CHAPTER IX

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The small scale industry has a vital role to play in an overpopulated and developing country like India. It contributes a lot in achieving various national goals by decentralisation of industrial activities preventing concentration of economic power in the hands of few individuals or large scale units. There is no doubt that efficient functioning of small scale industry will result into high growth rate, more employment, increased per capita income and a higher level of production.

But small scale industries suffer from structural limitations like lack of adequate resources, lack of marketing experience and know-how, paucity of adequate funds for introducing quality control and testing facilities and for undertaking any programme for research and development.

Marketing has, however, been one of the most critical problems faced by small units in recent years. The problem is worse confounded by the small size of the units and shortage of funds. Most of the small firms have neither the requisite staff with proper marketing skills nor adequate resources to undertake vital marketing tasks like advertising and sales promotion, establishment of distribution channels and marketing research.

I will conclude by listing the main findings and recommendations about the marketing management in small scale industrial units located in urban industrial estates of Punjab.
SUMMARY OF FINDINGS

(I) \textbf{SET UNITS COVERED: A PROFILE OF CHARACTERISTICS}

(I) The study has covered all the eleven urban industrial estates in Punjab. The selection of respondent units has been done on a stratified random basis. As many as 51 percent of the respondent units were partnership concerns. This was followed by sole proprietary concerns (36%) and private limited companies (13%).

(ii) Light engineering industry accounted for 51 percent of the sample. This is followed by Chemical/Rubber/PVC (21%), Electrical/Electronics and Textile/Handlooms (10% each) and other miscellaneous industries (8%).

(iii) 17 percent of the units surveyed were ancillary units. A majority of these units supply anywhere from 40 to 80 percent of their production to the respective mother units.

(iv) The overall yearly average of sales turnover of the respondent units covered in the study was Rs. 39.08 lakhs per unit with Standard deviation of 19.08.

The average sales turnover of the units covered appears to vary depending on the following factors:

(a) \textbf{Location of the unit}: Units in the urban industrial estates at Ludhiana and Amritsar had the highest average turnover of Rs. 47.19 lakhs and Rs. 43.67 lakhs respectively.
Those located at Roshiarupur and Rajpura recorded the lowest average turnover of Rs. 19.75 lakhs and Rs. 13.33 lakhs respectively.

(b) **Industry to which the unit belongs** : Units in the Textile/Handloom category recorded the highest average turnover of Rs. 55.83 lakhs. Those in the Light engineering industry recorded the lowest average sales turnover of Rs. 34.42 lakhs.

(c) **Form of Organisation** : Sample units which were private limited companies had the highest average sales turnover of Rs. 68.73 lakhs. Those which were sole proprietary concerns had the lowest average sales turnover of Rs. 19.37 lakhs.

(v) The overall average employment generation by the units covered was 36 persons per unit. The average employment of the units covered appeared to vary depending on the following factors :

(a) **Location of the Units** : Highest average employment of 44 and 38 persons is recorded by units located in the urban industrial estates at Ludhiana and Amritsar respectively. The ones recording the lowest average employment of 32 and 15 persons are located at Ferozepur and Roshiarpur respectively.

(b) **Category of Industry to which the unit belongs** : The highest average employment of 41 persons per unit was recorded in textile/handloom units followed by chemical/other...
and Light Engineering units. Electric/Electronic units record the lowest employment of 29 persons per unit.

(c) **Form of Organisation**: Sample units which were Private Limited companies had the highest average employment of about 61 persons per unit. Those which were sole proprietary concerns had the lowest average employment of about 15 persons per unit.

(d) **Ancillary and other units**: The null hypothesis that there is no significant association between the type of unit and the employment level, was tested at 5 percent level of significance. The null hypothesis was accepted at this level after applying chi-square method.

(vi) **Relationship between sales-turnover and employment-generated**: Different industrial estates have been ranked in descending order of sales turnover and employment. Using Spearman's method, the rank correlation co-efficient works out to 0.31 indicating that there may be positive correlation between the sales turnover and the employment generation.

(vii) **Location**: Entrepreneurs in Ludhiana, Hoshiarpur, Malerkotla, Bhathinda, Patiala, Rajpura and Batala ranked proximity to home town as the most important while cheaper plot/shed is ranked highest by entrepreneurs in Jalandhar, Amritsar and Ferozepur, while considering the different factors influencing location-decision. But in overall
ranking proximity to home town scores highest followed by cheaper plot/shed and proximity to market. Again while the SSI units in the textile/handloom industry accorded highest priorities to cheaper plot/shed followed proximity to market, the units in other category of industries gave highest priority to proximity to home town.

The respondents who have set up ancillary units have also given a relatively higher weightage to proximity to home town while the other units accorded the highest priority to cheaper plot/shed.

The sole proprietary concerns gave the highest priority to proximity to home town, partnership firms to proximity to markets and private limited companies to cheaper plot/sheds.

II. INSTITUTIONAL INFRASTRUCTURE AND INCENTIVES

(1) **Awareness and satisfaction with Infrastructure**: Among the institutions assisting SSI units in internal marketing, level of awareness is quite high in respect of SISI; Directorate of Industries, Punjab; PFC; PSIEC and NSIC, but majority of those respondents, who had come into contact with these organisations, were not satisfied with the services of SISI (71%) DII (67%) and PSIEC (45%). However, comparatively more respondents were satisfied with the services of NSIC (72%) and PFC (53%). Though the PFC is a financial institution its role in providing guidance regarding selection of a product was appreciated by the respondents.
In the export marketing the awareness of various institutions was quite high: NBIC (100%), PSIEC (100%), EPIC (100%), SIC (100%), IDA (95%) and SIDO (98%) but majority of the respondents who came into contact with these organisations, perceived dissatisfactory service in respect of NBIC (68%), EPICs (66%), SIDO (64%) and PSIEC (53%).

