CHAPTER 1

INTRODUCTION AND SYNOPSIS OF THE STUDY

1.1 GENESIS:
Dyes industry is a significant segment of Chemical industry. In India the industry was in the production orientation stage until the seventies and later in the sales orientation stage. Until recently there was a shortage of many products due to the licensing policy and restrictions on imports. Today, there are 37 large and medium size units and about 1000 small and tiny size units, manufacturing dyestuffs with a capacity of over 1,00,000 te per annum. The total value of dyestuff exports, which was just Rs. 40 crore in 1980-81, increased by leaps and bound to reach Rs. 1331 crore in 1994-95. However, after liberalisation and opening up of the overprotected Indian economy, the Indian dyestuff industry is trying to reorient its strategies in the domestic as well as international markets. With increasing insistence on quality standards like ISO 9000, Total Quality Management (TQM) and the ever increasing competition from China and other South East Asian countries, it will largely depend on the strategies adopted by the Indian dyestuff manufacturers on whether or not they can gain a reasonable share in the global dyestuff market.

In the domestic market, the need for marketing was not felt by dyestuff manufacturers before the liberalisation of economy. But, now the whole scenario has changed.
Radical changes in the industrial and the export/import policy have brought about immense competition in all segments of the industry. As a result, customer satisfaction, through marketing, has become the most important aspect of business strategy of any time. So logically, this study was focussed on understanding and analysing the marketing strategies of the various existing units in the dyestuff industry in India.

1.2 OBJECTIVES OF THE STUDY:
The main objectives of the study were:
(a) To analyse and understand the nature and composition of Dyestuff industry in India, including the causes of localisation of the industry,
(b) To collect information about manufacturing capacity, technology, type of dyestuff produced and its quality in India,
(c) To collect firsthand information related to the marketing practices of the dyestuff manufacturing units in organised and unorganised sectors, with special reference to distribution and pricing,
(d) To analyse and understand the needs and wants of the end-user industry,
(e) To understand the role of intermediaries in the dyestuff industry,
(f) To study the factors determining the demand, and demand-supply relationship of the dyestuff in India,
(g) To study and analyse the factors affecting the purchase decision for dyes by the end-users,
(h) To study and analyse the export prospects for dyestuff products,

(i) To understand service switching from the customer's perspective and to investigate what roles do the commercial service and technical service quality play in mutual relationships, and

(j) To study the long-term manufacturer-supplier relationship with reference to performance of supplier firms in terms of level of sales, cost, price, and profitability.

1.3 HYPOTHESES TO BE TESTED:
The following hypotheses were tested:

(a) Smaller units sell their output more on the basis of personal contacts than any systematic marketing efforts,

(b) Organised sector sell their output using established marketing channels,

(c) Strong correlation exists between wholesale price index of all commodities and wholesale price index of dyestuff,

(d) The market is highly price conscious,

(e) Discounts play a major role in terms and conditions offered by the manufacturers,

(f) Supplier in a long-term relationship with selected customers experience the same rate of sales growth as suppliers that are not involved in a long-term relationship with their customers,

(g) Suppliers in a long-term relationship with their customers are able to reduce their inventory holding and control costs over time to a greater extent than suppliers that are not engaged in a long-term relationship with
customers,
(h) Suppliers in a long-term relationship with selected customers obtain lower price over time compared to firms that are not involved in a long-term relationship with their customers,
(i) Suppliers in a long-term relationship with selected customers are able to achieve a higher level of performance (ROI) over time compared to firms that are not engaged in a long-term relationship with their customers, and
(j) Quality is an important criteria in selecting dyestuff supplier.

