

238

WP : 238

Working Paper

WP238



WP

1978

(238)

IM
P-238



**INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD**

GROWTH STRATEGY FOR TINY AND RURAL
INDUSTRIES SECTOR: NEED FOR
MARKETING ORIENTATION

by

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W P No. 238
Sep. 1978

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of the IIMA is to help faculty members
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GROWTH STRATEGY FOR TINY AND RURAL INDUSTRIES SECTOR:

NEED FOR MARKETING ORIENTATION

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INTRODUCTION

Since time immemorial cottage industries and handicrafts have been the central element in the culture and economy of our country. The skills acquired by our artisans for producing artifacts of common use as well as for aesthetics have been legend. However, a number of historical events like British colonialism, advent of machine age, and urbanization affected our village industries and artisans. In addition, changing tastes of urban consumers due to westernisation and relative neglect of rural industries sector by policy makers promoted the decline of rural industries in our country.

A number of indicators exemplify the neglect of this sector. For example, the plan outlays by centre and state governments for village and small scale industries have been minimal. During the third five year plan out of a total outlay of Rs.8,756 crores, the village and small industries

¹ Author is thankful to Mrs Jayshree Parikh and Mr Rakesh Aggarwal for the research assistance provided by them and Professors Nikhilesh Dholakia, S.C. Mehta, T.K. Moulik and M.N. Vora of IIMA who gave their time for discussions on the subject.

received only Rs.241 crores.¹ During the fourth plan, the outlay on village and small industries was Rs.242 crores out of a total outlay of Rs.15,778 crores. For 1977-78, planned outlay on village and small industries is Rs.145 crores out of a total plan outlay of Rs.9965 crores. In percentage terms during the various years of fourth and fifth five year plans, outlays on village and small scale industries have been around 1.5%.

On the other hand, our industrial policies emphasising industrialization and employment generation through large scale industries have not borne enough results. The plan outlays under Industry and Minerals head during the third and fourth five year plans were Rs.1726 crores and Rs.2,864 crores respectively. Planned outlay during 1977-78 is Rs.2,364 crores. The employment in the manufacturing sector in the public sector has gone up from 3.69 lakhs in 1961 to 12.22 lakhs in 1977. In the private manufacturing sector, the employment has gone up from 30.20 lakhs in 1961 to 41.57 lakhs in 1977. This shows that massive investment made in private and public manufacturing sector during the last fifteen years has not helped in generation of substantial employment. Moreover, per capita availability of articles of common consumption have not registered any increase, and in some cases has in fact gone down. The growth (decline)

¹ Figures for this section are drawn from Economic Survey, 1977-78, Government of India.

in per capita availability per year for some products is as follows: (1) for cereals and pulses from 469 gms. per capita in 1961-62 to 438 gms. in 1977-78; (2) vanaspathi from 0.8 kg. per capita in 1960-61 to 1 kg. in 1970-71 which has gone down to 0.9 kg. in 1976-77; (3) sugar availability from 5.8 kg. in 1961-62 to 6.1 kg. in 1976-77; (4) cotton cloth from 14.8 metres per capita in 1961-62 to 11.4 metres in 1976-77. The per capita availability of manufactured consumer goods like toilet soaps, razor blades, talcum powder, packaged tea etc., has gone up, but the increase has been in medium and high priced brands while the low priced brands availability has gone down substantially.²

The above quick survey shows that our strategy of economic growth and industrial development as practised till now has been ineffective for generation of employment and for increasing availability of mass consumption goods. The rural industries and small manufacturing establishments can play a vital role in this arena. Though exact estimates of unemployment and disguised unemployment are not easily available, it is commonly agreed that close to 20 million people are unemployed in our country. The higher labour intensity ratios of village industries can generate much higher orders of employment for

²This statement is based on market data collected by Operations Research Group, Baroda in their Retail Store Audit Surveys. The differences in availability are on the basis of 1976 availability compared to 1970.

a given set of capital outputs given that adequate markets can be found or developed for the products of such industries.

Past organizational efforts

Gandhiji realised the role which village industries had to play in our economic development. As early as in 1920, he emphasised the role which spinning wheel had to play in our economic regeneration.³ Following on his philosophy, the All India Congress Committee in 1922 established an All India Khadi Department to popularise the spinning by charkhas. This department was replaced in 1923 by the All India Khadi Board which in turn was replaced by the All India Spinners Association in 1925 while the movement for popularising hand-spinning was going on. It was soon realised that the other village industries besides hand-spinning and weaving also had a great role to play in our economy and thus in 1934 All India Village Industries Association was formed. After independence, an All India Khadi and Village Industries Board was set up in 1953 to advise the Government regarding policies to be adopted for Khadi and Village Industries. Subsequently, Khadi and Village Industries Commission (KVIC) was established in 1957 after the

³ Hind Swaraj or Indian Home Rule, 1948 (New edition), Navjivan Publishing House, Ahmedabad, p. 95.

Khadi and Village Industries Act was enacted in 1956.⁴ Simultaneously, to support and guide other labour intensive industries, bodies like All India Handloom Board (established in 1952), All India Handicrafts Board (1952), Coir Board (1953), Rubber Board (1947), Central Silk Board etc. were established.⁵ Though the Government set up such bodies to guide and supervise the development of cottage industries, policy support in terms of reservation or price preference as done for small scale industries sector has not been forthcoming. The effectiveness of various boards in regeneration and further development of various cottage industries has also been varying.

