

CHAPTER - XI

MARKETING

CHAPTER- XIMARKETINGBasic Concept of Marketing :

"The word marketing is used in common parlance in a loose sense, it has however a special significance in modern management of business and industry and is one of the important managerial concept."¹ Therefore, it can be said that, 'Marketing is a total system of interacting business activities designed to plan, price, promote and distribute the satisfactory products and services to present and potential customers'.² The study of marketing, therefore, covers the entire field of activities including movement of goods and services from producers to consumers. Buying, selling, financing, risking, transportation, stores, standardization and market information are the main activities in marketing, which are technically known as 'function'. Cotton Textile Industry is an agro-based industry, therefore, its marketing can be classified as : (1) agricultural marketing, and (2) industrial marketing.

Agricultural marketing deals with the marketing of agricultural products and the Industrial marketing deals with marketing of factory products which are generally consumed by the consumer. Therefore, the consumer marketing forms a

1 & 2. Vadhar, R.C., Marketing Industrial Products in India Development of India Policy & Problems, Edited by Vak C.N. and U.S.Mohan Rao (1973), pp.199, Orient Longmans, Poona.

part of the Industrial marketing. Consumer marketing deals with the end products of the textile goods consumption.

Marketing of Raw Cotton :

Agricultural marketing is an important part of agricultural production, in which the farm products are delivered to the consumers. In Maharashtra, to-day 80% of cotton is sold in the up-country markets in the form of 'Kapas' and this marketing may be classified into village or primary market, secondary or wholesale market and terminal market. Before the cotton lint reaches the ultimate consumer, namely the textile mill, it generally moves from the farm to the primary market, from where it moves to the secondary and ultimately to the terminal market. List of Markets in the State are given in Appendix XII.

Primary markets are mostly the periodical markets in the village, known as Haths, Shandis etc. These markets are usually held once or twice a week on fixed days at convenient centres in the villages. The sites are generally open spaces near the road-side or under the shade of trees. In this market assembling of ginned cottons by the producer themselves take place while secondary or wholesale market serves as both assembling and distributing centres. These are the

wholesale daily markets, known as Mandies or Gunjs. They serve an area to a radius of 32 to 64 Km. The list of wholesale markets in Maharashtra are given in Appendix IX.

In terminal markets, cotton lint is sold to textile mills, exporters and trades. Here it deals directly with the consumer or is engaged in inter-State trade. The buyers in those markets buy their requirements through the cotton merchants and other agencies. Bombay is the biggest terminal cotton market not only in Maharashtra, but also all over India.

The various functionaries concerned with the marketing of cotton both assembling and distribution, comprise of adaties (commission agents), dalals (brokers), traders, weighmen, Hamals etc.

The market practices and method of sale varies from tract to tract. The most common method of sale is by open agreement. Open auction system in which each individual seller auctions is done separately. It is followed in most of the regulated and some non-regulated markets. In some villages in Khandesh region, big growers invite the merchants from town markets for the purchase of their produces which is sold in open auction without employing the middle man.

It is found that most of the cotton crop is produced in small lots and several agencies have developed for their assembling and distribution. Over 96% of total cotton crop is assembled in the form of Kapas and less than 4% is assembled as lint. On an average 40% of the total Kapas is sold in the village and the rest 60% is taken to town. Marketing of cotton through co-operative is making steady progress in Maharashtra, although at present only 2 to 2½ lakh bales of processed cotton, out of total annual output of 14 lakh bales is being handled by them. The growers have been evincing greater interest in this system, because it confers several advantages to them. First, the co-operatives are assured of regular and adequate supplies of pure seeds from the agriculture department of the State. Secondly, the farmer-member secures expert advice in adopting improved methods of agriculture, including crop protection measures. Besides these, the cotton growers find it more advantageous to sell their produce to the co-operatives than to middlemen. The co-operatives give them 70% of the price of their produce as soon as it is ginned and pressed. It has been found that cotton growers in Maharashtra who marketed their produce through co-operatives secure a better price ranging from 5% to 15% than if they sell it direct to the middlemen.

The agricultural marketing units in the states, have a central organisation known as the Maharashtra State Co-operative Marketing Federation. The farmers are the members of both the Federation and its constituent units. The Federation sells the processed cotton mostly to consumers in the State only.