(ii) Govt. Marketing Organisations: During the last 30 years government has sponsored Govt. marketing organisation i.e., NBIC, to reduce the incidence of exploitation by middlemen. Preliminary investigations indicate that the performance of these organisations has generally not been commensurate with the expectations. After some efforts to perform the multi-dimensional task assigned to them, most of them have tended to take recourse to the singular and more lucrative business of marketing scarce or controlled inputs to which they had preferential access because of government policies and procedures.

(iii) Buyer behaviour and Marketing Process: 53 percent of the respondents consider changing fashion and taste of buyers as most important factor while considering a change in their marketing process. As many as 17 percent of the sample units take into consideration technological advances as most important factor while changing their market process. Only 8 percent of the respondents gave more importance to the purchasing power of buyer while
considering such a change. When asked about the legal and other relevant aspects the respondents expressed ignorance about the details of legal aspects though they accepted their awareness regarding some particular aspects like Sales of Goods Act; Patents; Trademark Act; ISI specifications etc.

But while considering a change in the marketing process and awareness regarding different legal aspects, there was a general agreement among the respondents that they do face different problems in acquisition and organisation of their information material regarding various environmental aspects.

(iv) Another critical need is the simplification of procedures for availing of the incentives. Quite a few incentives are provided at present in the shape of:

a) tax exemption;
b) duty exemptions;
c) allowances covering investments;
d) export market development efforts;
g) products reservations for manufacturing in small sector;
h) tax rebates on profits;
i) concessions in interest rates and hire purchase financing;
j) transport subsidies;
k) rebates on energy charges; and
l) loans against sales tax payments etc.
(III) PRODUCT DECISIONS

(i) Govt. Incentives and Friends' Recommendations:
Incentives announced by the government and advice from the friends and relatives play the most important role in influencing an entrepreneur's decision on product range to be produced or marketed by SSI units in Punjab. The relative response of these factors varies in respect to the location of the unit, category of industry, form of organisation, turnover, employment and whether it is an ancillary unit.

(ii) Influence of samples on Product - Development:
As many as 76 percent of the respondent units undertake new product development based on products/samples collected from the market. Only about 24 percent depend on their own ideas in this regard. The dependence on own ideas is on the lower side irrespective of the location of the unit. However, dependence on own ideas was recorded to be highest in case of units which belong to textile/handloom industry or which are private limited companies or which have a higher sales turnover or which record a higher level of employment generation.

(iii) Less units follow ISI standards: 28 percent of respondent units were manufacturing products confirming to ISI standards.

Units which record above average conformity to ISI standards are those which:
- belong to textile/handloom and chemical/rubber/VC industries.
- are ancillary units
- are private limited companies
- have relatively a higher turnover.

Major reasons on account of which products do not confirm to ISI standards are lack of testing/inspection facilities and procedural delays.

The most important factors leading to conformity to ISI standards were:

(a) Standardisation helps in inspection and in maintaining uniform product specifications.

(b) It helps in selling.

(iv) Quality control in the shop: Study reveals that different measures are adopted by different units to ensure in-house quality control: proper testing equipment (40%) quality raw material (29%) and built-in inspection (26%).

The mode of ensuring in-house quality control varies depending on the industry's legal constitution and other classificatory variables. It does not, however, vary with the sales turnover of the unit.

(v) Lack of awareness of PLC concept: All the respondents showed their ignorance regarding various stages of product life cycle. They were not aware of the concepts of product
life cycle and had never tried to estimate the present stage of their product(s) in the product life cycle, though the steps being taken by some of the units reflect the practicability of product life cycle concepts.

(vi) **Units prefer brand names of non-Indian origin**: None of the SSI units covered gave the reason for selecting a particular brand name on the basis of accepted marketing practices like Test of Recall or Association Test. A tendency towards selecting names of non-Indian origin whether meaningful or non-meaningful, and fitting or not fitting was more as compared to other criteria.

(IV). **NATURE OF MARKET**

(i) **Majority of units do the consumer goods marketing**: As many as 45 percent of the respondent units were operating in the consumer market, 30 percent were operating in the industrial market and 25 percent were operating in both the markets. As many as 37 percent of the units covered in the study were operating in the rural market, 34 percent in the urban market and 29 percent in both the markets.

The sample distribution against this characteristic, varies depending on the legal constitution, the industry and the sales turnover of the units.

(ii) **Punjab SSI largely operate at National Level**: Out of the total of 86 units surveyed, 32 percent were operating at the National level, 22 percent each were
operating at either the state level or at the international level, 15 percent were operating at all the levels and 9 percent only at the local level. The geographical spread of a market of SSI unit appears to be effected by all the classificatory variables used in the study.

(iii) Market segmentation strategy is followed by three fourth units and income is the main criteria for consumer products and end use for industrial products.

The study revealed that as many as 74 percent of respondent units had segmented their respective markets. This characteristic is true irrespective of the nature of a market in which the unit was operating.

The most important basis of market segmentation for consumer products was income followed by population and geography/area.

Of those which were operating in the industrial market and had also segmented their market, 53 percent had segmented the market on the basis of end uses, 40 percent on the basis of location and 5 percent on the basis of uses rate.

The extent of market segmentation attempted by a SSI unit varies depending on the category of industry and the sales turnover.
(iv) **below 25 percent of production is exported**: Out of 19 exporting units more than 50 percent of the respondent units were reported to be exporting below 25 percent of their production.

(V). **PRICING DECISIONS**

1. **Customer relations and market conditions as the major factors in pricing**: As many as 89 percent of the respondent units claimed that their prices varied depending on the customer. Important factors mentioned were: (i) longevity of relationships with customers and (ii) uncertain market conditions of the respondent units, 98 percent said that they passed on cost escalations in raw materials to their buyers. As many as 93 percent of the respondent units were determining price according to current market conditions, i.e., based on the going rate pricing method.

This does not indicate a lack of cost consciousness on part of the SSI units. A majority of them had a fair idea regarding the modern concepts of costing. However, they were found to be hesitant to discuss actual product costs etc.