The objectives and concept of Tiny and Rural Industries Sector

One of the reasons for lack of emphasis and policy support for village industries has been the definition hiatus. We in India have been debating the definitions of cottage industries, village industries, rural industries, handicraft industries, small scale industries etc. since independence. Lately, we have given a new term of tiny sector to industries which would be located in areas where the population is less than 50,000 and with an investment of upto Rs.1 lakh.⁶

⁴ Khadi and Village Industries Committee Report, 1968, Ministry of Commerce, Government of India, New Delhi, p. 10.

⁵ R.V. Rao, Cottage and Small Industries and Planned Economy, Sterling Publishers, Delhi.

⁶ Statement on Industrial Policy made by Shri George Fernandes, Minister of Industry in the parliament on December 23, 1977.

The definitions of various sectors have depended upon the source which defined it. For example, Fiscal Commission (1949-50) defined cottage industries as follows:

"A Cottage Industry is one which is operated mainly or primarily with the help of the members of the family either as a whole or part-time occupation.

A Small Scale Industry is one which is operated mainly with hired labour normally number 10 to 15 hands."

In the 50's ECAFE defined cottage industries as:

"A Cottage or Home Industry is one, the products of which require skill and craftsmanship in the manufacture and which is carried on wholly or primarily with the help of members of the family either as a whole or part-time occupation. A Small Scale Industry is one which is operated mainly with hired labour, usually not exceeding 50 workers in any establishment or unit not using any motive power in any operation or 20 workers in an establishment or unit using such power."

For quite some time, the definition as given by the Directorate-General of Supplies & Disposals has been accepted as the working definition which is as follows:

"Cottage Industry is one which is carried on in a place which is not a factory for the purpose of Factories Act of 1948, i.e. an Industry which is carried on wholly or primarily with the help of the members of the family for a whole or part-time occupation."

The formal definition of small scale sector has been such units where the investment in plant and machinery is less than Rs.10 lakhs. We can notice that cottage and small industries can be defined on the

basis of various variables like, (a) location i.e. in terms of the place of working whether it is home or separate workshop or in a broad sense of small industry located in the rural areas, rural industry as contrasted to industry in urban areas; (b) the number of persons employed in a manufacturing unit; (c) the volume of capital invested in the industry; (d) use of power-driven machinery; (e) working relationship i.e. whether artisan works for himself or as an employee. Though one can sharpen the definitions and consequently the policy support required for them in terms of above variables, it would be more useful to define the sectors in terms of the objectives they are expected to fulfil and the contribution they can or have to make in the economic and industrial development of our country.

PRIME OBJECTIVE

The discussion and data presented in earlier paragraphs point out that we in India should organise industrial production (especially for mass consumption needs) in a manner which generates maximum employment (to the extent possible in rural areas) subject to production at reasonable cost. The Rural Industries and Tiny Sector Units are the best means to achieve the above mentioned objective. The production of industrial goods may continue in the small, medium and large scale sectors. If there is agreement on the prime objective suggested above, then henceforth the definition differences and emphasis and technology distinctions amongst handicrafts, cottage industries,

rural industries, village industries and smaller industrial units can be minimized. The sector termed as tiny and rural units sector (TRU sector) would then cover all production which takes place in areas where population is less than 50,000 and requires investment of upto say Rs.1 lakhs, whether the production is done in cottage or small factories, the technology used is traditional or sophisticated, the production is done with or without power, or the markets are local or national. The objectives of such a sector would then be (1) to maximise employment in the rural areas, (2) to produce goods (for consumption or production) at reasonable cost. Though this sector would have the socio-economic objectives, the further organization should be on most efficient lines, from technological, organizational, and marketing points of view.

A REVIEW OF THE PROGRESS OF TINY AND RURAL INDUSTRIES SECTOR

Based on above definition, the industries in the tiny and rural units sector would comprise the industries which are under the supervision and guidance of KVIC, handloom, rubber products, fibre industries etc. In the following paragraphs, we attempt a quick review of the growth, problems and prospects of the rural industries sector.

Sales Growth

Table 1 gives data regarding Khadi and 21 other village industries in terms of production, sales and earnings. Village Industries

listed as serial Nos. 15 to 21 are relatively new industries in the KVIC system. The sales growth index (sales of 1973-74 divided by sales of 1969-70) shows that there has been marginal growth in Khadi, Processing of Cereals and Pulses, Ghani Oil, Village Leather, Palm Products, Handmade Paper, Honey and Shellac. Industries which have registered good growth are Cottage Match, Non-edible Oil and Soap, Fibre, Lime Manufacturing, and Carpentry & Blacksmithy. Cane goods and Village Potteries have also achieved good growth. Amongst the new industries (serial Nos. 15 to 21), Fruit Processing and Preservation and Bamboo/Cane industries have registered good growth.

Value added

The last column of Table 1 show sales value as a percentage of production value to get a quick estimate of the viability of various industries. Khadi has the highest sales to production value ratio, probably due to the governmental supported rebate and subsidy system. Some of the industries like Cane Goods, Lime, Fruit Processing and Aluminium Utensils have sales to production ratio percentage less than 100 meaning that these industries cannot even recover the costs of inputs. Most of other industries have sales to production percentage close to 105.

