements of post war decolonization, was initiated in the Third World coinciding with the onslaught of the debt crisis. Since the 1990s, it has extended its grip to all major region of the World including North America, Western Europe, the countries of the former soviet block and the Newly Industrialised Countries (NICs) of South East Asia and the Far East.
In the 1990s, local level famines have erupted in Sub-Saharan Africa. South Asia and parts of Latin America, health clinics and schools have been closed down, hundreds of millions of children have been denied the right to primary education. In the Third World, Eastern Europe and the Balkans there has been a resurgence of infectious diseases including tuberculosis, malaria and cholera.

IMPOVERISHMENT - AN OVERVIEW

FAMINE FORMATION IN THE THIRD WORLD

From the dry Savannah of the Sahelian belt, famine has extended its grip into the wet tropical heartland. A large part of the population of the African Continent is affected, 18 million people in Southern Africa (including 2 million refugees) are in "famine zones" and another 130 million in 10 countries are seriously at risk. In the Horn of Africa, 23 million people (many of whom have already died) are "in danger of famine" according to a UN estimate.

A micro level study conducted in 1991 on starvation deaths among handloom weavers in a relatively prosperous rural community in Andhra Pradesh sheds light on how local communities have been impoverished as a result of macro economic reform. The starvation deaths occurred in the months following the implementation of the 1991 New Economic Policy: With the devaluation and the lifting of controls on cotton yarn exports, the jump in the domestic price of Cotton yarn led to a collapse in the Pocham (24 meters) rate paid to the weaver, by the middleman (through the putting out system). Radha Krishna Murthy and his wife were able to weave between three and four pochams a month bringing home the meagre income of 300 - 400 rupees for a family of six ($12 - 16), then came the Union Budget of July 24, 1991 the price of cotton yarn jumped and the burden was...
passed to the weaver, Radha Krishna's family became declined to Rs. 240-320 a month ( $9.60 - 13.00). Radha Krishna Murthy of Gollapally village in Guntur district died of starvation on September, 4, 1991. Between August 30th and November, 10th 1991 at least 73 starvation deaths were reported in only two districts of Andhra Pradesh. There are 3.5 million handlooms throughout India supporting a population of some 17 million people.

**SHUT OUT INDUSTRY**

Sathyam Committee recommendations could spell doom for the handloom weavers (Rinku Pegu).

Life for the two crore handloom weavers in the country is hanging in the balance. The reason the Sathyam Committee on textiles has recommended dismantling of systems that make the handloom sector competitive. The committee's report would form the basis for the new textile policy.

The committee's report has not been made public. Such secrecy combined with the fact that Union Textiles Minister Kashi Ram Rana hails from mill town Surat has added to the weavers' apprehensions.

The recommendations, if accepted by Parliament, will allow the powerloom sector to poach upon certain areas reserved exclusively for the handloom industry. One of the suggestions, that handloom weavers convert cone yarn into hank on their own, will cost them Rs. 8,000 crore in the next 12 years.
"Where will the money for this come from?" asks J. John, executive director of Centre for Education and Communication, New Delhi (CEC), which acts as a policy watchdog. A study by CEC, estimated that it would take 12 years for the entire handloom sector to shift to powerloom sector. Mills only require cone yarn for weaving purposes, but the government compels them to produce hank yarn as well.

"The suggestion that weavers switch to powerlooms is impractical. How much can the powerloom absorb?" asks Jaya Jaitley, president of Dastakar Samiti Hat. "And handloom accounts for 2 crore jobs compared with mills and powerlooms which employ only 35 lakh people".

The 12 member committee headed by S.R. Sathyam, former secretary in the textiles ministry, was set up in July, 1998 to suggest policy measures for making different segments of the textile industry competitive in the wake of globalisation. This does not empower it to recommend dissolution of the entire handloom sector, says D Ramakrishna, convener of South India Handloom Weavers Organising Committee.

