

Globalization and Consumer Choice

Abstract

Based on simple examples, the note highlights the inadequate provisions in policy and law for promoting competition and consumer choice in the market place. Thus contrary to promise, globalization is limiting consumer choice while simultaneously fuelling prices. If the trend continues, the note argues, the country will be left with just a couple of big players for various consumer products with mock competition battles in the advertisement arena with song and dance. Meanwhile the issues of hunger, literacy and primary health will get pushed back further. Given the inevitability and irreversibility of the globalization process, the note highlights the need to put in place laws and policies that promote a fair competition while also protection the small niche players.

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J P Singh*

The Journey

One of my cherished teen-age memories is of sitting with a friend at Surat Railway Station, sipping Sosyo and watch the trains pass by at night. So recently, when the train stopped there during a westward journey, the desire to rekindle the taste buds came alive. To my disappointment, not only was Sosyo not available with this one vendor, I was informed that it is not available at the entire railway station. My choice was restricted to one of the major aerated soft drink options. Obviously, the leading brands had tied up with the sales outlets at the station in a manner that denied a place to Sosyo in its own hometown. As it happens, Surat is not the only city where local brands are fighting a losing battle. Similar stories are travelling from Goa to Kolkata hoping to catch the Minister of Railways before her next major decision.

The Vacation

At the end of the journey and while in the Vacation Land, I wished to pick up a carton of orange juice. The brand that I was looking for had been prominently displayed in the showcase. Yet, the particular variety and the size that offered price advantage was not available. The retailer was very helpful. "Sir, have you tried this International brand. It is very good", he said, driven by the higher margin. Strangely, the non-availability extended beyond this shop to cover every shop that I checked with in the central market.

The Home Run

Back home, the need for a toothpaste took me to five retailers, each one keen to sell a given brand.

The Strategies

These incidents highlight three simple strategies in the market place commonly practiced by all big players that leave the small gasping for breath. To wit, these are:

Strategy No.1: Tie up for exclusive sales with the prominent high-volume outlets. Let the competition find smaller nooks and corners. Most consumers will opt for convenience.

Strategy No.2: Display various brands but restrict the choice. Provides good opportunity to push the brand that you wish.

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Strategy No.3: Entice the retailer with exotic family holiday and white goods gifts to hold more stock than what he can sell in a year. He will not go near another brand till the next Product Education Conference.

The Voices

It is so satisfying to listen to a variety of voices sing praise of enhanced consumer choice resulting from the global economy. Who can miss the shining example of international quality cars, an item that every low / middle income group consumer is buying almost every month. The imported second hand cars included.

And how nice that some one other than the business interests advocates the promotional agenda, say a high ranking government servant, the business media or even a student in a college debate.

Of course it would be better if one could tie up a desirable societal goal to advocate a product, like elimination of goiter or alleviating hunger among the poor masses. Then even the government funds and machinery could become available for the sales effort.

But when who can ask for the moon every time.

The Mandarins

It is good to know that the government has compiled a list of 147 consumer items in which dumping is possible or suspected. The quiet massacre can go on in the market.

It is further heartening to note that the government is monitoring prices of these products in their home markets. Knowing of course, that up front losses for the first three years are a part of the product pricing policy.

It is also comforting to know that despite all odds, the government is fighting cases in the World Disputes Resolution Forum to protect products ranging from turmeric to basmati.

Lastly, it is educative to learn that the Learned Central Government Committee found it difficult to define monopoly in terms of size. Instead, it had to recommend disinvestment of PSUs' to enhance competition.

The Discernment

Was the nation serious about competition, it would have explored the market-share based definition of a monopoly.

If, for example, policy requires a corporate house to limit its market share for a given product to say 20%, one can still have place for four richest players and some for the small ones. Then even an RC would hesitate before selling his brand out of fear of mega-size advertisement campaigns.

But given such a proposition, it is likely that the Competition Promotion Committee, ably aided and supported by select players, will find it difficult to define market size. That the very same players will be busy proclaiming every gain of a .01% market share is a different matter.

Lest one forgets, 20% of Indian market is roughly equivalent to a European Union. Not mature, one may argue, but certainly potential. And the resultant number still small enough to form an easy cartel.

Journey's end

First time I travelled to Gujarat was as a student.

For someone hailing from Punjab, it came as a major surprise that water was sold in the train as soon as it entered Gujarat. Today, as a result of concerted campaign to promote light travel, passengers carrying briefcase size baggage in one hand and a 'mineral' water bottle in the other is a common sight.