Earnings in various industries

In general, the earnings provided to the workers represented a fair amount of the production value. In 1973-74, the 21 village

industries provided earnings of Rs.2,215 lakhs which accounted for approximately 18% of the production value. It should however, be noted that the sales value of all the village industries was Rs.675 lakhs less than the production value meaning that overall the rural industries system operates at a loss. Khadi remains the major contributor of earnings in the Khadi and Village Industries system. Khadi accounted for earnings of Rs.1,631 lakhs out of a total of Rs.3,847 lakhs during 1973-74. The village industries which gave substantial earnings to artisans are Ghani Oil (Rs.251 lakhs), Khadasari (Rs.476 lakhs), Bamboo (Rs.358 lakhs) and Fibre (Rs.247 lakhs).

Earnings

Earnings as percentage of sales show the contribution of labour-value inputs in processing and manufacturing of various rural industries products. Bee-keeping, Fibre, Palm Goods and Pottery emerge as the industries where value added by labour is the highest. On the other hand, Ghani Oil, Cane goods and Cottage Match are the industries where earnings as percentage of sales account for less than 20%. Thus in terms of a broad strategy, if resource allocations have to be done, such industries where earning as percentage to sales are higher should be given preferences like Paper, Pottery, Bee-keeping, Non-edible Oil and Soap, Bamboo and Cane etc.

Employment

Table 2 shows the employment and earnings provided by various rural industries. During 1973-74, 18.12 lakhs workers were employed in the KVIC system, 2.39 lakhs full-time and 15.73 lakhs part-time. Considering that this employment was generated with KVIC funds of Rs.1,152 lakhs (Rs.652 lakhs as grants and Rs.500 lakhs as loans), it is really an achievement. Of course, there would be other funds also employed in this system especially in village industries (except Khadi where funds are provided by KVIC for both production and sales purposes). (It would be useful to recall here that latest census of small scale units show that the small scale sector provided employment to a total of 16.53 lakhs persons with an investment of Rs.1,055 crores in fixed assets (original value).⁷) However, data in Table 2 also shows some disturbing signals. About half of the employment in the KVIC system is still provided by the khadi sector alone, which employment is showing a declining trend.

The village industries which provide major full-time employment are Fibre, Pottery, Ghani Oil and Village Leather. Industries which provide substantial part-time employment are Palm Gur, Bee-keeping and Cane Gur and Khandasari. In terms of trends however, one notices

⁷ Report on Census of Small Scale Industrial Units, DCSSI, Government of India, January 1977, p. 10.

decline in full time employment in Pottery, Lime Manufacturing, Non-edible Oil and Soap etc. There should be special attention paid to such industries which form a substantial employment base, but are showing declining trends in employment.

Role of Rural Industries Sector vis-a-vis other sectors

Production

Table 3 shows the production of Matches, Paper, Chinaware and Pottery, Edible Oil, Household Soap, and Leather Footwear in large scale factory sector (LS), small scale industries sector (SS), and village sector (VS). These figures show the present status of village sector in the overall production of these 6 product lines and thus also the scope for future expansion. In Match industry, the share of LS has been declining vis-a-vis SS. Both of these sectors during 1978 approximately produced Rs.12 crores worth of Matches (independent estimates). The VS in 1971-78 produced Rs.0.7 crores worth of Matches. Thus VS is fairly small in this industry. In Paper industry, the LS is predominant, the production in this sector in 1975 being Rs.135 crores, while that of SS in 1972 was Rs.13.5 crores, and in the VS in 1977-78 it was Rs.1.3 crores. In Chinaware and Pottery industry, the three sectors have approximately equal shares of around Rs.7 - 8 crores. In the Edible Oil industry, the LS has predominant share, the VS being negligible. In household Soap, the LS production in 1975 was Rs.746 crores, the production of

of SS Sector in 1972 was Rs.63 crores. The VS in 1978 produced only Rs.4.5 crores worth of soaps. Thus the Soap industry offers a great scope for the TRU sector to expand, since the technology for this sector is not very sophisticated and consequently the capital requirements are low, the industry is quite amenable to TRU sector production. In any case, a number of large scale manufacturers including multi-nations like Hindustan Lever get some of their soap products made in the SSI and Tiny sector. In Leather Footwear industry, the three sectors are roughly of same size, the production in the LS, SS, VS sector were Rs.12.6 crores in 1975, Rs.10.3 crores in 1973, Rs.8.25 crores in 1974 in the three sectors* respectively.

Since Leather Footwear and Leather Industry in general are quite amenable to the production in TRU sector it offers a scope for expansion especially in terms of manufacturing leather products other than Footwear where major market expansion is taking place.

Employment

Table 4 shows the number of workers employed in large scale factory sector (DGTD units), small scale industries sector (SIDO units), and village sector for six major industries where village sector is relatively stronger. In Non-edible Oil and Soap industry, the total village sector (VS) employment seems large compared to two other sectors, but if break-up of full time and part-time employment is seen, the VS

*The figure for the village sector is for all leather products.

employment full time is small compared to large scale (LS) and small scale (SS) sectors. In Leather Footwear sectors LS and VS sector employments are approximately same with SS sector little behind. In Match and Paper industry VS employment is small compared to two other sectors. Paper industry employment is predominantly in the large sector. Such an analysis done for all industries where VS production is feasible would generate guidelines for policy formulation at Government level and marketing strategy formulation at Institution level.