He alleges that the Sathyam Committee has yielded to the demands of powerloom and mill lobbies. "Not a single person was called to represent the handloom sector in the committee", says K. Rajan, secretary of Tamil Nadu Weavers Association. The grouse of the weaves is that their fate is being decided by others. "Who will feed the four crore people who are dependent on the weavers for survival"? asks Ramakrishan.
Meanwhile, the textiles ministry feels that handloom should cater only to niche market.

"Handloom should stick to those fabrics which can be produced by hand weaving", says A.K. Gupta, additional secretary in charge of handlooms. Quality items catering to niche market is doing very well and diversification of handloom into furnishing items has pushed exports upto 35 percent.

The Sathyam Committee report, submitted a year ago, is shrouded in mystery. It has neither been made public nor debated upon. Such secrecy combined with the fact that Union Textiles Minister Kashi Ram Rana hails from mill town Surat has added to the weaver's apprehension.

Gupta allays such fears saying, "It is unlikely for Parliament to approve any weakening of the handloom sector", Jaitley, however, reminds weavers of the 1985 textile policy which disbanded the authority for monitoring and implementing reservation policy for handlooms.

Meanwhile, official negligence has spelt death for handloom cooperatives. While covering only 20 percent of the handloom industry, the cooperatives had long become sick and unremunerative sick and unremunerative in many states. "For handloom cooperatives to be functional, their administration has to be taken out of bureautic purview, " says Jaitley.
The rupture of the handloom sector could have serious impact on rural economy. For the weavers, it is a matter of survival.

GLOBALISATION AND NEW TEXTILE POLICY

P.K. Ganguly in his paper titled "Globalisation and the New textile Policy" referred to a prominent that Mr. Kashiram Rana, the Minister of Textiles had announced in Parliament in mid 1998 the existing Textile Policy (1985) had become out dated, and a new Textile Policy will be formulated. Very hurriedly the Government constituted a 12-member "Expert Committee" by a Resolution dated 24th July, 1988 under the Chairmanship of S.R. Sathyam, the former Secretary, Ministry of Textiles, who was mainly responsible for scuttling the unanimous agreement for revival of NTC mills. The 12 member Expert Committee comprised of the private mill magnets IDBA Chairman, Planning Commission member and bourgeois economists, the protagonists of liberalisation, but no representatives from he handloom or powerloom sector.

Although the Sathyam Committee has submitted its report to the Ministry on 3rd August, 1999, it has been kept a "secret". The plea of the Minister is that the Ministry itself has not yet finalised its view on the report. But they have not kept it secret from the press. The Minister himself alongwith the Secretary have addressed several press conferences to brief the forthcoming textile policy, as well as their plans on NTC.

In any case, whatever have come out in the press, the recommendations of the Sathyam Committee are a further aggressive turn in pursuit of the liberalised and globablised economy, in view of the phasing out of the Multi Fibre Arrangement

(MFA) by December, 2004, heralding the post WTO dictated international trade scenario.

The Main thrusts of the recommendations are as follows:

GENERAL RECOMMENDATIONS

1. Production of textiles for export (not for domestic consumption)

2. Production of "World Class" fibres/yarns and textile products of "Internationally acceptable quality"

3. Additional thrust to be given to non-cotton fibres, despite cotton being the most important raw material even now.

4. Closure of sick mills - private, cooperative and NTC mills, as well as sick State Textile mills. Immediately, all the plan looms in the NTC mills be scrapped. Further, "to revive the potentially viable NTC mills, such mills be privatised". Now the Government has come out openly with its policy of withdrawing public sector from the non-core industries like textiles.

5. Conducive labour laws and Exit Policy to be officially implemented forthwith. There is a full chapter on Industrial Relations recommending complete burning of the entire set of Labour Laws to suit the Corporate Sector and the liberalised economy. Recommendation has also been made for Corporate Governance for "healthy industrial relations" and corporate growth.

6. Since the BIFR has not succeeded in either closing down the non-viable mills or reviving the potentially viable ones, with the Exit Policy coming into
force, the BIFR will become redundant. The managements and lenders have to decide on revival or closure of the mills.