The preference for going rate pricing method cuts across different industries, different nature of markets and does not differ significantly with respect of such variations.

(ii) **Going Market Rate is the majority rule for SSI**: The study revealed that 59 percent of the units preferred
the going rate pricing method, and they based their decisions on market information received from dealers, agents and other channel members. 41 percent of these units preferred basing their decisions on other sources, such as friends and relatives, company salesmen, reports appearing in the trade journals and new papers etc. Irrespective of the nature of market in which a SSI unit operates, the sources of market information remain the same.

(iii) Perceived behaviour of prices: respondents were requested to describe the perceived behaviour of prices in respect of their products. 25% of the respondents accepted that the prices are volatile in nature and fluctuate quite rapidly. 24% of the replied respondents that prices are stable in character. 47% of the respondents replied that they could not say anything.

(VI). PHYSICALLY DISTRIBUTION AND DISTRIBUTION CHANNELS

(1) The respondent units consider warehousing, inventory control, transportation and packing as independent cost centres and the decisions are taken independently without analysing the total cost of distribution and the required customer service level.

Warehousing facilities are maintained either in plant itself or at a separate rented/owned storage space. Modern inventory control techniques are not
known to them and inventory is maintained on the basis of past experience and estimates. With the limited resources funds can not be blocked to maintain inventories even if customer service gets adversely affected for some time. The products are generally transported by roads and railroads though the exporting units also use air and sea transport. But promotional aspect of the packing has been ignored by these units. Hardly any effort is made for high quality packing. Even printing on the packaging is of inferior quality.

(ii) **Direct selling is the most popular**: 31 percent of the sample units were placing their respective product in the market by means of a direct contact with the consumer. This was very closely followed by the distribution channel involving a wholesaler and a retailer. A relatively higher percentage of the units in the textile/handloom industry had opted for this kind of distribution channel.

The type of distribution channel used by SEI unit, varies according to the nature of market in which it operates. A majority of those operating in the industrial market placed their respective product directly with the buyer, while those in the consumer market tend to depend on the wholesaler and the retailer.

(iii) **In an ointments dealers/distributors much emphasis was laid on personal references.** It may be noted that
this emphasis was most important in the units operation in electric/electronic industry.

Second importance was given to the party's strength while selecting dealers/distributors.

And the least weightage was given to territory potential estimate by the sample units while appointing dealers/distributors. But this factor was considered to be most important by the units operating in chemical/rubber/PVC and textile/Handloom industry.

(iv) Major failures of SSI units are distributive failures. These units lack access to distributive facilities and many times in an anxiety to promote their products, they appoint such dealers who happen to deal with the competitors products.

In Jalandhar, for example, a SSI unit starved for making clefts of cricket bats out of willow, while in Kashmir people chop willows and use it as fuel. This logically compels the Jalandhar units to make clefts of the inferior goods and this reduces quality and marketability of their products not only in India but abroad also.

Similarly, apples rot in Himachal and are being sold at throw away price while the units of fruit preservation in Punjab buy fruits at much higher prices and, therefore, canning becomes uneconomical. Moreover, Indian buyer is not willing to buy preserved fruits at
such higher prices because it is beyond his purchasing power.

(VII). **SALES TURNOVER AND GROWTH**

(i) The overall present average sales turnover recorded was ₹ 39.06 lakhs. Based on the data collected from the sample units it was observed that 34 percent of the units contacted were having a compounded growth of sales turnover in the range of 2.01 to 3.00 percent, followed by 33 percent of the units contacted with a compounded growth rate in the range of 1.01 percent to 2.00 percent.

The association between the compounded growth rate and the present sales turnover is statistically significant and positive in nature. That is, the higher the past growth rate in sales, the higher the present turnover.

Relatively speaking, units in the customer market recorded a higher compounded growth rate.

(ii) Majority of units are not affected by seasonality: out of 86 sample units covered in the study, only 15 percent confirmed seasonality in sales. Variations in this characteristic of the sample, are not significant with respect to either the nature of industry or the nature of markets where the units operate.

(iii) Only around 17 percent of the sample units have a separate marketing department in their organisational set-up. Statistically speaking, there is no
association between the nature of markets, a sample unit was operating in, and the fact that whether the unit had a separate marketing department.

In so far as form of organisation is concerned, 26 percent of sole proprietorship concerned, 27 percent of sole proprietorship concerned, 27 percent of private limited companies had a separate marketing department. Only 9 percent of partnership concerns had a separate marketing department.

There appears to be a positive association between sales turnover and the presence of a separate marketing department. However the association is not statistically significant.

In respect of 15 units in whose case, there was a separate marketing department, sales were being managed by all the separate marketing departments and the promotion was being looked after only by 80 percent of these units. These departments were playing a rather insignificant role in decision regarding advertising and marketing research.

(iv) In respect of 71 units, which were not having a separate marketing department, 24 percent of the units mentioned these reasons for not having a separate marketing department: it never occurred to them, no purpose would be served by having a separate set up; overhead expenses would go up. 17 percent of the units replied that this facility is available from government agencies while
16 percent of the units mentioned that there was no scope for it like in ancillary units.

(v) At the time of conceptualising the study, it was hypothesised that in case of highly technical precision products, the SSI units might be facing a difficulty in disseminating the technical knowledge to the end-user, thereby facing a serious marketing problem. However, the results reveal that none of the sample units contacted felt that the selling know-how was not available with them.

(vi) Export procedure is the most critical area in external marketing. The following areas were identified as being the critical ones wherein external assistance was sought by the SSI units covered in the study.

(a) - Export procedures (15%)
(b) - Availability of Professionals (6%)
(c) - Training of salesmen (5%)
(d) - Advertising (4%)
(e) - Market Research (2%)

Export procedures appear to be the most critical area. As many as 15 percent of the units contacted stated this to be an area where external assistance is required.