Marketing Season :

Marketing of cotton generally commences from October, but due to a large number of varieties being grown and the range of harvesting period being wide, the marketing season also varies for each type. In Khandesh, Marathwada and Vidarbha regions where mostly Desi varieties, like Jarila Virner and Gaoraniare are marketed, the arrival of cotton in the markets commences in October and continues till May-June. In Baramsti, where American cotton are also marketed, the produce arrives comparatively early. During the period November to January-February, almost 75 to 90 per cent of the total annual arrivals take place. In the lean season, after February-March, the arrival of lint cotton was proportionately more. In Nande markets, it was observed that the period April-July accounts for about 90% of the total lint arrivals in the markets. List of markets are given in Appendix.

In Vidarbha region, the main varieties marketed is Verner, but in some markets, like Amravati and Akola as many as five varieties, like Bari, H-420, Cambodia, Jarila and Oomras also come for sale. The season commences in October and comes to an end by May or June. About 75% to 80% of the total arrivals take place in the months of November to February.

Table 75 shows marketing periods of some important varieties of cotton in Maharashtra.

Table 75

Normal period of marketing of cotton in Maharashtra -
variety-wise.

Name of Variety	Marketing Season
1. Maharashtra American	December to June
2. Virnar (including Jarila)	October to August
3. H.420	do
4. Hyderabad Gaorani	November to August
5. Oomras	October to August
6. Surti - Vijalpa (2087)	February to July

All the processes discussed before are used in agricultural marketing.

In the industrial marketing the following processes are used :

Industrial Marketing : Market structure

The cotton mills usually establish a sales department in their office for a regular and systematic flow of products towards the consuming centres. The pattern and strength of this department is determined by a variety of factors such as size of output, range of varieties manufactured, markets intended to be served, available facilities in respect of finance, storage, transport etc.

The essential functions of the sales department are to keep in contact with the market, advertise for the products and execute the contracts of sales between the mills and wholesale dealers. To carry out this function, cotton mills generally follow one or more of the following systems to sell their products.

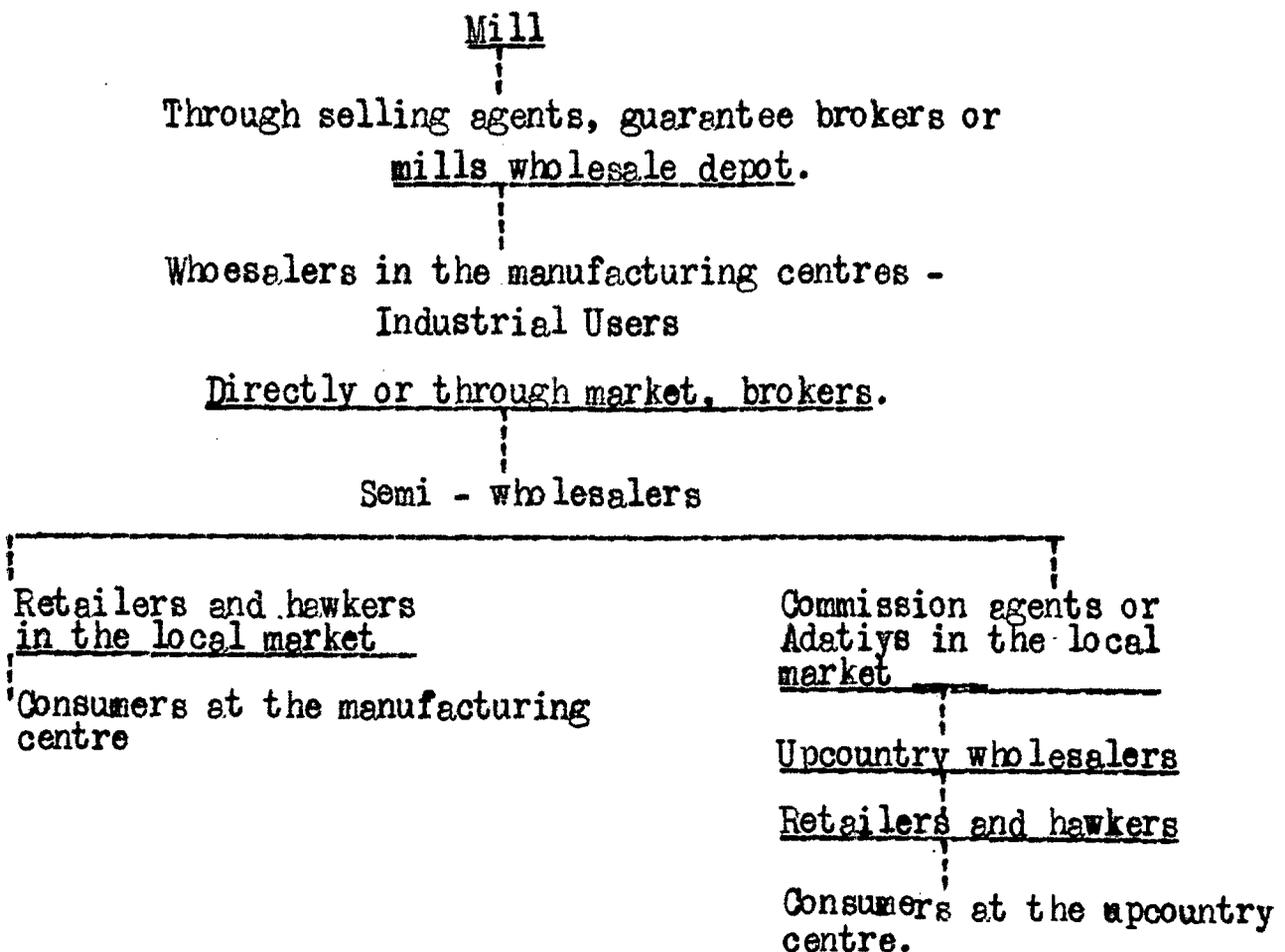
- | | |
|---|---|
| a) Selling agency or Commission agency system | .. Mainly in Vidarbha region which manufactures mostly coarse and medium varieties. |
| b) Guaranteed Broker System | .. Mainly Greater Bombay and few other areas. |