7. Mills in the metropolitan areas to be shifted to rural areas and the finance for this purpose can be obtained by selling the land in the cities.

8. Recommendations have also been made for liberalised industrial and labour laws to be implemented in the first instance to 100 percent. EOUs, EPZs and Textile Parks, which should be declared as Public Utility Services and free from labour laws.

9. Although the composite character of mills have been meekly appreciated as having intrinsic strength, yet recommendations have been made to ensure larger profits of the textile barons for phasing out all plainlooms and upgradation of semi automatic looms to automatic or shuttleless looms.

10. In the Powerloom Sector also same recommendations have been made. In addition to this, family held powerloom units and the small and medium owners have been asked to consolidate into single bigger unit of powerlooms instead of having fragmented small nature of their units. Also, recommendation has been made to free powerlooms from all labour laws and social security measures. Already about 80 percent of the powerlooms are directly or indirectly controlled by the high business. Thus a further large section of the small and medium powerlooms will be closed down and render joblessness in terms of thousands.
HANLDLOOM SECTOR

The Handloom Sector in particular, is going to be worst affected by the Sathyam Committee recommendation and is under the threat of being virtually wiped out.

Sathyam Committee recommendations have in one go withdrawn all the protective and supportive schemes and thrown the entire sector open for ravage by International capitalist racketeering. It is true that since the liberalisation started in 1991, there were attempts to open up the sector to Globalisation theory. In 1996, a High Powered Committee ( Mira Seth Committee ) was constituted to look into the Handloom Sector. This Committee however recommended for continuation of all the protective and supportive measures. Then the Abid Hussain Committee was constituted, which gave the retograde recommendation of dereseration. But a Supreme Court judgement asked the Government to strictly ensure that all the 22 reserved items are produced in the Handloom Sector and not encroached upon by big business. Now the Sathyam Committee report has not only rejected the Mira Seth Committee recommendations but gone ahead of the Abid Hussain Committee report.

RETROGRADE RECOMMENDATIONS

According to Sathyam Committee, reservation for production in Handloom is an "artificial support. It has got no meaning in a period of globalisation and liberalisation of imports. The handloom weavers will have to stand on their own". This one step will cost the teeming millions of the country of their only livelihood. This recommendation follows simultaneously with the Governments agreement with USA and other countries to remove quantitative restriction on imports of a large number of items. This will further, most particularly affect Assam...
and the entire North-East region which have got 60 percent of the handlooms in India and the main stay of the economy.

The Committee says that if at all some reservations be there, it should for bulk purchases by the Government departments of Defence, Railways, Police, Hospitals etc. The Sathyam Committee experts do not know that bulk purchases by these departments are made from mainly powerlooms and mills, except for a very few handloom items like furnishings, bed sheets for Railways and Bandage cloth for Hospitals, and the situation is not going to change.

Another disastrous recommendation is to except the spinning mills from the obligations of producing Hank Yarn, the main raw material for handlooms. The Committee has summarily stated that Hank Yarn requirement can be met by conversion of Cone Yarn (produced for powerlooms) to Hank Yarn through the Master Weavers Cooperative Societies. The experts have no idea of what level of infrastructure is needed for such conversion with additional costs, for which the poor weavers will have to pay a heavy price. So, withdrawal of all reliefs and support on one hand, and withdrawal of reservation and Hank Yarn availability on the other hand will go together to kill the handloom weavers.

But the last nail is yet to be put in the coffin. The experts have divided the Handloom Sector into three tiers. The first tier producing unique, exclusive high value added items of 80 to 100 counts. The second tier producing medium priced fabrics of 40 to 80 c counts, and the third tier producing plain and low cost items of 40 counts and below.
Since the policy is for production of "World Class" fabrics of "International Standards", so the recommendations is that, "the weavers of 3rd tier and their progeny need to be provided with alternate avenues of livelihood. The least painful conversion would be to convert them into either skilled weavers in cooperatives, or commercial first tier handloom units, or powerloom weavers of third tier with semi automatic looms. The weavers of the first tier will be strengthened and second tier will be provided with adequate support to graduate to first tier".