(VIII). PERSONAL SELLING

(1) As many as 53 percent of the sample units were having a sales force of 5 to 7 persons per unit followed by 46 percent of sample units having a salesforce of
5 to 7 persons per unit. As many as 83 percent of the sample units were satisfied with the size of their sales force.

The level of satisfaction varied significantly with respect to category of industry. Detailed discussions with respondents revealed the underlined reasons for this variation to be as follows:

(a) - Lack of market image and reputation
(b) - Lack of financial resources and stability

These two factors resulted in the units not being able to attract talented salesmen to their organisation.

The satisfaction level did not vary appreciably with respect to the nature of markets.

Reasons mentioned for not having recruited required sales staff were:

(a) - because of high expenditure
(b) - non-availability of qualified staff. The reason "non availability of qualified staff", could be interpreted to be the units inability to attract better talent to their organisation.

(ii) Selection of sales staff through friends' recommendations: 42 percent of the respondents were recruiting their sales staff through friends' recommendation followed by 36 percent of the units recruiting on the basis of references given by existing staff members. Only 20 percent were recruiting their sales staff through press advertisements. Employment exchange facilities were
being utilised by only 2 percent of the sample respondents. Form of organisation also appears to affect the selection procedure. For instance, 53 percent of the sole proprietary units were recruiting their sales staff on the basis of friends' references. On the other hand, private limited companies were placing heavy reliance on either press advertisement or references received through existing staff members.

Sales turnover appears to have a definite bearing on this characteristic. A role played by press advertisements assumes more importance in case of units with sales turnover in the range of Rs. 61-90 lakhs. 36% of these units were utilizing press advertisements as their principal mode of selection and recruitment of sales staff.

(iii) Sales force compensation plan : As many as 60 percent of the units covered under the study were compensating their sales force on a fixed basis; the balance 40 percent on fixed plus commission basis.

66 percent of Light Engineering units, 78 percent of textile/handloom units and 96 percent of Chemical/Rubber/PVC units were paying a fixed compensation package to their sales force while 56 percent of Electrical/Electronics units and 77 percent of Miscellaneous units were paying fixed amount plus some commission on sales.

The association between mode of sales force compensation and nature of markets is statistically insignificant. (Chi-square 1.3, null hypothesis accepted
at 5% level of significance).

(iv) **Common Marketing Effort - A Consortia Approach**

A unit in the small scale sector may not always be in a position to follow the principles and practices of marketing management, primarily on account of limited availability of resources. It is generally surmised that a common marketing organization could be a possible solution, but because of their meagre resources these units cannot approach a good advertising agency which could do their job effectively.

Results of the study reveal that 79 percent of the units contacted, felt that a common marketing effort, in terms of strategy and organisation would go a long way in solving their problems.

Irrespective of the legal constitution, the nature of markets and the nature of industry, the opinion was in favour of a common marketing effort.

Should a marketing company at the state/central level be organised? In response to this question, 76 percent of the units replied in the affirmative.

(jj). **Advertising and Sales Promotion**

(i) **Majority does advertising** : As many as 63% of the units contacted were advertising their products. Units operating in the Textile/Handloom industry (37%), appear
to prefer product advertising most, followed by chemical/ rubber/PVC (76%) and Light Engineering units (64%).

Difference on account of nature of markets were also of significance. 62 percent of those operating in the consumer markets were advertising their products, while only 38 percent of those operating in the industrial market were doing so. 95 percent of the units operating both in consumer and industrial markets reported advertising their products.

(ii) 52 percent of the sample units advertising their products preferred outdoor channel (hoarding, POP etc) the most, 43 percent preferred print media (press, magazines etc.) and 36 percent reported using audio-visuals (radio, TV slides, films etc.)

Advertising channels used, varied depending on the category of units and nature of markets. The extent of competition in an industry appeared to determine the level of preference for product advertising. Similarly, the nature of markets influenced the channel-mix of a SSI unit covered in the study.

(iii) Advertising is perceived as expensive: Of the 37 percent units not advertising their products, 53 percent felt that advertising was very expensive and 47 percent felt that it was not required at all.

Reasons for not advertising vary appreciably depending on the industry and the nature of markets.
(iv) Free samples as the most popular method: Results of the study reveal that almost all the units contacted were undertaking sales promotion activities in some form or the other. 38 percent of the sample units were giving free samples in order to promote their sales. Free demonstrations at retail shops and free gifts were adopted by 19 percent each. This was followed by giving discount coupons (15%) and exhibition cum sales (9%). Free sampling emerges as the most important factor and participation in exhibition-cum-sales as least important one.

(v) 69 percent of the units opted for trade discount for promoting their dealers' sales. 15 percent of the sample units also opted for training of retailers' sales force as a method adopted for dealers' sales promotion. While 17 percent of the units preferred free display material.

(vi) Majority spends below 3% of sales-turnover by way of promotion: Only 30 percent of the units had their promotional expenses exceeding 8 percent of their respective turnover, 43 percent of the units had their proportional expenses below 2 percent of their turnover. While majority of Light Engineering and Chemical industrial units covered had expenses ratio below 2 percent, the majority of the units in other industries had a higher ratio. It is also observed that majority of industrial units in industrial/consumer market and urban/rural markets also had expenses ratio below 2 percent.
(x). **MARKETING INFORMATION GAP**

(1) Another important problem area discovered during the course of investigations and detailed discussion held with various respondents pertained to the information gaps in the fields of marketing as well as technology and productivity.

(ii) **Small scale industrialists do not allocate fixed budget for procuring information material and they acquire it as and when the need arises.** Out of the five industry groups considered, electronics units were spending more money for procuring information material. This was due to the fact that the electronics field was taking roots in India. Almost all the small entrepreneurs depend on various sources outside their organisation, viz, people engaged in similar type of business, different associations, special libraries/information centres, consultants and research institutions for their information needs. It appears that the degree of dependence on these sources was more than 50 percent of their overall needs. The tendency of all small entrepreneurs was to procure the information material which would have immediate bearing on their activities and due to this, they are ignoring the developments (both technical and commercial) which would affect their activities in the long-run.