TRU sector Industries outside the present KVIC system

In the above paragraphs we have reviewed the industries which are supervised and guided by KVIC specifically. In addition ofcourse there are other TRU industries like Handlooms, Handicrafts, and Coir Products etc., under the guidance of Development Commissioner (Handlooms) All India Handicraft Board, and Coir Board. Since the data for these industries except for Handlooms are not easily available, we have reviewed primarily the KVIC supervised industries for illustration purposes. The handloom sector employs approximately 10 million people and the production is estimated to be ^{of} the order of 2500 million meters valued at approximately Rs.1300 crores. While the production of Khadi in meters has been declining, this is not the case with handloom and powerloom sector. The production of cloth in Mill Sector (MS), Handloom and Powerloom Sector (HPC), and Khadi Sector (KS) during 1964-65 was 4587 million meters, 3056 million meters, and 81 million

meters respectively. During 1973-74, production in million meters in three sectors were 4316, 3968, and 56 respectively. Thus while Khadi production has declined, HPC sector has improved its position. The handloom and powerloom sector has attracted attention of the policy makers because of the scope it offers for giving additional employment though a consistent policy and financial support is required for protecting employment in this sector. Though there is competition between some items produced in Khadi and handloom sectors, a great amount of complementarity between the handloom and khadi system^{exists} which can be further strengthened. Coir and fibre industries have recently received a big fillip due to opening up of international markets.

MARKETING PROBLEMS AND PROSPECTS FOR TRU SECTOR INDUSTRIES

General problems

Various surveys and studies* have pointed out that TRU sector industries face tremendous marketing problems. Some of these problems are:

1. Changes in consumer behaviour which affect TRU industries adversely.
2. Most TRU industries' products are traditional and do not cater to urban market segments.
3. Distribution channels are extremely limited in numbers and are also usually poorly managed.
4. New designs/products are not introduced by this sector.
5. The demand pattern for most industries is seasonal, coinciding with festivals etc.
6. The transportation facilities are poor, thus the logistic support available to such industries is inadequate.

*See for example, Village Industries Profile, ASCI, 1975.

In addition, the stagnation or slow growth of many TRU industries is attributed to the poor socio-economic background of the artisans, their inability to adjust to the market trends and inhibitions to change (which is attributable to their low risk taking capacity since most of them are at or below subsistence level and frequently indebted too). The availability of finance, training and improved equipment is also extremely limited in this sector.

A quick survey of marketing problems and prospects of some TRU sector industries

In the above paragraph, we have listed the common problems of TRU sector though like any other sector, the problems of specific industries and further product lines within the industry would tend to be different both in terms of the type and the extent thereof. A quick survey of the marketing problems of various industries in TRU sector follows:

1. Ghani Oil Industry

This industry has stagnated over a period of time and TRU sector occupies a negligible share (less than .01 per cent) in the overall industry production. As of now village ghani oil is primarily sold in the immediate geographical environment of production area. The estimates are that 45% of the product is marketed inside the village, 30% within the district and 25% outside the district. One of the reasons for stagnation is the low recovery ratio of oil from the oil seeds leading to a product cost disadvantage vis-a-vis factory sector. There are also problems of maintaining quality standards. In addition, there are major price fluctuations in oil seeds which the tiny units find very difficult to adjust to. On the other hand, Ghani oil has advantage over the mill sector oil since it offers an unadulterated product with better taste, flavour and nutritional value.

2. Village Leather industry

The major problem of this sector is the exploitation by the middlemen since the artisans do not have control or influence over channels of distribution and thus cannot dispose off their goods at reasonable rates. Because of the lack of contact with the market places, the artisan is getting progressively isolated from the consumer desires and requirements. The quality of hides available to this industry is poor as also the availability of chemicals for tanning etc. Use of below standard hides and consequently poor quality leather leads to non-standard production which is unsuitable for volume production of quality footwear and other leather products. This industry is quite amenable to tiny sector production, and thus needs a marketing as well as technological push in the TRU sector. It may be noted that even now the large scale sector units, e.g. Bata Shoe Company get a substantial portion of their production done through the tiny sector units.

3. Cottage Match industry

Though this industry is very suitable for production in tiny sector, large and small scale sector occupy a predominant position because of their efficient channels of distribution and consumer brand loyalty developed due to quality production. The problems of the tiny sector industry are non-uniform product, timely availability of raw materials, limited distribution outlets and lack of consumer preference. There is substantial scope for this industry if products obtain more distribution outlets.

4. Village Pottery industry

This industry can be classified into three major segments: (1) common clay pottery (pots and pans etc.), (2) structural common clay (tiles, pipes and bricks) and (3) glazed whitewares (glazed tiles, toys etc). The village sector is represented in all the three categories, though its representation is primarily in the common clay pottery. The marketing requirements as well as problems for the three segments are quite different. For example, common clay pottery caters to the rural and poor urban customer segment, while the glazed whiteware products primarily cater to the rich urban customers. The glazed whiteware products tend to be artistic and individual in character while the structural common clay products required for housing and water systems are price competitive in nature. The TRU sector potteries are very poorly represented in the structural category. There is scope for expanding this industry into the industrial clay category, e.g. low tension insulators and other housing requirements like sewage and water pipes etc. The major problems of the industry are, declining demand for conventional products like pots, matkas etc., due to product substitution, and seasonal nature of the industry leading to seasonal employment. Inadequate availability of coal ash, bank finance, and lack of improved tools and equipments restrict the sales and diversification of product lines.