- c) Salesmen System .. Mainly Bombay City and few other areas.
- d) Direct Selling System .. do
- e) Consignment Sale System .. Few miles in Bombay (others are not identified)

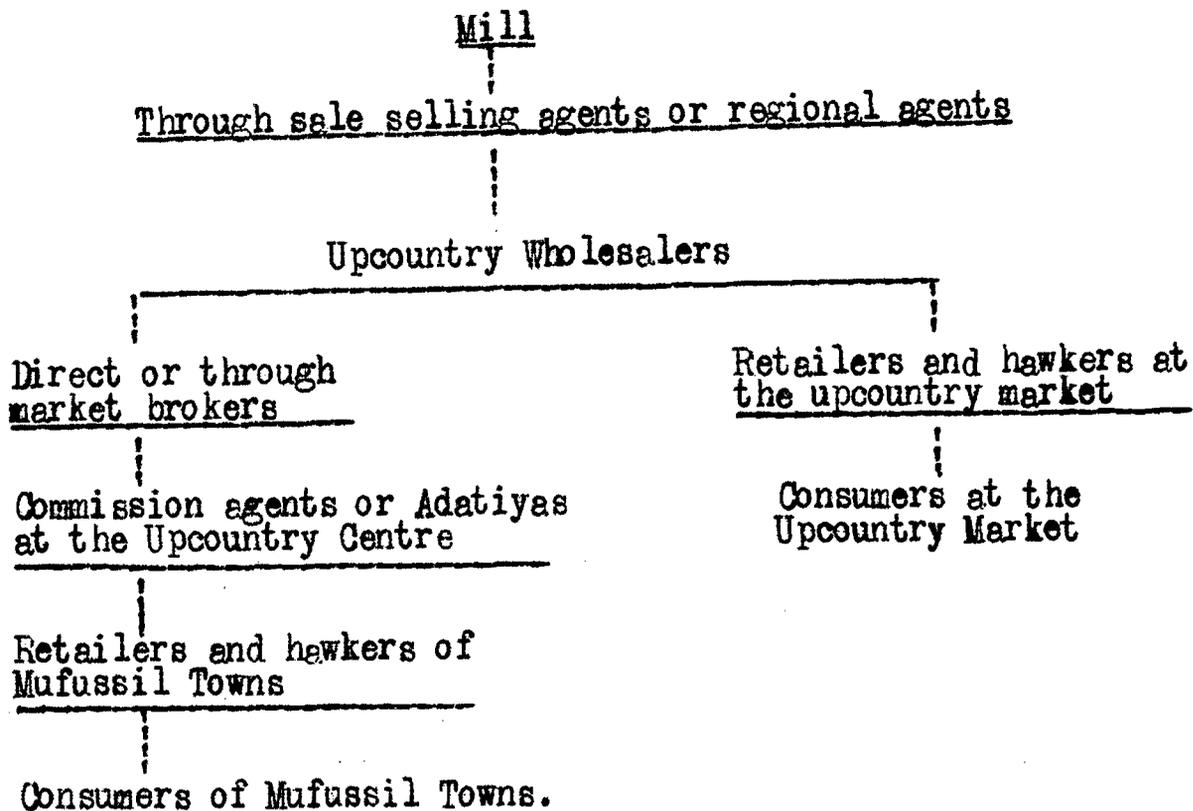
Table 76

Traditional channels of Cotton Textile Marketing in Maharashtra.