There was a general agreement among the respondents that they do face different problems in acquisition and organisation of their information material even though the
quantum of it is very small and they are keen to organise the same. This suggests that there is a need to implement the techniques of documentation even in small industries to facilitate easy retrieval of information. In a majority of the sample units informal information services like lending documents within the firm, circulation of books and periodicals and literature searches are being conducted.

The sources in which small entrepreneurs locate useful information are different types of periodicals, books and other reference material, publications brought out by different associations and they also approach different consultants. The topics on which they need information regularly were marketing, product diversification and development, and various government regulations. The topics on which they need information occasionally were production problems, safety, records management etc.

All the small scale industrialists depend on several sources outside their organisation for their information needs out of which the people engaged in similar type of business appear to be the most sought-after source. This shows that the entrepreneurs, in the first instance tend to contact same people to solve their problems. Therefore, there was a need to motivate the entrepreneurs to depend more on documentary sources.

All the small scale industrialists were conscious of utilising the existing library/information service facilities available in the country. Even the entrepreneurs
who are not in a position to spare time to visit libraries are aware of the usefulness and resourcefulness of libraries in solving their commercial and technical problems.

The information services which the industrialists need were—providing answers to their queries, news letters on a particular industry group like plastic, fine chemicals, ceramics etc., news briefs which notify about the current development in the field of their interest, technical digests which notify all the scientific and technological development in a particular field, providing a list of abstracts/summaries of latest articles and management digests which inform about the latest trends in management. All the respondents have indicated their willingness to pay for such services.

The formats of presentation of information to the entrepreneurs are— a periodical form, a service that notifies about the printed information which will be supplied on request and a sheet confined to a single topic.

Small industrialists were finding it difficult to obtain the information on topics like product diversification and development, marketing information and government regulations.

(XI). EXPORT PROBLEMS

For the exporting units some of the common problems are generalisable and are briefly enumerated below:
(i) Information and communication gaps exist between export worthy small-scale units and semi-government and government organisations.

(ii) Lack of contact with overseas-markets

(iii) Uncertainty of supply of essential raw materials and other inputs (e.g. power).

(iv) Frequent changes in government policy often with retrospective effect (e.g. excise duties etc.)

(v) Export procedures are complicated and cumbersome (viz; securing reimbursement of export incentive, appeared to be more difficult than securing payments from overseas customers. In several cases, exports were discontinued because of undue delay in securing cash subsidies from state authorities).

(vi) Inadequate infrastructure to help identify foreign customers.

(vii) Lack of awareness of proper packaging necessary especially in the case of export of chemicals.

(XII). AN|ILIARY UN|TS

An important factor which came up during discussion was the perceived credibility gaps between ancillary units and parent organisations. On the one hand the parent unit accuse that:

(i) The quality of the products manufactured by the ancillaries is not in accordance with specifications

(ii) The time schedules are not followed by the ancillaries for production and delivery
(iii) the ancillaries set up higher capacities than envisaged.

(iv) they depend completely on the parent unit, thereby putting no effort to take orders from other sources so as to effect optimum utilisation of capacities.

On the other hand the ancillaries charge the parent organisation with accusations like:

(i) under-delay in payments
(ii) irregular work load causing erratic fluctuations in capacities.
(iii) irregularities in inspection of finished products
(iv) lack of technical know-how and testing facilities provided by the parent unit
(v) lowering of quotations due to deliberate entertainment of outside tenders
(vi) difficulty in obtaining primary inputs like raw materials from the parent units.

One issue, which has always been a source of discontent for the ancillaries and the parent units, is that of pricing. Usually the parent units price the job unilaterally without consulting the ancillaries.
I. NATIONAL NETWORK OF INDUSTRIAL INFORMATION

(i) In view of meagre and inadequate information available for SSI units, a National Network of Industrial Information (NNII) be set up in a phased manner. The data would require adequate Electronic Data Processing (EDP) support, and would have to be updated on a continuous basis.

The liberalised industrial policy of the Government from 1994-95 onwards, the encouragement being given to the SSI sector, and the revision of investment limits to ₹ 35 lakhs (₹ 45 lakhs for ancillary units), it is imperative that information be hitherto accorded a higher priority.

(ii) The proposed information system should be decentralised down to the District Industrial Centre (DIC) level. The feasibility of coordination and reconciling various returns being filed up by the same SSI unit to different government agencies, such as the Excise, the Sales Tax and the Industries Department authorities, should be carefully examined and the proposal with regard to industrial information implemented with a high degree of coordination.

(iii) With the DIC as the primary source of information, the information should be aggregated at the district and the state levels, before being summarized at the national level.
(iv) The staff of the centre, from time to time should devise the necessary information services to the member entrepreneurs. They must process and evaluate information and maintain an index for the relevant information. Lending facility of books and periodicals should be displayed in the centre to facilitate the entrepreneurs and their staff members to go through them and obtain the required information. Besides these, they must render a very important service of answering the technical queries posed by the member units by conducting literature searches. If some of these queries fall outside the purview of the system, they should try to contact various other agencies and institutions where the information is available, and supply it to the concerned entrepreneurs. Apart from these services, the centres may constantly co-ordinate their activities with National Network of Industrial Information and other regulatory bodies to obtain the relevant information. In short, the National Network of Industrial Information should take care of the overall information needs of each member entrepreneur.

(v) With the limited money that each entrepreneur contributes, he would have access to more number of the information sources in his sphere of activity and thus can avail of the lending and various other services which are rendered by National Network of Industrial Information.

(vi) Awareness about the latest trends can be accomplished by national industrial and other information services by organising a current awareness service with a view to keep
abreast of latest patents, scientific and technical ideas covering technical periodicals, novel design ideas, technical reports, proceedings of conferences and seminars.