This industry can be given a major push if new products are designed for existing customer segments, entry is made into structural and industrial clay market segments, and geographical expansion for existing products is done.

5. Fibre industry

As we noticed earlier in Table 1 fibre industry has been expanding very fast (sales growth index 3.55). Moreover the earnings as percentage of production value (55%) are highest amongst the whole of TRU sector. Thus from the point of view of employment as well as the value added by labour, this industry needs further diversification.

As of now, bulk of production, even in the KVIC assisted sector is sold through the middlemen and consequently there is low sales realisation depressing the earnings of artisans. Lack of adequate equipment also leads to poor quality production resulting in low earnings level for artisans.

In terms of market channels, estimates are that 60% of the production is sold within the local area, 35% within the district and 5% outside the district. The most urgent need of this industry is expansion of marketing channels both within and outside the country since there is a very strong and stable foreign demand. Product extensions can be done by innovative use of fibres for different product like making fabrics out of banana fibre, using fibres for curtain materials and other artifacts etc.

6. Bee-keeping industry

The industry has had marginal growth during the last decade. Though the existing market for honey for its food value is strong, additional markets can be generated by promoting other uses such as curing of sores and ulcers, purification of blood etc. The by-products of this industry like wax can be used in manufacturing paints, varnishes etc. There is no serious marketing problem for this industry as far as existing market segments are concerned. However, if the production can be expanded, there is a substantial scope for opening new market segments for honey as well as by-products of bee-keeping industry.

The above quick survey shows that while there are some common marketing and non-marketing problems like lack of finance and lack of improved equipment and training, each industry and perhaps even various product lines within the industry also have specific problems. If the objective is to expand the markets, increase sales realization and to bring stability to various industries, it may be useful to evolve a general framework for identifying growth opportunities, and alternative growth strategies.

Identification of growth opportunities and strategies - a general marketing systems framework

Alternative growth strategies for an industry or the sector are readily suggested when we view the problem of growth in marketing system

terms. The analysis for identification of growth opportunities and appropriate strategies may be done in the following manner:

1. Analyse the present position of industry in various customer and market segments.
2. What is the role, strengths, and weaknesses of the TRU sector industry vis-a-vis other sectors in terms of production capability, capacity, marketing infrastructure, raw material availability, availability of finance etc.
3. Identify the cost and non-cost competitiveness of various product lines in the industry.
4. Analyse the potential of existing products in newer market and customer segments.
5. In view of customer tastes and requirements, analyse new product opportunities or product adaptation possibilities.
6. Develop marketing strategies depending upon whether present products can be sold in larger quantities in present markets or in new markets, new products would have to be developed for present markets. Alternatively, there might be opportunities for expansion by manufacturing upstream items (previous to existing production stage) or downstream items (further value addition to existing product lines).
7. Identify growth opportunities by considering extension of existing know-how, brand name and goodwill, marketing infrastructure and capabilities etc.
8. Outside the existing production-marketing system, identify opportunities for improving resource bases in areas of production skills, finance and marketing infrastructure by collaboration and tapping other organization's resources in a synergistic manner.

Table 5 shows the major classes of growth strategies i.e. intensive, integrative or outer growth strategies. The TRU sector can concentrate on its present products and pursue an intensive growth strategy, or it

can seek growth through moving into newer product lines and industries and thus pursue an integrative growth strategy, or it can go outside the present skill--production--marketing--finance--system and pursue outer growth strategy. Appendix 1 presents an elaboration of the specific possibilities latent in each of the broad strategy classes along with examples of each possibility from within the TRU sector industries. An explanation of various types of growth strategies follows:

Intensive growth strategies⁸

The intensive growth strategies are based on cross-classification of product-market expansion possibilities. Three types of intensive growth strategies are possible:

1. Market penetration strategy (increasing use of present products in present markets).
2. Market development strategy (selling present products in new markets).
3. Product development strategy (developing new products in new markets).

If a comprehensive review of the present strategy for various TRU industries is done, one would be able to determine whether full potential of the industry is being utilised in the existing market segments. This analysis would generate possibilities of increasing sales by increasing the present customer's rate of usage, attracting

⁸This section draws on concepts from Philip Kotler, Marketing Management: Analysis, Planning and Control, pp. 235-245.

non-users etc. However, it should be recognised that pursuing increased market penetration may expose industry to increased vulnerability due to technological or cultural shifts.

If the analysis shows that the full potential of industries is not being utilised in various consumer and geographical segments, domestic as well as international, then a market development strategy can be pursued.

A thorough analysis of the present product mix of various industries may reveal the market expansion possibilities if the product mixes are changed or new products added to the existing product lines. Quality variations as well as the size variations can be attempted if it would increase the market potential for various products. A number of village industries fall in this category where the product development strategy would be most appropriate for further expansion.

Integrative growth strategies

An analysis of product possibilities in the context of skills acquired and market established for the existing TRU industries, may identify a number of possibilities for manufacturing and marketing upstream or downstream items relative to the present production stage. There are three major types of integrative growth strategies i.e. backward, forward and horizontal integration.