So the recommendations like "need to be provided with alternative avenues of livelihood" and the "least painful conversion" mean virtually wiping out the existence of over 60 percent of weavers who fall into the categories of the second and third tiers.

But that is not the end of the story. It is well known that the first tier handloom produce unique and exquisite varieties of cloth in all the States. They are famous by their names according to the places.

**HANDLOOMS IN THE LAST FIVE DECADES**

Over the centuries handlooms have come to be associated with excellence in India's artistry in fabrics. Right from the ancient times, the high quality of Indian handloom products like muslin of Chanderi silk brocades of Varansi, the tie and dye products of Rajasthan and Orissa, the Chintzs of Machilipatnam, the himros of Hyderabad, the Khes of Punjab, the prints of Farrukhabad, the Phenek and Tongam and bottle designs of Assam and Manipur, the Maheshwari sarees of Madhya Pradesh and the Patola sarees of Baroda have been famous all over.
The art and craft traditions since almost the dawn of civilisation has been kept alive despite sweeping changes due to continuous efforts of generations of artists and craftsmen who wove their dreams and visions into exquisite handloom products.

The handloom industry now provides livelihood to over 90 million people in the country, it continues to be craft oriented, even though it was circumscribed by a limited choice of processing and technology. During the first half of the present century there was very little effort to develop the handloom sector and the handloom weavers were pitted against modern textile mills. They struggled to survive not only against the unfair competition but also against the unscrupulous middlemen who did everything to ensure that the weaves remained in perpetual debt trap. It is a tribute to their ingenuity and skill that they succeeded in preserving the long tradition of excellence in hand weaving, dyeing, printing and craftsmanship.

BREAKTHROUGH

August 15, 1947 marked a turning point for the handloom weavers of India. Mahatma Gandhi's use of Charkha, the spinning wheel, as a symbol of national regeneration and the subsequent focus on the handloom weavers during the freedom movement was largely responsible for the breakthrough. But little could be done in terms of fiscal assistance to protect them from the onslaughts of the machine.

The dawn of Independence provided an opportunity to accord priority treatment to the handloom industry. At the time of Independence, there were about three million handlooms in India, largely of poor quality because of inferior raw material and ill-organised marketing infrastructure. The situation worsened in
1952 due to slump in the textile market which led to a heavy accumulation of handloom stocks. The All-India Handloom Board was reconstituted at the initiative of the then Minister for Commerce and industries, T.T. Krishnamachari, seven years after its dissolution in 1945, to advise the Government and propose schemes for the development and survival of handlooms.

With a view to raising funds for the Industry and organising weavers + cooperatives, Parliament passed the Khadi and Other Handloom Industries Development Act in 1953.

INSTITUTIONAL SUPPORT

To facilitate marketing of fabrics made in the handloom cooperatives, a national level apex body called the All India Handloom Fabrics Marketing Cooperative Society was set up in 1955. Subsequently, the Weavers's Service Centre and the Indian Institute of Handloom Technology were set up to provide infrastructure back up in the vital areas of applied research, service and training.

The Handloom and Handicraft Export Corporation of India Ltd. (HHEC) was set up in 1958 to promote export of handlooms. To ensure a steady supply of raw materials such as yarn, dyes and chemicals to the State handloom organisations, the National Handloom Development Corporation (NHDC) was setup in 1983. As these schemes for the development of handloom industry were not enough to revolutionise this sector, the Government appointed a high powered study team and on its recommendations the Office of Development Commissioner (Handlooms) a nodal agency at the Centre, was wet up in 1976 to ensure a scientific
growth of the handloom industry. Since then the office of DGH has been implementing various welfare schemes for the benefit of the handloom weavers. Some of the major programmes relate to supply of inputs, production, marketing, welfare package, training and enforcement of Handlooms (Reservation Articles for Production) Act, 1985.