(vii) The National Network of Industrial Information should be planned to emphasise information supply on topics like market trends of different products, product diversification and development and regulatory information. Various regulatory bodies should streamline the transfer of regulatory information to individual entrepreneurs so as to eliminate the problems that may arise in its absence. Since the regulatory information is generated at State and Central levels the collection of it should also be at these two levels.

(viii) It is essential to give wide publicity regarding the pattern of information system available in the country to educate all classes of people in the industry. This would enable the entrepreneurs to contact exact source for a particular piece of information/problem. There is also a need to motivate the entrepreneurs to depend and utilise the existing information resources in the country. This can be accomplished by setting up a mechanism which will constantly act as a liaison between the National Network of Industrial Information and entrepreneurs.

(ix) Exhibitions and seminars on topics of interest to industrialists should be held regularly by National Network of Industrial Information and the entrepreneurs or their representatives should be made to participate
in such seminars.

(x) The National Network of Industrial Information with various industries, research associations, professional bodies, government departments, other national documentation centres at the national and international level for the transfer of information to the entrepreneurs of the industrial estates.

II. MARKETING PLANNING OF SPECIFIC FUNCTIONS

In order to increase the effectiveness of the government sponsored marketing organisations, it is recommended that these be specifically asked to perform the following functions on a continued basis:

(i) Assessment of volume and stability of demand for various products;

(ii) Appraisal of the data regarding the volume of production and production costs of competitors who operate in the same market;

(iii) Study of trends, incidence and frequency of changes in product design and the sensitivity of the market to these changes;

(iv) Evaluation of the merits of alternative technologies of production;

(v) Formulation of production plan, arranging finance and dealing with teething problems;

(vi) Determining the initial volume of production to
to enter the market; and

(vii) Making arrangements for sales promotion keeping
in view the nature of the product, the dimensions of
the market, existing trade and credit practices and the
role and margins of various intermediaries in marketing.

A change of this nature would go a long way in
improving the effectiveness of these small units. It
would also result in their taking a wider approach rather
than taking recourse to the singular and more lucrative
business of marketing scarce or controlled inputs to
which they have preferential access because of government
policies and procedures.

III. THE MARKETING SERVICE INSTITUTIONS

With the passage of time when the information
becomes stale, fresh studies should be undertaken to
keep the data up-to-date. As such, what is more feasible
for the marketing centres is to gather general type of
information that is available from published and semi-
published documents and store the same in a classified
manner. There should be a group of people adequately
qualified to conduct on-the-spot studies and for carrying
on market surveys, for taking up projects for solving
market problems at short notice, and guide the entrepreneurs.

The team of individuals who are supposed to work
in the marketing centres must be trained to develop
methods to work as task-force, and the organisations, to
provide such training which is necessary.

IV. The Government has to come forward with measures designed to improve the **competitive strength of the small producer**. In addition to this, cooperation among many small units to undertake wide publicity for their products would go a long way in solving marketing problems.

Another method could be the adoption of a common brand name by many small scale units because, as it normally happens that many large units put their own brand names on small unit products and mislead the public regarding their origin. The customer thus pays a high price for the branded product and the lion's share of the profit goes to the big units.

V. On the part of the financial and other technical agencies there is need for developing expertise in the appraisal of applications from the small industrialists who when they propose to diversify, expand or modernise, are often not well-equipped to present technically feasible and economically viable feasibility reports, nor do they have the access to consultants to juggle with cash flow figures and marketing statistics which give an air of pseudo-profundity to the project reports but which are in practice rarely realized. It is necessary therefore for the officials of these agencies to adopt a need-based approach in appraising any specific proposal rather than be carried away by high-sounding jargons and profound-looking statistics.
(ii) Government assistance to small business should be aimed in setting up the right type of infrastructure. There is need for a liberal and sympathetic attitude in administering the policies of the Government since, often, much of the assistance sought to be provided is lost in long delays in decision-making and rigid instance on minute details. What is needed is an understanding policy that is administered efficiently and speedy decisions to remove difficulties that are posed to administration. In the long run, it is effective implementation that seems even more important than the more formulation of an assistance policy.

(iii) The small industrialist needs to adopt a more business like approach to the problems they are faced with and not depend unduly on the sympathy of government or its policy of protection.

(iv) Smaller units must learn to maintain their accounts properly so that the financial status of the firm can be easily appraised by any agency.

(v) Smaller units must join hands and set up cooperative facilities for purchase of raw materials, storage and test facilities and marketing.

(vi) Above all, the small entrepreneur must learn to think in terms of modernization of his production unit so that the cost of production can be progressively brought down and the product made competitive with those in the large scale sector and imported ones. He should seek funds for
this purpose from cooperative financial institutions or from commercial banks and ensure that the increased profits consequent on modernization will pay for the repayment of the loans.

(vii) Making a claim for incentives, calls for specialist knowledge in procedures. It is, therefore, necessary that these incentives are evaluated and consolidated into tangible and easily understandable provisions. Unless this is done there will always be a scope for substantial leakage in the percolations of real benefits to the beneficiaries.

(viii) Some of the small scale units complain that they, are totally kept in dark about the government's requirements against which they would have made supplies. A unit will be in a position to know whether a certain type of product required can be manufactured by it, only, if it is registered with the NSEC. The NSEC sends the unit a copy of the tender notice. It has been reported that in many cases, the information reaches the unit after a long time, as a result of which the unit is unable to comply with the procedural formalities. In some cases the information reaches the unit after the last date of the receipt of the tender. Thus small units do not have equal opportunities in the rush to place tenders with the DAndD. Specifications are often not furnished to these firms soon enough for them to bid by the established deadline.

It will be better if the D& D publishes every year a list of items along with quantitatives which may
be procured from small scale units, so that the small scale entrepreneurs can take necessary steps to purchase raw materials in advance and also to improve the quality of their products in a bid to secure the contract. SEIIC should also help SSI units in explaining the tender conditions and other details.