1.4 SCOPE AND APPROACH:
The study covers the manufacturing, trade sub-segments and end-users of the dyestuff industry in the country. The scope of the study is limited to
(a) Dyestuff manufacturers in Gujarat and Maharashtra
(b) Dyestuff Manufacturers in both organised and small scale sectors
(c) Dyestuff Trade intermediaries located in Gujarat and Maharashtra
(d) Dyestuff manufactured for textiles
(e) Dyestuff consumers viz Mills and Process Houses in Gujarat and Maharashtra
The manufacturing units differ in technology, size and product-mix. The study attempts to understand and explore the nature of the industry and the marketing strategies adopted by the firms for servicing the fashion-oriented textile industry.
1.5 METHODOLOGY:
The study was conducted at three different levels:
a) Manufacturing units in the organised and small scale sectors.
b) Trade intermediaries.
c) End-users of dyestuffs viz - Mills and Process Houses.

In the first stage, an extensive study, based on the secondary data information was conducted to provide a historical backdrop of dyestuff industry in the Indian and the global context. The information on production growth and development, government policies, different user segment, Technological status, Research and development, production and import trends, export prospects, financial performance of existing units, environmental issues, demand pattern, international vs local price comparison and emerging trends were collected and analysed.

In the second stage, a sample survey was conducted to study the marketing practices of manufacturing firms and the needs and wants of the end-user industry, customer's switching behaviour, and understanding of the effect of a longterm relationship with customers. Senior functional managers and CEOs were interviewed to probe and gather insight into the environmental threat opportunity profile and strategic advantage profile that governs the present and future scenario of the industry.

A sample of 20 organised sector and 100 SSI sector was taken for this purpose. A pre-tested structured
questionnaire including multiple choice as well as open-ended questions was used in the research instrument. The units were selected on a semi-random (quota) basis. To study the role of trade intermediaries in the marketing of dyestuffs, a sample survey of 100 intermediaries operating in the western region, i.e., Gujarat and Maharashtra was conducted by using a structured questionnaire. Intermediaries were selected for inclusion in the sample on the basis of convenience.

A extensive survey of end-users of dyes drawn from the textile industry was conducted to understand their needs and wants as well as the demand pattern. 25 mills and 100 process houses in all were included in the sample. These were taken on a judgement basis, giving proper representation to the different types of textile units.

1.6 PLAN OF THE THESIS:
The thesis is proposed to be divided into following chapters:
Chapter 1: Introduction and synopsis of the study: This chapter covers the introduction, objectives, hypothesis, methodology of the study and literature review.
Chapter 2: Chemical industry - A Profile: This chapter provides the preview of the chemical industry in India and the global scenario thereof. The various sub-groups of Chemical industry are discussed. The government policies, R & D, environmental issues, exports performance and future prospects are outlined here.
Chapter 3: Dyestuff industry - A Profile: In this chapter the evolution, growth and development of Dyestuff industry is discussed. The Indian and Global scenarios are also outlined. The government policies related to organised and small scale sector are also examined in brief. The technological status, R & D, export prospects, financial performance of the industry is discussed here.

Chapter 4: End-user industry - A Profile: The data related to the textile industry is outlined here. The impact of fashion trends is extensively discussed in this chapter.

Chapter 5: SWOT analysis of Dyestuff industry: The Environmental threat opportunity profile and strategic advantage profile is outlined in this chapter.

Chapter 6: Sample profile and analysis of secondary data: This chapter includes the profile of the manufacturers in the organised sector, and production, import, and export trends. It also covers the domestic and export performance for the current year and projections up to 2000 AD. The international and local price comparison of raw material and intermediates and the impact of multi-point taxation is outlined here.

Chapter 7: Survey of manufacturing units and trade intermediaries: This chapter includes primary data and information collected through extensive field work. It includes the data collected from 20 organised sector and 100 small-scale sector manufacturing units and 100 Trade Intermediaries in Gujarat and Maharashtra. Marketing practices and performance of the various units are examined and analysed here. The pricing and distribution aspects of
the manufacturing units are studied in detail. The effect of a longterm relationship with customer on the sales, inventory management and performances are also analysed here.

Chapter 8: Survey of user industry: The end-user industry profile, usage pattern and demand-supply relationship is studied through a sample of 125 end-user units. This chapter also covers the factors determining the switching behaviour from the customers' perspective in dyestuff industry.