During the VIII Five Year Plan (1992-97) the Centre released Rs. 1098.8 crore to the State Government and other agencies to implement various schemes for the benefit of the handloom weavers. As a result the production of handloom fabrics registered more than 14 fold increase from a level of 500 million sq. mtrs. in the early 50s to 7235 million sq. mtrs. In 1996-97.

The export of handloom goods also increased and touched approximately Rs. 2100 crore in 1996-97. It has now become the largest economic activity in the country after agriculture, providing direct and indirect employment to more than three million weaver households. This sector contributes nearly 22 percent of the total cloth produced in the country.

ENCOURAGEMENT

To consolidate efforts made during the earlier Plans and enhance the competitiveness of the handloom sector, a new orientation has been given to the ongoing schemes during the Ninth Five Year Plan, A Workshed - cum Housing Scheme has been initiated to provide a conducive production environment and basic necessity of life to the handloom weavers.
### TABLE - 1.4

**OWN ACCOUNT ENTERPRISES IN THE MANUFACTURING SECTOR 1980 AND 1990**

<table>
<thead>
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<th>Rural</th>
<th>Urban</th>
<th>Total</th>
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<td>351</td>
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<td>a. Sectoral</td>
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<td>62</td>
</tr>
<tr>
<td>b. Without Premises</td>
<td>64</td>
<td>85</td>
</tr>
<tr>
<td>c. Using Power / Fuel</td>
<td>46</td>
<td>67</td>
</tr>
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<td>2. Persons actually working of which</td>
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<td>644</td>
</tr>
<tr>
<td>a. Females</td>
<td>256</td>
<td>320</td>
</tr>
<tr>
<td>3. Distribution by size class of employment</td>
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<td></td>
</tr>
<tr>
<td>Employing 1-2</td>
<td>264</td>
<td>298</td>
</tr>
<tr>
<td>Employing 3-5</td>
<td>42</td>
<td>48</td>
</tr>
<tr>
<td>Employing 6 &amp; above</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

**Note:** OAEs are units which do not employ any hired worker

**Source:** Economic Census 1980 and 1990 and Govt. of A.P. Records

### TABLE - 1.5

**KHADI AND VILLAGE INDUSTRIES**

(Rs in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employment</td>
<td>3.40</td>
<td>3.37</td>
<td>3.10</td>
<td>3.34</td>
<td>3.12</td>
<td>3.00</td>
</tr>
<tr>
<td>2. Production</td>
<td>4681</td>
<td>9565</td>
<td>12793</td>
<td>16222</td>
<td>14235</td>
<td>15100</td>
</tr>
<tr>
<td>3. Sales</td>
<td>5346</td>
<td>9979</td>
<td>13710</td>
<td>17173</td>
<td>16500</td>
<td>16200</td>
</tr>
<tr>
<td>4. Earnings</td>
<td>1729</td>
<td>NA</td>
<td>4892</td>
<td>6305</td>
<td>7100</td>
<td>7500</td>
</tr>
</tbody>
</table>

**Source:** Khadi and Village Industries Board Annual Reports.
Under the scheme, Rs. 47.46 crore has been released to 19 States for providing workshed and workshed-cum-housing facilities to over eighty thousand weavers. During the Ninth Five Year Plan the Government of India's assistance to the handloom weavers has been enhanced from Rs. 4000 to Rs. 7000 crore for rural workshed and from Rs. 14000 to Rs. 18000 crore rural workshed-cum-housing. The assistance for urban workshed is Rs. 10000 and for urban workshed-cum-housing Rs. 20,000.

National Awards are given every year to Master Weavers in recognition of their excellence in craftsmanship and contribution to the primary handloom weavers cooperative societies for their excellent performance in the field. The assistance for organising National Handloom Exports has been enhanced to Rs. 38 lakhs. The restrictions on participation of various organisations have also been removed. The Government is subsidising 50 per cent of the spare rent, electricity and water charges besides making a handsome provision for publicity to attract buyers.