As it was found out that in spite of 15% price preference in SSI units, tenders are still not approved, largely because SSI units have not learnt as to how they are rated by the buyers of their products in terms of quality, service, delivery and price, it is recommended that SSI units must try to familiarize with the persons who are involved in the buying equation in terms of purchaser, influencer, decider, user etc. By this process small industrialists would meet, the requirements adequately of the buyer and its tendering competence will improve.

VI. (i) while deciding a product or product range to be manufactured a small scale industrialist should prefer the products from following categories:

(a) Products from one's specialised area or in which one has some experience of trading or manufacturing.

(b) Products which are demanded more by the large companies in the public or private sector. Small Industries Service Institutes and National Small Industries Corporation may also help to find out what the big companies and the government are currently purchasing.

(c) A careful scanning of the two lists regarding items
reserved exclusively for production in small scale sector and list of items to be purchased by Directorate General Supplies and Disposals exclusively from small scale sector, will also be helpful.

A product should be chosen carefully, as it is one of the most important decisions to begin with. A product should be considered from all angles - from entrepreneur's own background, market potential, export possibility, ease of production, raw material availability and importance to the country. If it is a consumer product, the entrepreneur should talk to the dealers and those who have to sell it. In case of ancillaries, the parent units should be consulted. A discussion with the potential customers will help to find out what exactly they need. In the same manner a decision regarding product - range should be based on above mentioned factors alongwith the synergy, expansion, integration and other implications.

(i1) The Government agencies should also provide basic guidance regarding selection of a product on the basis of demand-estimates after conducting market studies and planning priorities. These agencies should also assist in developing new products. For this, specific incentives may be given and the seminars may be conducted for idea generations on the basis of creative methods, import of new product samples from abroad and development of pro-type products.
(iii) As one of the major problems faced by entrepreneurs is using the product life cycle concept is to locate the stage of product life cycle in which company's product is placed, the following mechanism should be applied:

(a) Developing historical trend information for a period of three to five years regarding rupee sales, profit margins, total profit contribution, price and market share.

(b) Tracing trends regarding the number and nature of competitors, the number and market share rankings of competing products and their quality and performance, and shifts in distribution channels and the relative advantages of competitive products in each channel.

(c) Monitoring developments in short-term competitive strategy, such as competitors' announcements of new products or plans for expanding capacity.

(d) Developing historical information about the life cycle of similar or related products.

(e) Projecting sales for the product for over next three to five years.

(f) Estimating on the basis of available historical information the number of profitable years remaining in the product life cycle.

After having found out the product's stage in its life cycle, a life cycle profile of the company's entire product line can be drawn up. If profits commence to decline
in maturity stage an attempt should be made to stretch the life of a product by one or combination of the following strategies:

(a) promoting more frequent usage of the product among current users.
(b) developing more varied usage of the product among current users.
(c) creating new users for the product by expanding the market.
(d) finding new uses for the basic material.

The importance of brand-names in marketing the product should also be made clear to these entrepreneurs.

In addition to this an effort should also be made to know the stage of product-life-cycle. It will be helpful to analyse the working capital, manpower, and other requirements at the different stages of a project for optimum utilisation of resources, better control and to check diversion of funds.

VII. The concept of ISO certification should be popularised and it should be made clear to the entrepreneurs how it helps in marketing. Certain awards may also be instituted at the state/centre level for successful marketing organisations using the scheme. The use of this concept may further be extended by simplifying procedures, wherever possible without diluting the quality of certification. More certification centres are also recommended for smooth procedural implementation.

VIII. Other things being equal, it is the winning combination of quality and price that a small scale industrialist must hit if he wants to be a success. This involves careful costing of a product. An entrepreneur should analyse the cost-structure and break-even-point before fixing the price of his product. The basic aim should be that of full capacity utilisation and if possible, making a new product
with marginal addition to the costs and converting a waste by-product into a marketable commodity.

Thus cost reduction is an exercise an entrepreneur has to do constantly to keep the selling price even. Even the advantage of various tax benefits and concessions given to small units by the government should be taken. In addition to this, a continuous check on debt collection procedures should be kept so that an industrialist does not give credit to his customers more than what he can afford.

Regarding the state government, price-preference in purchases from small units should be practiced to the maximum and the purchases from the small units, wherever possible, should be preferred.

IX. In Export Marketing there is need for inculcating the awareness of quality control as many export transactions have suffered since the quality of goods exported is below expectations and not conforming to the specification agreed upon for those of the sample initially sent. There is, therefore, some reluctance on the part of large import houses abroad to deal with small exporters unless backed by a reputed export house or by a Government agency. There is perhaps scope for much greater exchange of goods amongst the developing countries themselves where there are vast untapped market; although these are still low in per capita purchasing power, there is no doubt that as standards begin to rise, there will be a great demand for a variety of
consumer goods which can be catered to better by other
developing countries. This requires close contacts between
these countries and frequent exchange of visits between
the small business personnel so that a climate of confidence
is built up.

In this field, there should not be a communication
gap between exportworthy small scale units and government
organisations like PELIC. These organisations should also
help in identifying foreign customers and educating these
units regarding packaging of exportable goods.

x.

In order to consolidate and expedite the growth of
ancillaries from a long-term point of view, the following
steps are recommended at the macro-level.

(i) All top management of Private Sector Undertakings
    should lay down corporate policy spelling out desire of the
    management to develop ancillaries and soliciting the active
    support of various departments that would be involved in
    the programme.

(ii) The top management should clearly outline their
    policy with regard to formed out/bought items.

(iii) Ancillary development cell may be set up and a
    Plant Level Committee may be constituted with representatives
    from Central and State Government agencies like SIDI,
    Directorate of Industries, State Industrial Development
    Corporate and financial institutions. The broad functions
of Ancillary Development Cell would be as follows:

(a) To acquire or collect sufficient information/know-how regarding the location, capacity, facilities, capabilities of small scale units engaged in manufacturing and/or servicing activities in the region, if necessary, with the help of the concerned promotional agencies at the Central and State Government, such as Small Industries Service Institutes, Director of Industries, PSISC, financial institutions, infra-structural organisation etc.