- A) When a mill sells in the local market



B) When a mill sells in the Upcountry Market

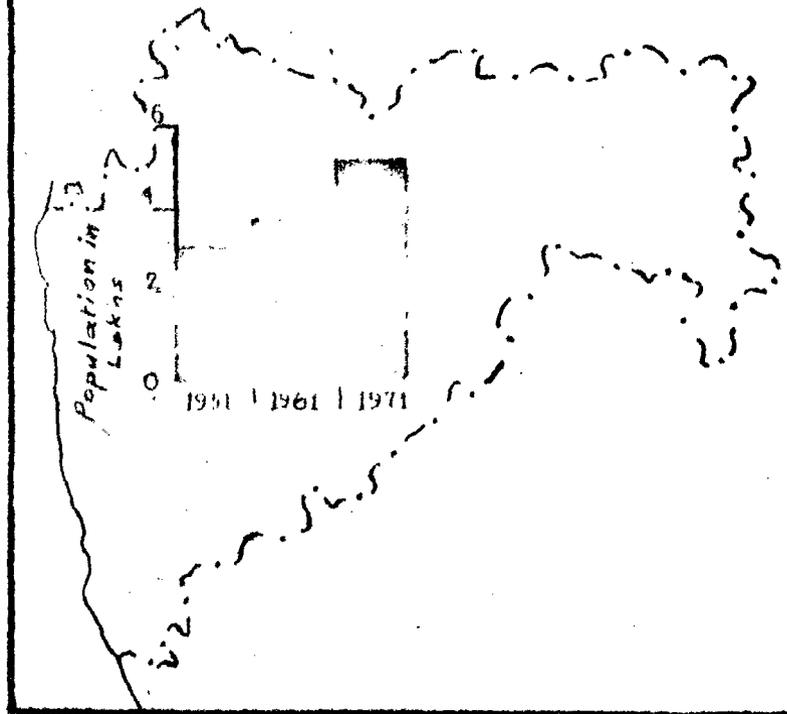


Besides all these marketing process there are some factors which are directly related to the marketing. Among them population and transport are most important factors.

Population Relation with Marketing :

Marketing of cotton textile goods mainly depends on the demand of the consumer (people), as it is an essential item of human consumption. The demand for cotton products (cloth or yarn) has been greatly stimulated by the rise of population and per capita income as witnessed during the recent years. Not only