The Government has also revised the insurance cum health package scheme to look after the welfare of the handloom weavers. Under this scheme, insurance cover would be available to the handloom weavers against natural calamities and personal accidents in addition to the coverage of hospitalisation and maternity benefits. In case of death the insurance cover would be Rs. 1 lakh.

Looking back, there has been substantial progress in the handloom sector in India. Thus story of the Indian Handlooms in the last 53 Years is one of the patient nurturing of an industry which touches upon the livelihood of millions of Indians.
# HANDLOOMS IN A.P. AT A GLANCE

## TABLE - 1.2

### A. NUMBER OF LOOMS IN A.P. (OOOs)

<table>
<thead>
<tr>
<th>Year</th>
<th>In the Cooperative fold</th>
<th>Outside Cooperative</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>324</td>
<td>205</td>
<td>529</td>
</tr>
<tr>
<td>1990</td>
<td>109</td>
<td>94</td>
<td>203</td>
</tr>
<tr>
<td>1995</td>
<td>110</td>
<td>102</td>
<td>212</td>
</tr>
<tr>
<td>2000</td>
<td>113</td>
<td>108</td>
<td>221</td>
</tr>
<tr>
<td>2002</td>
<td>115</td>
<td>112</td>
<td>227</td>
</tr>
</tbody>
</table>

## TABLE - 1.3

### B. OUTPUT OF HANDLOOMS IN A.P.

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lakh Metres</td>
<td>Rs. Lakhs</td>
</tr>
<tr>
<td></td>
<td>Produced</td>
<td>Sold</td>
</tr>
<tr>
<td>1980 - 81</td>
<td>638</td>
<td>554</td>
</tr>
<tr>
<td>1981 - 82</td>
<td>672</td>
<td>630</td>
</tr>
<tr>
<td>1982 - 83</td>
<td>782</td>
<td>755</td>
</tr>
<tr>
<td>1983 - 84</td>
<td>738</td>
<td>737</td>
</tr>
<tr>
<td>1984 - 85</td>
<td>849</td>
<td>826</td>
</tr>
<tr>
<td>1985 - 86</td>
<td>958</td>
<td>632</td>
</tr>
<tr>
<td>1986 - 87</td>
<td>963</td>
<td>924</td>
</tr>
<tr>
<td>1987 - 88</td>
<td>760</td>
<td>736</td>
</tr>
<tr>
<td>1988 - 89</td>
<td>668</td>
<td>646</td>
</tr>
<tr>
<td>1989 - 90</td>
<td>702</td>
<td>693</td>
</tr>
<tr>
<td>1990 - 91</td>
<td>646</td>
<td>967</td>
</tr>
<tr>
<td>1992 - 93</td>
<td>810</td>
<td>769</td>
</tr>
<tr>
<td>1993 - 94</td>
<td>880</td>
<td>820</td>
</tr>
<tr>
<td>1994 - 95</td>
<td>920</td>
<td>810</td>
</tr>
<tr>
<td>1995 - 96</td>
<td>1000</td>
<td>900</td>
</tr>
<tr>
<td>1997 - 98</td>
<td>1108</td>
<td>1020</td>
</tr>
<tr>
<td>1998 - 99</td>
<td>1190</td>
<td>1075</td>
</tr>
<tr>
<td>1999 - 2000</td>
<td>1225</td>
<td>1090</td>
</tr>
<tr>
<td>2000 - 01</td>
<td>1300</td>
<td>1050</td>
</tr>
<tr>
<td>2001 - 02</td>
<td>1265</td>
<td>1100</td>
</tr>
</tbody>
</table>

Source: Directorate of Handlooms and Textiles, Administrative Reports for relevant years.
IMPORTANCE OF THE NEW PRODUCT DEVELOPMENT

In today's liberalised, privatised and globalised textiles (industry) sector, invention of new products, improvements of existing products and phased development of new designs for new products are essential. Many surveys conducted by private and public organisations revealed that the failure of Handloom products and Handloom industries is not due to other problems but mainly due to lack of their ability to develop new products. No business should ever be content with its past performance, it must look a head, and deal with present, decide what is to be done in the future. Thus, the activity of the new product development on a continuous basis keeps the firm in business else, it will be swept out of business. Consumers always look for something new. They feel new perceived needs. They want new features, competitors also respond to them well by offering new products and new features. Now there is a rate race for NPD. Competitors have no other way but offer a new product or new features. Firms which are lethargic and lax in updating its product offer is pushed out of business. Innovate or die is catch phrase of the industries today.