Backward integration:

Besides market penetration and development, and product development possibilities, one may be able to identify products which can be manufactured prior to present production stage e.g. since TRU sector already has industries like Ghani Oil, Cottage industry and capabilities of Carpentry and Blacksmithy, a strategy of backward integration can be followed by manufacturing Ghanis and simpler chemicals for matches within the TRU sector.

Forward integrations:

Forward integration can be followed by manufacturing downstream products, for example making medicines from the medicinal plants collected from the forests, or making glass bottles and other packaging materials like wooden and tin boxes for honey and processed fruits and vegetables.

Horizontal integration:

Horizontal integration can be followed by expansion to related products, expansion of technology or knowhow, materials, plant and equipment, channels of distribution, and goodwill and brand name existing for the TRU sector today. Examples for horizontal integration are given in Appendix 1.

Outer synergistic strategies:

In addition to the intensive strategies and the integration strategies, TRU sector has opportunities for following outer synergistic strategies of following nature:

Financial Development

As of now this sector has primarily relied on the finances given by government through KVIC, Development Commissioner (Handlooms), All India Handicrafts Board etc. and to some extent by the Cooperative Banks for the handloom sector, coir, fibre industries.

The organizations in this sector could consider strategies of tapping financial resources from commercial banks in addition to cooperative banks. Perhaps the sector could float loan and bond issues in the general money market as well.

Skill development

A number of organizations like the KVIC, CSIR Research and Design Establishments, Weavers' Service Centres (Handloom Sector) etc. are involved in developing better equipment, techniques of production and offering training facilities to the artisans. There is scope for sharing facilities amongst various sectors and institutions thus creating synergies for further development. Close links could be developed between KVIC and CSIR Laboratories, other Research, Design and Development (R&D) Organizations involved in development of technology and provision of training facilities for rural artisans.

Stability development

As of now the two major sub-systems in the TRU sector namely Khadi and Handlooms are subject to substantial seasonality of sales

in festival months of the year and consequently the physical resources of the sales outlets and the sales employees are inefficiently utilised. New product lines should be introduced to balance this seasonality as well as to counter obsolescence of existing product lines due to changes in consumer behaviour or emergence of cost uncompetitiveness in various industries.

STRATEGY FOR GROWTH OF TRU SECTOR

The above analysis has indicated a number of opportunities as well as strategies for growth of various TRU sector industries. However, it may be stated that further work would be required for analysing product/market extension possibilities for each industry in this sector before the final market strategy for each industry and product lines within them can be decided. A number of major initiatives which need to be taken however do emerge. Some of these initiatives are: (1) product development, (2) mitigation of cost un-competitiveness, (3) expansion of distribution infrastructure for various products, (4) coordination and sharing of marketing infrastructure amongst the various organizations involved in promotion and development of the TRU sector, for example KVIC, Handloom Development Corporations, Central Cottage Industries Corporation, Coir Board etc. as well as organizations like NCCF, NAFED, NCDC etc., (5) the need to tap financial resources from commercial banks, (6) development of technology suitable for rural industries by the RDD organizations and development of appropriate linkages between the production and RDD sub-systems.

The analysis done so far clearly outlines the need for four types of institutional linkages i.e. Infrastructural, Technological, Financial and General for the growth of TRU sector industries. Further analysis deals only with marketing infrastructural and policy linkages. Two strategic moves deserve attention in the area of marketing infrastructure development i.e. expansion of distribution facilities and establishment of a field level marketing and development organization.

Expansion of Distribution Facilities

One of the major problems of TRU Sector industries has been the limited distribution infrastructure available to them. Because of various historical and organizational constraints, products of this sector have been sold primarily through 'in-house' outlets only. For example, most of the KVIC supervised industries sell through local sources or KVIC certified outlets only and do not (or are not allowed) to sell through the private trade. While some of the reasons for doing so are quite understandable like maintaining the purity of the products and avoiding middleman exploitation, it needs to be emphasised that each product requires a particular distribution infrastructure for its effective sale. A number of common use items like Palm gur, Khadasari, preserved Foods and Vegetables, Matches etc. are 'convenience' goods and not 'shopping goods' for which people can wait or would go to a specific outlet in the city to purchase them. Similarly most of the handloom products produced in the cooperatives or under the guidance of various State Handloom Development Corporations

are sold through their own outlets. Various handicrafts are also sold through the limited number of outlets like the cottage industries emporia or the sales outlet of the Corporations like Gujarat Handicrafts and Handloom Development Corporation. Thus various organizations by restricting the sales of products through their own outlets immediately reduce the sales potential and simultaneously prechoose relatively well-to-do customer segments since they only have the transportation means to go to very few outlets of such organizations.

Table 6 shows the distribution infrastructure available for consumer products in India in the public/quasi-public sector as well the overall number of wholesale and retail trade establishments. It is estimated that there are close to 35 lakhs retail outlets, and approximately 2 lakhs wholesale establishments in India. Table 7 shows various types of outlets and the sales in India in 1969 based on the census of outlets done by the Operations Research Group, Baroda. There are approximately 14 lakhs grocers in the country, 1.25 lakhs general stores and 16,000 cooperative/super markets. The sales depots certified by KVIC are approximately 24,000. Though it may be the largest distribution infrastructure under 'control' of one organization in the country, it is still miniscule compared to the overall distribution structure in the country.