MAHARASHTRA GROWTH OF POPULATION



Growth of population in Maharashtra

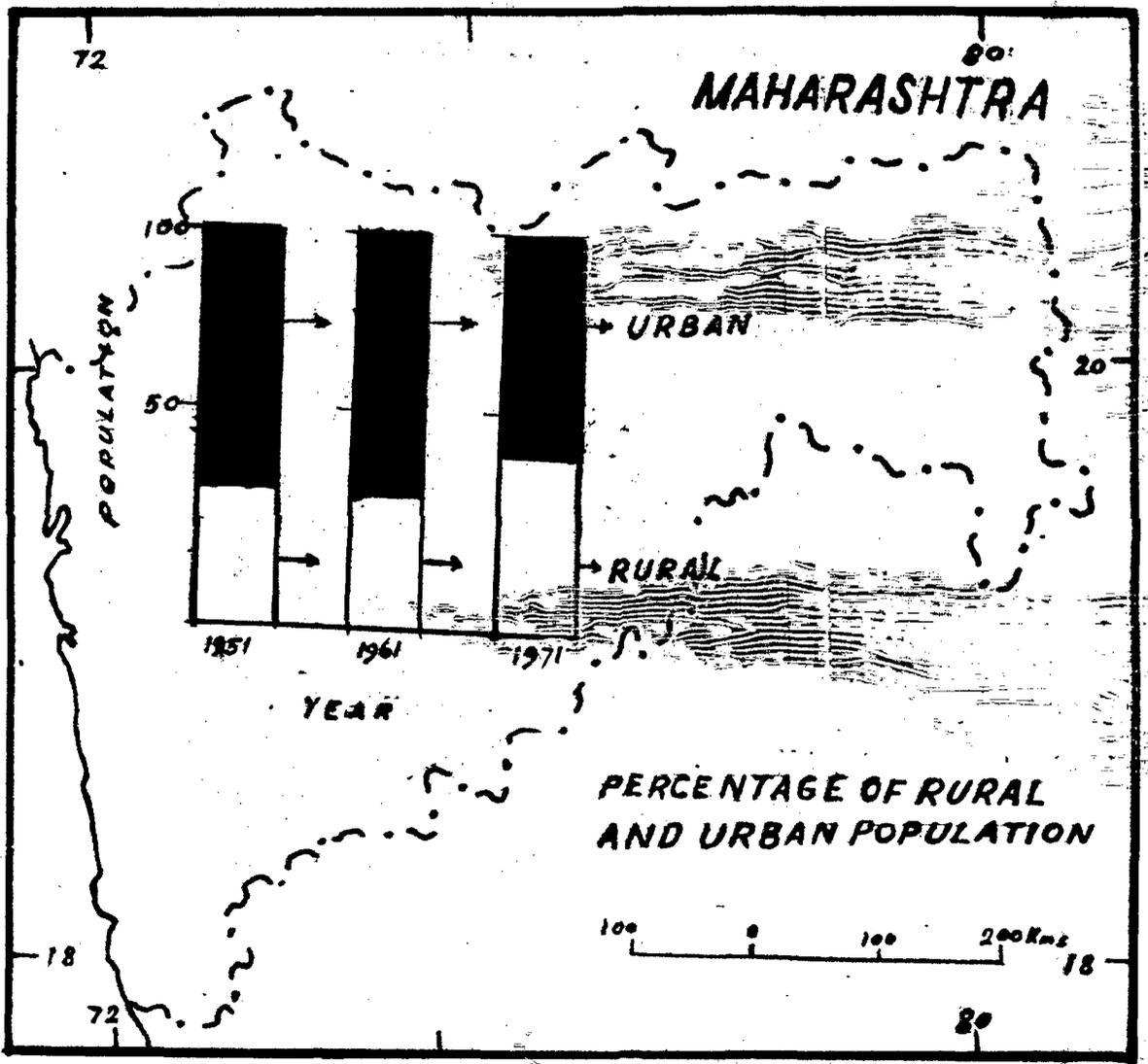
Maharashtra but also India offers a vast market for cotton textiles. The demand for this essential commodity spreads throughout 50.4 million of its population. Table 77 shows the steady growth of population.⁵ The growth of population is shown in Fig. 63.

Table 77
Population in Maharashtra

Y e a r	Total Population (In lakhs)	Percentage variation
1951	3.20	+ 19.27
1961	3.96	+ 23.60
1971	5.04	+ 27.45

The above data shows the steady rising character of population in Maharashtra. This character is very significant in the marketing of cotton products because it can be said that parallel to this rise, the size of cloth

5. Maharashtra, An Economic Review, 1973-74, p. 63,
Table no. 1.



Percentage of urban and rural population

demand is expanding. Table 77 shows the relation between per-capita availability of woven cotton cloth (in India) and population.

Besides this, the regular population growth the influence of urbanization is another force to which the size of demands of cloth response. Percentage of urban and rural population in the State is shown in Table 54.

Table 78

Percentage of urban and rural population

Y e a r	Rural	Urban
1951	71.2	28.6
1961	71.8	28.2
1971	68.8	31.2

Increasing urbanisation would help to increase the demand for cotton textiles and with it the per-capita income is expected to increase to promote the growth of the cotton Textile Industry.

The density of population indicates the intensity of cloth demand in various parts of the country. The density of population is 163 per sq. km. for the State of Maharashtra as a whole but it varies from district to district-as high as 9,901 in Greater Bombay and as low as 64 in Chandrapur. The districts of Greater Bombay, Thana, Jalgaon, Poona, Sangli. Kolahapur, Nagpur and Bhandara consist of high density regions with an average density of more than 175 persons per sq. km. The other regions have less than 175 and within 102 per sq. km. except Chandrapur which has a very low density having only 64 persons per sq. km. A high density region's natural need is to be more thoroughly studied by the manufacturers because slight change in the customs and fashions will influence the pattern of country's total demand.