Chapter 9: Findings: This chapter enlists the major findings of the study.

Chapter 10: Summary and Recommendations: This chapter summarises and makes recommendations on marketing strategy for dyestuff manufacturing units.

1.7 SIGNIFICANCE OF THE STUDY:
Dyes industry is the significant segment of the country’s Chemical industry. The remarkable progress of the industry ever since 1951 has not only made India self-sufficient in dyestuffs but has also enabled it to export the dyes. This industry will have good opportunity in future due to expanding petrochemical industry which would mean easy availability of basic feedstocks, competitive project costs and relatively low overheads. However, this industry has threats from competing countries like China, South Korea, Taiwan, Indonesia and Thailand. In order to be competitive in the international market, the firms will be required to strengthen their home base. The study on marketing
strategies of the dyestuff manufacturing firms, and needs and wants of end-users may be of immense value to the industry as well as to its client industry because no such study has been done by any individual or organisation in India in past.

1.8 LITERATURE REVIEW:
Product marketers know that "having customers, not merely acquiring customers, is crucial for firms". In terms of having customers, research shows that service quality, relationship quality, and overall service satisfaction can improve customers' intentions to stay with a firm. But what about the losing of customers? What actions of firms, or their employees, cause customers to switch from the provider of one service to another? Executives in the various Firms are concerned about the negative effects of customers switching on market share and profitability. In the simplest of the senses switching costs a Firm the future revenue stream of customers. But the loss is even more damaging when other effects like new account setup, credit searches, and advertising and promotional expenses when considered can add up, to five times the cost of efforts that might have enabled the Firm to retain a customer. Operating costs rise as the Firm learns the needs of its new customers. Executives need research-based knowledge if they are to avoid the revenue-reducing and cost-incurring impacts of customer switching. Bitner speculates that time or money constraints, lack of alternatives, switching costs, and habit might also affect
service loyalty; Cronin and Taylor suggest that convenience, price and availability might enhance customer satisfaction and ultimately affect behavioural intentions.

In a mature product market, most marketing researchers would declare the role of advertising to be limited, especially if product attributes were integral to the brand choice. There are several reasons why it would be hard to detect advertising effects in mature markets or why such effects, if detected, are likely to be weak. Firstly, it is highly probable that in mature markets Firms operate on or next to the saturation point of their advertising response curves. Secondly, there is very little likelihood that new users exist, so most users will have had prior product experience, and much brand choice will be based on inertia, especially for low-priced, frequently purchased products. Thirdly, mature markets are competitive, and so there are bound to be high levels of competitive advertising. Fourthly, product-brand knowledge structures are likely to be well-formed, so that the information needs will be minimal and product evaluations could be memory-based. In general, the effects of advertising on performances are complicated and are often indirect. Taken together, these studies imply that under certain circumstances, advertising repetition should influence preferences, though the mechanisms may be as different as they are complex. Preferences based on product experience alone are both stronger and better predictors of subsequent behaviours than preferences based on advertising alone. If product
experience confirms expectations formed by advertising, then they have a strong effect on purchase behaviour. When product experience is clear and unambiguous, preference are not influenced by advertising. However, when product experience is fraught with ambiguity, advertising has strong positive effects on preference.

Purchasing in its "Vendor Profile Forecast" predicted that within the next five to ten years, almost every manufacturer of discrete products will be moving to close relationships with proven vendors and buying under long-term contracts. There is growing evidence over the past decade that in order to be competitive, manufacturing firms are moving away from a traditional approach of advertising relationship with a multitude of suppliers to one of forging a long-term relationship with a few selected suppliers. The goal is to secure valued resources and technologies of the selected suppliers in situations that preclude the option of vertical integration due to resource limitations and managerial construction. Apart from being able to harness the strength and skills of suppliers to their advantage, manufacturers in a long-term relationship also benefit from improved quality, process performance and continuous cost reductions. The marketing concept emphasizes that the key to success for a business firm lies in its ability to determine the needs and wants of customers and to satisfy them and these needs to be more looked at in the light of customer relations from a long-term perspective. The exchange relationship between buyers and sellers has been recognized.
as a primary focus of marketing research. However, until recently, marketing researchers have looked at exchange between buyers and sellers as being transactional or market based in nature. In the process, the relational aspect of exchange has been largely neglected. Several studies in the recent past have tried to develop a theoretical framework concerning the determinants of successful long-term relationships. Researchers have also empirically investigated factors that delineate the content of long-term relationship.