Table 6 also shows the outlets of some of the handloom sector organizations. Cooptex of Tamil Nadu has organised the most extensive

sales depots system in the handloom sector. Cooptex in 1978 has 325 sales outlets and 189 agencies. Data regarding some other handloom development organizations is also shown in the Table. Each of these Corporations has approximately 20 outlets, some within their home State and some outside. All of this distribution infrastructure in the handloom sector is small compared to the number of textile distribution outlets in the country. Moreover, without being unduly critical, it can be stated that most of the organizations involved in TRU sector do only 'shop keeping' and are not thorough-bred 'marketing' agencies. The data clearly shows that if the markets and consumer segments, for TRU sector industries have to be expanded, there is a need to widen and deepen the distribution network.

In the beginning, if the organizations do not wish to tap private retail trade network, atleast they can consider utilization of other public/quasi-public distribution systems. For example, there are close to 2.5 lakhs fair price shops, and 15,000 consumer cooperative stores in the country. A number of consumer items produced in the TRU sector would be amenable to sales through these outlets since there is complementarity between the productlines carried by fair price shops and consumers' cooperative outlets and that of the products of TRU sector industries. This would incidently offer stability to fair price shops as well since their sales fluctuate widely depending upon the foodgrains production in the country.

Besides the possibilities already hinted, marketing capabilities of Coir Board, Central Cottage Industries Corporation, NTC, HHEC, NAFED etc. could be considered for potential collaboration with other TRU sector distribution sub-systems already mentioned. A number of times serious suggestions are made that TRU sector industries can or should utilise the distribution systems of large scale commercial consumer goods companies, especially of some of the 'famous' multi-nations. We would like to sound a note of warning that it may be fruitless to try such strategies (not on the grounds of any ideology, but simply from marketing point of view) since most of the consumer goods companies operate a metropolitan to small city retail system, while most of the TRU sector industries would require a village to city distribution system.

The above analysis has highlighted the need as well as potential collaboration possibilities between various components of public/quasi-public distribution infrastructure for giving a filip to marketing of TRU sector products.

A Field level Marketing and Development Organization

The analysis done regarding the marketing problems faced by various TRU sector industries clearly points out the need for a field level marketing organization which would identify the problems of various industries and artisans in various geographical areas and propose and implement marketing plans for them. Even now the KVIC

and various State KVI Boards along with Directorate of Handloom in various States and Handloom and Handicrafts Corporations etc. do devise marketing policies and strategies for the sales and growth for these industries. However, because of lack of field staff, some of them are not able to offer effective marketing support for artisans scattered in rural areas all over the country. If all the organizations involved in the developmental and marketing work related to TRU Industries join hands and have field representatives to look after the development of artisan's and help market their products through different types of distribution outlets, then the sector could hope to achieve the goals which are being stated for it and which only this sector is capable of achieving namely employment generation in the rural areas. Though the type and modality of field level marketing organization would need much further thinking, for discussion purposes it could be stated that in each block or wherever there is artisan concentration, there should be two field representatives - one in-charge of the developmental activities, and another in-charge of the marketing support. The job of the marketing representative would be to bring the market feedback to the artisans, help him to evolve new product features and new products in tune with the market requirements and arrange for the sales within the block, within the district or through the marketing network of TRU sector development organization in other areas of the country and even abroad. This field marketing force could be coordinated by district managers, regional managers and all India marketing managers.

At the Apex level this TRU Marketing and Development Corporation could have various Industry Managers who would evolve marketing strategies and policies for various industries. These industry managers could have product managers under them who would look after major product lines within each industry. These national level managers would have close interaction with corresponding functionaries at the State or Regional levels who would implement the plans and also give feedback for evolving policies for the industries under their charge. Thus there can be a cross-fertilization of ideas between the 'Area Managers' and 'Industry and Product Managers.' The job of field development representative would be to draw up the inventory of resources available for TRU sector industries in his area of operation i.e. economic, technical, social and environmental. He would have to analyse the problems of artisans in terms of skill inputs as well as physical inputs like finance, raw materials etc. and arrange or cause to arrange such inputs for them. Field level ^{development} representatives could be federated into further levels on somewhat similar lines as suggested for field level marketing representatives. These field representatives would also coordinate their activities with that of District Industries Centers as well as other rural area functionaries like BDOs, VLWs, Educationists etc. Depending upon the amount of cooperation which can be motivated amongst various organizations as well as the resources available, this marketing and development corporation could be either a 'development' organization or a 'physical' corporation (in the sense of actually marketing the products and supplying raw material inputs).

Policy Support

We had earlier in the Paper reviewed the historical development of organizations involved in the TRU sector as well as the governmental support provided to this sector. While the financial support to Village and Small Scale Industries have been infinitesimal (around 1.5% of the total outlay in various plans), TRU sector has not received enough encouragement and protection in terms of other policy instruments as well, e.g. now there are 500 items reserved for the small scale sector, but there is no such reservation in the TRU sector industries. This is not to suggest that reservation of items is the only major instrument for encouraging growth. However, at some stage it might be useful to consider whether there are items or industries which are amenable to efficient production in the TRU sector which need to be reserved or protected for the sector.