Therefore, it can be said that demand for the cotton textiles in the State has its certain characteristic which depends upon various economic conditions, social customs and the fashions also.

Besides, the regular population growth, the influence of urbanization is yet another force to which the size of demand of cloth responds. It is the index of economic prosperity of the country and indicated by the

improvement of the per capita income and the per capita availability of cloth for internal consumptions.

Table 79

Relation between per-capita availability of Woven Cotton cloth (India) and population

Period	Estimated mid-year population (in millions)	Availability for home consumption (Million Metres)	Per-capita availability (Metres)	Per-capita Income
1972	562.47	7,406	13.18	250.00
1973	574.22	6,913	12.04	288.3
1974	586.06	7,549	12.88	370.3
1975	597.87	7,523	12.58	399.9
1976	609.27	6,923	12.36	400.7

Transport relation with Marketing

Transport plays an important role in the marketing of cotton. The cotton is generally transported from the farm to the growers house then to the different markets and finally to the mills. Whenever small quantities of Kapes or lint are moved over short distance they are carried on head loads of about $37\frac{1}{2}$ kg. each in village as well as in ginning and pressing mills. For movement of produce from the village to town markets and within the town and cities, bullock carts, though slow, have some definite advantage. On an average more than 5 quintals are generally carried in a bullock cart and for that the rate varies from 2 to 8 P. per 1.6 km. Motor trucks are also, to an extent, used for transporting the produce from the village to the secondary market and the transport charges vary from $1\frac{1}{2}$ P. to 3 P. over $37\frac{1}{2}$ kg. per 1.6 km. Country boats are also used in certain centres in Gujarat for the transport of cotton to terminal markets of Bombay.

Railways form an important mode of transport for moving full pressed bales from pressing centres to terminal markets or consuming centres and where the distance are covered within 250 to 300 km. In recent years, there has been a decline in the use of railways as the means of

transport owing to the delay in getting wagons. Car and lorries are now extensively used for the transport of a major portion of cotton.

Problems of Marketing

Infringement of Trade Marks :

Trade marks, numbers, branches or tickets play an important role in educating the consumer and increasing the marketability of products. But from the investigation it is found that cotton mills have not set up their own machinery to safeguard the production, to safeguard the trade or to detect the cause of infringement. The mills depend more or less on their selling agents and dealers to look after their work. Therefore, the mill which is manufacturing standard varieties should inspect to ensure that their customers are not misguided by other mills which resort to their marks and designs.

Advertising and Sales Promotional Programmes:

Except very few mills in Maharashtra, many of them are not advertising about their products. Again the press publicity is carried on by them is often irregular and not properly planned.

Market Research :

Emphasis on collection and use of relevant data is a part and parcel of the marketing concept. It may be described as the systematic and objective study of the facts relevant to any problem in the field of marketing. It includes - 1) market analysis, which consists the size nature and characteristics of market, 2) Sales analysis, 3) Consumer research which involves the discovery and analysis of consumer attitudes, reactions and preferences and 4) Advertising research.

Market research is thus the key tool used by management in solving its problem of decision making in the field of marketing.

Marketing Finance :

Marketing finance may be defined as that part of milling working capital which is required mainly for two purposes, (a) the maintenance and storage of unsold stock and (b) movement of goods towards local and upcountry markets. The first one is known as 'Stock Finance' and the second one is known as 'Process finance'.

Stock Finance is usually arranged by the managing agents and the selling agents. Industrial Finance Corporation and different commercial banks are helping the industry by supplying the finance for marketing. Process Finance is mostly supplied by different commercial banks or money lenders. They advance loans on the security of cotton textiles are packed in standard bales. The rate of interest charged by the banks is the current market rate and the collection charges of the banks varies from bank to bank depending upon their status.

Different levies on mill-made cloth :

There are three kinds of levies which are at present imposing a serious problem for the cotton textile industry; these are central excise, additional excise and the handloom cess. All these duties are not entirely passed on to the ultimate consumers. Again, the higher rates of duty on fine and superfine cloths serve the need of the rich and discourage the poor to go in for expensive varieties, resulting in the restriction of the demand. Again, the duties may be periodically adjusted to divert the movement of cloth from internal to overseas markets because goods meant for export are not to be taxed under these heads.