The need for product innovation has never been greater than now. Product life cycles are shorter than ever and new products make old ones obsolete. One German study revealed that product life cycles have shrunk by 400% across a broad array of product categories over the last 50 years. Driven by the globalisation of markets, technological advances and ever changing customer needs, product innovation is the No. 1 plank in many companies' strategic platforms. For example, in the United States, new products account for about 50% of the sales and 40% of the profit. The "Fortune" list of the most admired companies contains the innovative
firms in America, Pfizer, 3M, Intel, General Electric, Johnson & Johnson, Procter and Gamble and others. The firms that fail to innovate face a grim future. Innovation or NPD is the way to stay on top.

IMPORTANCE OF THE STUDY

In view of the limited literature available on New Product Development in Handlooms sector and also due to the ever increasing concern of Government, Public, Society and Voluntary organisations, the present study "New Product Development in Handloom Industry" assumes importance. In India, handloom weavers have a strong presence with a network of about two crores engaged in well diversified weaving activities. Further, handloom weavers or units are expected to not only cloth the nation but also provide employment on sustainable basis. Weaving Industry which was once acclaimed greatly is now losing attraction as an employment provider. The handloom industry was not able to withstand the rigours of the competition from powerlooms and mills. Organised mill and powerloom sector is obviously providing better product offer with new features than handlooms. Except a few niches, handloom products which are not innovative are losing the patronage of the consumers who were very loyal hitherto. Obviously the real culprit is the non innovating handloom industry itself. When the routine handloom products have lost demand and consequently the employment of several families, the helpless handloom weavers took recourse to suicides in 2000-2002 in districts of Karimnagar and Guntur. These suicides come immediately next to the hunger deaths that have happened in Chirala in 1989-91. Chirala is a major handloom hub. If a discerning thought is given to these unfortunate events whose reporting
have won International journalistic awards also, the needle points at the failure of the industry to innovate or come out with new products. As such the present study "NPD in Handloom Industry" assumes importance. The study is unique in nature as no such organised effort is put in so far in the academic circle except a few research articles published by the scholars and journalists.

OBJECTIVES OF THE STUDY

The present study aims at examining and evaluating the New Product Development Practices in the Handloom units in Andhra Pradesh. More specifically the following are the objectives of the study:

i. to trace the origin and growth of new product development in handloom industry.

ii. to review the profile of textile industry in general and handloom sector in particular,

iii. to evaluate the policies and practices relating to New Product Development (NPD) in selected handloom units.

iv. to analyse the impact of competition and strategies followed by of sample units

v. to examine the process of new product development in select handloom units, and

vi. to suggest measures for the improvement of New Product Development in handloom sector.

SCOPE OF THE STUDY

The present study "New Product Development in Handloom Industry"
is analytical in character. In this study the meaning of new product development is taken in the sense of process and structuring of design development in handloom units. As such, the thesis "New Product Development in Handloom Industry" covers the issues relating to collection, compilation, presentation, analysis and interpretation of data regarding phases in new product innovation.

The main focus of the study is to examine and evaluate the existing new product development practices in respect of sample units. More specifically the study examines the managerial part of design development and innovation efforts, facilities and expenditure in sample units. It is a micro level study of 12 handloom units in Andhra Pradesh.

The study evaluates the practices of NPD among sample units in terms of future growth, and success factors. Eventually, an attempt is also made to evaluate the NPD facilities and processes in the light of the changing scenario of handloom units. The study covers a period of five years from 1997 to 2002.