(b) To assess or evaluate the existing small scale industries, if any, working for them and develop them as regular ancillaries in line with the accepted Corporate policy.

(c) To initiate and advise the management on "Make" or "Buy" decisions based on field knowledge.

(d) To select and develop new ancillaries depending upon the specific needs of the Organisations, and to register small units having future potential.

(e) To continuously evaluate and grade the ancillaries, and lay down different specific approach for future growth. Wherever necessary, encourage ancillaries to diversify, as they grow in size, so that they remain economically viable.

(f) To monitor periodically the implementation of ancillarisation programme with particular reference to
matters affecting the health of ancillary units, like inadequate loading, planning changes, pricing of products, delays in inspection, rejection and consequent payment etc.

(g) To co-ordinate with different departments of the undertaking by selecting the right items for right ancillaries and to extend to the ancillaries certain promotional support on a continuing basis.

(h) To maintain constant liaison with various promotional agencies at Central and State level like SISI, Directorate of Industries and to keep them abreast with the progress of implementation and of inviting them to the periodical monitoring meeting like Plant Level Committee.

The following steps are recommended at the micro-level, i.e., at the level of ancillary unit:

(i) A full fledged senior officer should be appointed by the parent unit exclusively for ancillary wing for better coordination between the ancillary and parent units.

(ii) Payment of bills and pricing should be strictly according to pre-determined and set up norms.

(iii) The parent units should be discouraged from encouraging traders from outside, when ancillaries have been promoted and capacities developed through local ancillary units.
(iv) The parent units, as far as possible, should procure and issue critical inputs to the ancillaries.

(v) Technical know-how and testing facilities as far as possible, should be created by the parent unit.

(vi) The ancillary units should always be quality conscious and should maintain prevailing price index for its products. Along with the quality, the ancillary units should take care of the time schedule for the delivery of the products.

(vii) Besides adhering to the parent units' requirement, an ancillary unit should also enter other markets.

While the parent units are willing or expected to render substantial help in various areas of activity to the small scale units, they, as a progressive concern, would like to avoid continuous spoon-feeding and would wish that the ancillaries should stand on their own strength after being given a fair opportunity of developing themselves. In this respect, the suggestions are as follows:

(a) Ancillaries will have to conduct in their own small way a market survey by approaching industries, they have been serving or they wish to serve.

(b) The ancillaries should know how to tackle large organisations as a customer. They should be able to take care of peaks and falls in commercial planning and they
should be able to take small financial stake whenever necessary.

XI. Needless to say that the entrepreneur needs to be properly educated through *Entrepreneurial Development Programme*. He should be made aware of the importance of locating a unit nearer to market place/source of inputs. It appears that this role can be effectively played by the respective D.I.C. which should not only advise the entrepreneur, but also be a little more strict while determining the feasibility of a proposition. It may, therefore, be worthwhile to expose the D.I.C. staff to the scientific principles of project-evaluation.

Attention also needs to be paid to the location of various industrial estates. While determining the feasibility of setting up industrial estates, it is also necessary to bear in mind the equitable disbursement of the industrial activity and a detailed estimate of the entrepreneurial potential of the respective territories.

This can be achieved by conducting a preliminary market-survey with a view of identifying potential and genuine entrepreneurs intending to set up projects in a particular territory. Due cognisance has to be given to the long term marketing viability of the projects intended to be set up.

XII. OTHER SUGGESTIONS

(1) Awareness regarding importance of packing and
packaging should be created by conducting training programmes, providing relevant literature and by creating facilities for designing and printing.

(ii) Small industrialists should be encouraged to participate in Industrial Fairs and Exhibitions. These fairs should also be conducted at different places in the state itself.

(iii) A total cost approach towards distribution management should be adopted rather than concentrating on one of its ingredients like transportation, warehousing, inventory, distribution channel and so on. An effort should be made to minimise the total cost of distribution to achieve a satisfactory service level to the customers.

(iv) The units, which are advertising, should ensure that it is effective. The industrialist should try to find out from customers whether the advertisement convinces them that buying the particular product is good value for money. Copy should be clear and message should be conveyed in simple language or even in local language depending on the buyers.

(v) Merit of the sales staff should also be kept in mind while selecting them on the basis of friends' recommendations and on the basis of references from existing staff members.
In order to gain a foothold in markets and penetration in territories the SSI units in Punjab must comply with the state government and national standards. This will reduce many difficulties, particularly when the certification is needed. These SSI units while selling products across the states must examine the suitability of their products for local needs. An on the spot market study would establish what products are needed or expected in priority. SSI units must pursue strict rule of dynamic quality. This policy would give the best possible performance of a product for proposed use, with due regard to changing needs. Reliability, convenience of use, availability, and after sales services are all combined as qualitative elements completing the identity of the product and are included in its dynamic quality - as also in its useful life. In this way, the richer and the more dynamic notion of "integral cost" could be added to the static notion of the price/quality ratio as it relates to SSI units of Punjab, to arrive at the most efficient product at the exactly right price, with all the advantages it will procure to its useful life.

SSI units must make consistent efforts to get as close as possible to its customers, either directly or through its agents and representatives. It may settle teams of specialists who accompany its products. They may be trained to explain specificity of the products in the light of proposed use. They may also supply advisory services
concerning the use of product and assistance in the form of maintenance.

Some items require participation of a large scale unit to which small unit may act as an ancillary. In such circumstances joint solution to the problem may be called for. Logically CSI units may have to design and manufacture equipment complying with the standard of large units. Such cases require a convergence of research and testing facilities and of the means needed for implementation. In such instances, the work in common with the units concerned should be organised regardless of how distant they may be from each other.