Foreign Marketing :

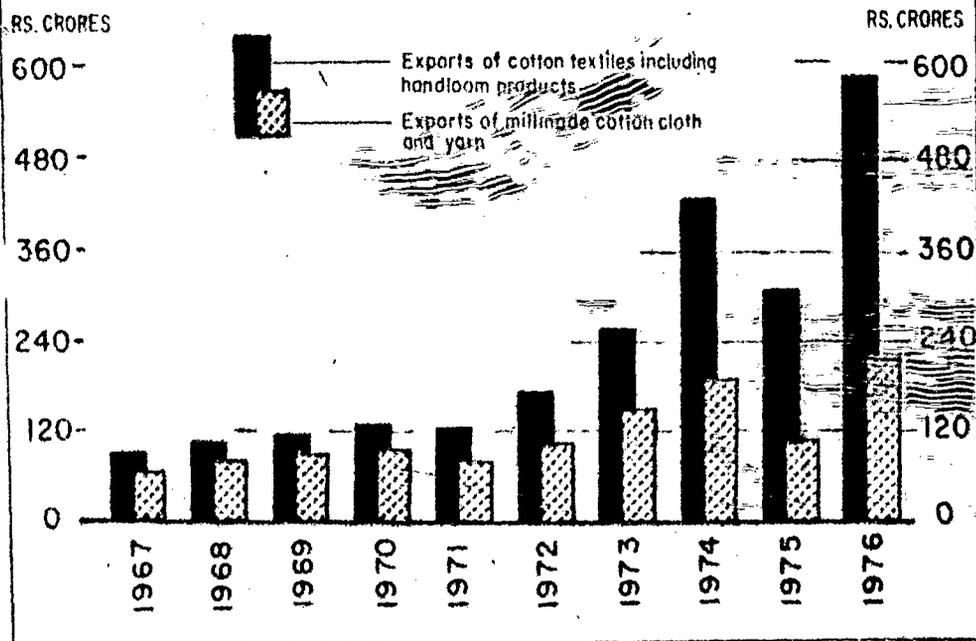
The previous discussion shows mainly the marketing methods which are used in the inland distribution of cotton textile products. India's overseas trade in cotton textile products has assumed a great significance in her economic set-up because of the substantial contribution it makes to her foreign exchange resources.

After the first world war when Japan and U.K. began their trade in textile products in different markets, India's export quantum was very poor. During that period the industry organised its internal market with a view to reduce the country's dependence on foreign imports. But the picture changed during the second world war. At that time, the consequent stoppage of supply from U.K. and later from Japan, India was called upon to play a vital role in meeting the overseas demand from many Asian and African markets. Since then the export of cotton textile goods began to rise although the rising trade was slightly disturbed by the partition of the country in 1947.

During the period 1961-76 the volume of cotton textile products has been increased. A glance over Table 80 would reveal that it plays an important role in earning foreign exchange.

The Appendix 13 & 14 and Fig. 65 shows that during the last sixteen years, 1961-76 the volume of cotton yarn and mill-made cloth export from India ranged respectively between 7.14 to 15.02 million kg. of cotton yarn and 525.14 million metres to 581.07 million metres of mill-made cloth. Appendix 3 shows the category-wise delivery of mill-made cloth for export and which earned foreign exchange worth more than Rs. 91.40 crores in 1967-68 and it is now 596.80 crores in 1976-77. For the first time India had a surplus balance of trade of about Rs. 72 crores. She not only exports her cotton manufactures but also exports raw cotton. But Table 80 shows that the volume of export of cotton is not going higher though the earnings from export of raw cotton is still higher. It is due to higher prices of cotton the Government gave more emphasis on export of cotton products than raw cotton. Another important cause is that the earning from raw cotton is lower than the earning from cotton goods. Therefore, the traders are given encouragement to supply more cotton goods than raw cotton. For that the exporting of raw cotton is not expending as much as cotton goods. The Table 80 shows the export position of raw cotton from India and earning from it.

EXPORTS OF COTTON TEXTILES (Calendar years)



EXPORTS OF COTTON TEXTILES (Fiscal years)