**SOURCES OF DATA**

The study is based on secondary data. For the purpose of study. Necessary data and information have been collected from the published and unpublished official records of selected handloom units in Andhra Pradesh.

In order to elicit relevant information and also to supplement the data and information collected through secondary sources, personal discussions have been held with the officials of marketing production and R & D Departments of the sample units.
In order to make the study realistic, the necessary secondary data have been collected from the following sources:

i. Published and unpublished records of the sample undertakings, Hyderabad, A.P.

ii. Publications of the Indian Marketing Associations, New Delhi

iii. Publications of the Indian Commerce Association

iv. National Handloom Census of NCAER, New Delhi

v. Handbook of Handloom Industry of APCO.

vi. World Bank sponsored study on crafts

vii. Policy document of Textile Ministry, GOI.

**METHODOLOGY**

**a. SAMPLE DESIGN**

This is a sample study. For the purpose of study, 12 weaving organisations have been selected on random basis. All these selected organisations belong to small and medium enterprises in Handloom (weaving) sector. The following are the sample organisations:

i. APCO

ii. Kalanjali

iii. Ghasyam Sasode

iv. Leela Handlooms

v. Dharmavaram Silk Industry as a whole

vi. Arunasri Silk Weavers Society, Dharmavaram

vii. Sri Laxminarasimha Swamy Society, Yadagirigutta

viii. Dhanlaxmi Handloom Saree Empoirum, Saroornagar
ix. Indiranagar Silk Weaves Co-op Society
x. Dastkar Society
xi. UNDP - Assisted Project on NPD in ERI Silk
xiii. Serifed

b. TECHNIQUES OF ANALYSIS

For the purpose of analysis of data, certain statistical techniques like simple average, ratios, trend percentages, and regression models, have been used for evaluating the performance of select organisations, averages are computed for capital employed, sales, costs, production and profits. Ratios have been computed for finding out return on capital employed and sales margin. Regression coefficients have been calculated for assessing the relationship between capital employed and sales, costs, production and profits.

To obtain first brand information, interviews were held with CEOs and Managers of the units in the sample.

ORGANISATION OF THE STUDY

The study is divided into six chapters including first chapter, which is Introductory in nature and presents importance of new product development, need and importance of the NPD, importance of the study, objectives of the study, scope of the study, methodology, organisation of the study and limitations of the study.
Chapter - II, "Profile of Textile Industry - Handloom Sector" gives a brief description of textile of industry position in India, with special reference to handloom sector, structures of handlooms sector, financial position and marketing performance of the handloom sector in the light of changing scenario.

Chapter III "Policies and Practices of Sample organisation on NPD " examines the marketing policies and designing practices adopted by select organisations in promoting and developing new products. Further, variance between policy and practice will also be discussed in this chapter.

Chapter IV, "Analysis of Competition and Strategies followed by Selected Handloom Enterprises " examines the extent of competition faced, strategies designed and SWOT Analysis of the sample organisation. Further competitive strategies implemented by sample organisations will also be examined in this Chapter.

Chapter V NPD process in sample organisation reviews the NPD process adopted for their business survival, growth, development and diversification purposes, It also suggests a modified model for NPD in sample organisations.

Chapter VI, the concluding chapter presents the summary of conclusions and recommendations based on the study.
LIMITATIONS OF THE STUDY

The study is based on secondary data collected from various published and unpublished records. In case of secondary data, there may not be consistency and conformity so far as the numerical information is concerned. The annual reports of the sample undertakings must have not been prepared on similar lines for different years. Further, the figures in respect of technology absorption, new design development, new product development costs and marketing costs of previous year as mentioned in the current year annual report may not tally with the corresponding figures of annual reports of the pervious year. However, care will be taken to minimise the impact of such inconsistencies.

Apart from the few limitations mentioned above, certain other limitation in the present study will be discussed at appropriate places depending upon their importance and necessity.
REFERENCES

BOOKS

1. Arthur D Little, Management Perspectives on Innovation, Cambridge, Massachusetts, USA, 1985


REPORTS