In their paper on relational exchanges, Dwyer, Schurr, and Oh developed a theoretical framework regarding the formation and dissolution of long-term buyer-seller relationships. Frazier, Spekman, and O'Neal (1988) focus specifically on “just-in-time” exchange relationships between the manufacturers and their component parts suppliers, where the supplier firms are expected to produce and deliver products to their customers in the necessary quantities, as and when they are needed, and at the right level of quality.

Lyons, Kracheberg, and Henke delineate the advantages that accrue to buyers and suppliers in a long-term relationship. Heide and John use the transaction cost analysis framework to study the antecedent of the shift toward closeness in manufacturer-supplier relationship which they measure by the level of joint action, continuity expectations, and verification efforts. They find that the degree of interdependence, as measured by the level of investments
made by each side and the barriers to exit, affects the working consensus to collaborate in a relationship.

Ganesan finds that trust and dependence play key roles in determining the long-term orientation of firms in a relationship and that both similarities and differences exist across the two sides with respect to the effects of several variables on long-term orientation, dependence and trust. In contrast to existing literature that tends to view departures from market governance in terms of a movement along a continuum Heide views non-market governance as a heterogeneous phenomenon which can be accomplished in a unilateral or a bilateral fashion. On the whole the studies referred to above have looked at the issue of how and when long-term relationship are formed. However, the impact of these relationships on the performance of supplier firms has not been systematically investigated.

The quality revolution has taken over the thinking of much of the manufacturing sector of the industry. Manufacturers, hard pressed by the standards of precisions and durability of the products of their Japanese counterparts, have adopted “quality” as their new idol with almost a religious fervor as it were. The “quality revolution” has spread through manufacturing and service industries as customers have begun to demand more and better levels of performance, and managers have found that the highly competitive and growing markets require that customers be satisfied with their purchase or they will go elsewhere. It is clear from
the experiences of these companies, and through common sense that there are diminishing returns to expenditures on quality. Improving quality helps up to a point, but further expenditures on quality are unprofitable beyond that point. Of course, many quality improvements result in a reduction in costs that more than makes up for the quality expenditures. The benefits of quality improvements come in two forms. One the effect is in terms of improved ability of the firm to attract new customers, and two the result is that, when current customers are more satisfied with the products they buy, they become repeat customers.

The subject of market orientation in one form or another has occupied the centre stage of the theory, and practice of marketing strategy in the last three decades. The value of the information is maximized when it is shared among virtually all functions in an organization. Ultimately, the organization must be prepared to act rapidly on the information. The result is that "a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization, thereby leading to superior performance." Contradicting the finding that market orientation has a general and positive effect on business performance are two theoretical pieces that imply that competitive environment might affect the market orientation-performance relationship. There are two possible principal moderator effects of competitive environment on market orientation. First, the competitive environment (e.g., the
rate of market growth) could affect the strength of the market orientation-performance relationship. Secondly, the competitive environment (the number and power of competitors) could affect the necessary focus of the intelligence generation activity (e.g., a greater emphasis on customer analysis relative to competitor analysis, or vice versa) within a given magnitude of market orientation. This implies that a greater benefit might be realized from generating and acting on customer-oriented information in high-growth markets than would be provided by competitor-oriented information.

REFERENCES


7. Dean, James W., Jr. and James R. Evans, "Total Quality Management, Organization, and Strategy. Minneapolis" WEST PUBLISHING COMPANY.