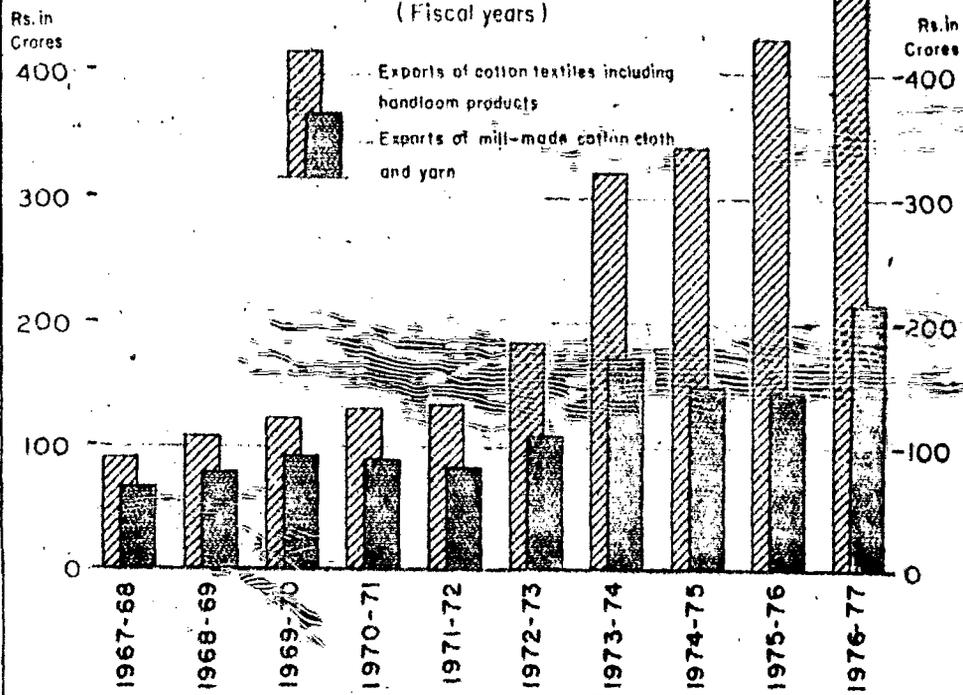


Table 80India's Export of Cotton

Year	Export	
	Quantity (Lakh bales of 170 kgs.)	Value (Rs. crores)
1966-67	2.59	12.59
1967-68	2.44	14.65
1968-69	2.01	13.94
1969-70	2.19	15.11
1970-71	2.00	16.78
1971-72	2.47	21.67
1972-73	1.84	18.39
1973-74	3.66	39.97
1974-75	0.97	12.60
1975-76	9.27	58.23

Process of Overseas trade :

The overseas trade in cotton textile is undertaken either by manufacturers themselves or by established export houses functioning in important ports. Generally the industry has appointed their representatives or selling agents in important markets and foreign countries.

Role of Export Agents :

The export agents or export houses play an important role in the overseas marketing of cotton textile goods and handle about 80% of the entire trade. They have mostly concentrated in the port of Bombay which is the principal exporting point and which accounts for 97% of the total cotton textile export trade of the country. These agents generally establish themselves as sole proprietors, partnership firms and private limited companies. Public limited companies are rarely found.

There are usually two intermediaries between the manufacturers and export agent.

- (1) Commission agents of the cotton mills;
- and
- (2) Market brokers.

Problems of the Overseas marketing :

There are different problems in the marketing of cotton textile products in foreign markets. Among them, finance is the most important. It is required by the exporter to purchase the products and for their packing, shipment, insurance, etc. Different commercial and foreign exchange banks are generally supplying export finance to the exporter.

Quality of the goods are naturally an important factor for successful marketing. In order to preserve the existing export markets and to create new ones, it is of paramount importance that Indian manufactures should look strictly to the standardised products and take care to see that the quality once established under particular trade mark or number does not deteriorate and its supply is continued at any cost. The Standard Institution should strictly enforce standardisation of quality. Cases of non-standardisation should be dealt with severity. An important factor which operates to the detriment of India's Overseas trade is lack of proper transport facilities. Only about 6% of India's foreign trade is carried in its own vessels. A regular and frequent sailing is essential for increasing the volume of overseas trade which dependence on foreign carrier may hamper.

Another problem is that the incidence of railway freight on exportable merchandise is much higher in India than in the U.K. or Japan resulting in the enhancement of exportable price of Indian cotton goods.

Conclusions:

Having examined the various selling systems and important marketing problems of the cotton textile industry of Maharashtra, it is found that the success of the marketing of cotton textile products are largely dependant on the careful selection of dealers in different zones with regard to their financial status, business experience in a particular area etc. The dealers should be able to purchase goods directly from the mills and distribute them among the retailers of their respective zones. Such arrangement will help the mill to know the prevailing market trends and consumers preference on quality, design etc. This will not only be consistent with the structure of cotton textile industry but will also insure against the displacement of normal channels which is inevitable if all the mills switch over to direct distribution in toto.