If one goes by the media musings, it is good to know that the Minister of Railways, rather than enhance passenger fares, is looking at unconventional sources of income, like advertisements on the stationery platforms and product sales in the moving trains.

Perhaps, the honourable minister can also take the initiative and ensure that clean non-mineral drinking water is available in the trains. The initiative will be particularly welcome since no High Court has yet specified drinking water as an essential service during long journeys.

Perhaps the ministry can also, as a matter of policy, ensure a vending spot for local products, at least in their own home-town.

But then policy making is a sensitive process that can be opened to a select few phonations and shared with fewer ears. The ordinary citizens and tiny manufacturers may never know the policy change until after the business demise.

The Nine Pins

If one goes by the Organizational Learning process, the lead that the Ministry of Railways may take in supporting local small scale products, can easily be imitated by other government departments, ministries, towns, municipalities and a variety of institutions. And without making any budgetary provision.

But chances are that instead, one will soon be carrying a water bottle for the air journey. Just as during a train journey, one will be able to buy the choicest international brand drinking water, especially imported for the discerning consumer.

Future Dreams

The net result of a decade of liberalization and Foreign Direct Investment is that 8 plus rupees a unit, neither Enron-ment friendly electricity nor water is available. Only a lot of aeration.

One way to globalize economy is to open all doors and windows, and may be even break a few walls, of what was until recently a dimly lit basement. And leave the inmates to the mercy of elements and wolves.

Another way is to open one window or a door at a time to let the eyes get used to the light and skin to the cold wind. One could even put up a few curtains and venetian blinds, even if made of jute and bamboo slits, to direct the elements to appropriate corners of the house.

One could even go a step further and try to identify ways and means to deal with the Giant and the Affluent on an equal footing. One way even seek somewhere a quid pro quo, while opening up the market segments. And not necessarily only in market access.

But then when did an appropriately manicured, pedicured, well-behaved child ever have a choice in opening windows.

Given the way globalization is going, one can look forward to the day when a variety of soaps of different colours, sizes, shapes and softness will be available to the delight of all consumers. Except that they will all come from one House.

Further, given the hectic mergers and acquisitions, one can also look forward to the day when all products and services will be provided by only a couple of Global Organizations duly endorsed by an Institute of Excellence to the fullest satisfaction of all consumers. Meanwhile mock battles will be fought in the advertisement arena with song and dance to the delight of paying spectators, while distant drums beat a low volume rhythm of hunger, literacy and primary health.

Then even consumers will not know what to pray for, when face to face with God. Unless the Trust Keepers of the Nation can put in place laws and policies that promote a fair competition while also protecting the small niche players.

Table: COMPANY-WISE MARKET SHARE OF SELECT CONSUMER PRODUCTS

Product	Market Share				Manufacturers /Players			Others
	Largest	Second	Third	Others	Largest PI	2nd largest	Third largest	Others
SOFT DRINKS # 1	54.20	39.20	0.00	6.60	Coca Cola	Pepsi		
TOILET SOAPS # 2	65.00	15.00	11.00	9.00	HLL	NIRMA	P & G	Godrej, Colgate.
LAUNDRY SOAPS # 3	38.00	35.00	10.00	17.00	NIRMA	HLL	P & G	
HAIR OILS # 4	66.00	17.00	12.00	5.00	Parachute	Shalimar	Tata Nihar	Cococare
COSMETICS # 5	48.69	8.24	7.85	28.34	Ponds	Reckitt Col	Johnson & J	Balsara, Helene C., Lakme, Morrison, Shingar
PERFUMES # 5	45.05	39.92	7.69	7.23	Procter G.	S H Kelkar	Indus Perf	Keva, Abso, Kukar, Concept, Karnatak, Viborous, CCI
TOOTH PASTE # 5	57.10	38.07	2.23	1.82	CPIL	HLL	Balsara	Ajay, Geoffrey M, Cal Chem, Rekitt C, Precise Lab

References:

- # 1 "Adding A Lemon", Business India, May 7, 1998.
- # 2 The Investors Guide to Indian Corporates, 2000 Pg, 441.
- # 3 The Investors Guide to Indian Corporates, 2000 Pg. 441.
- # 4 The Investors Guide to Indian Corporates, 2000 Pg. 441.
- # 5 CMIE: Industry: Market size & shares JULY 1998 Pg. 223.

Note: As is obvious from the table on the market share of select consumer products, all products are dominated by one or two players. While in most cases, There is a third small players. In case of soft drinks, there is no third player and the balance market share of about 6 per cent is distributed among tiny players.