It might be instructive to recall that even large scale sector receives various kinds of direct and indirect subsidies and financial incentives. There are incentives for location in the backward areas, export duty drawbacks, exemption from customs/excise duty on inputs for exports, tax rebates for rural development expenses etc. The small scale sector for Government purchases receives a 15% price preference. There is no such price preference available for TRU sector. It is another matter that even SS Sector units do not take advantage of this price preference in most cases.

While instinctively it immediately appeals to one's mind that TRU sector should also receive policy support in terms of reservation of items for this sector as well as price preference for Government purchases (at least to bring it at par with policy support given for SS Sector), it may be stated that most probably the cost of implementation of such support might exceed the actual benefits, since there are too many ifs and buts which creep in the implementation of such policy support, especially considering the disorganized and decentralised nature of TRU sector industries.

It might be more useful to devise policies which expand the resource base of TRU sector e.g. by opening up bank finance for the sector, aligning the research, design and development efforts of various scientific and educational establishments to the requirements of rural industries, motivating educational infrastructure to participate in upgrading skills of artisans etc. In sum, what is most required is the quality and commitment of human effort rather than a superstructure of crutches for the TRU sector growth.

CONCLUSION

This Paper has examined the status of TRU sector industries, analysed problems of some industries and developed a marketing systems framework for identifying growth opportunities and strategies.

The analysis outlines the need for product development, expanding the financial and technical base of the sector. Need for and strategy of expanding distribution infrastructure and a field level marketing and development organization have been suggested. The type of policy support required has been indicated.

Industry	Prodn. 1973-74	Earnings 1973-74	Sales 1969-70	Sales 1973-74	Earnings as % sales 1973-74	Sales Growth Index	Sale as % prodn.
A. KHADI	3,272.40	1,631.48	2,609.16	4,594.77	35.50	1.76	140.40
B. VILLAGE INDUSTRIES							
1. Processing of Cereals and Pulses ^a	1,363.75	68.08	327.99	571.24	11.91	1.74	41.88
2. Ghani Oil	3,304.30	251.48	2,113.02	3,415.69 ^{a*}	7.36	1.61	103.37
3. Village Leather	825.72	187.99	613.40	1,016.67 ^a	18.49	1.57	123.12
4. Cottage Match	57.24	11.89	24.68	60.23	19.72	2.44	105.22
5. Manufacture of Cane Gur and Khardasari	3,785.68	476.63	1,759.60	3,462.85 ^a	13.76	1.96	91.47
6. Palm Gur Making and other Palm Products	779.27	353.45	678.83	885.45 ^{a*}	40.43	1.30	113.75
7. Non-edible Oils and Soap	300.84	94.03	147.50	314.51	20.09	2.13	104.54
8. Handmade Paper	95.10	32.85	65.43	103.87	31.62	1.55	109.22
9. Beekeeping	171.72	137.38	116.39	171.72	80.00	1.47	100.80
10. Village Pottery	432.42	188.69	242.70	463.79	40.00	1.91	102.51
11. Fibre	418.92	247.79	125.69	446.93	55.44	3.55	106.63
12. Carpentry and Blacksmithy	437.58	100.01	159.59	479.59	20.35	3.44	109.03
13. Lime Manufacturing	113.10	25.56	19.11	65.90	29.72	4.49	83.39
14. Gebar (Machine) Gas	37.10	-	-	-	-	-	-
15. Collection of Forest Plants and Fruits for Medicinal purposes	18.19	12.15	5.50	13.09	92.81	2.39	71.96
16. Shellac	0.72	NA	0.46	0.53	-	1.15	73.61
17. Manufacture of Gums and Resins	7.14	1.25	2.52	7.71	16.21	3.88	107.03
18. Manufacture of Kotha	4.08	0.83	2.54	6.03	13.75	2.37	147.79
19. Fruit Processing and Fruit Preservation	8.78	1.51	0.69	8.65	97.45	12.83	93.51
20. Bamboo and Cane	40.00	18.31	3.96	41.85	43.75	10.56	104.62
21. Manufacture of Household Alum. Utensils	8.18	0.67	-	6.84	9.79	-	83.61
TOTAL B	12,230.03	2,215.54	6,420.20	11,564.23	17.6%	1.80%	94.48%
TOTAL A+B	15,512.23	3,847.02	9,029.36	16,159.00	23.5%	1.78%	104.16%

*Includes the value of Collection of lime stone/lime shell.
 @Excludes non-commercial production

^{a*}Includes the value of seed collection and oil production.

^aIncludes wages paid to workers engaged in seed collection, oil pressing and soap prodn.

Source: KVIC Annual Reports.

Table 2

EMPLOYMENT AND EARNINGS IN VARIOUS VILLAGE INDUSTRIES

Industry	Employment in numbers Rs. in lakhs								
	1971-72			1972-73			1973-74		
	Employment		Earnings	Employment		Earnings	Employment		Earnings
	Full-time	Part-time	Rs.	Full-time	Part-time	Rs.	Full-time	Part-time	Rs.
I. KHADI	1,20,968	8,41,669	1,552.38	1,25,670	8,72,647	1,809.55	1,07,185	7,76,251	1,681.47
II. VILLAGE INDUSTRIES									
1. Processing of Cereals and Pulses	10,550	16,462	44.85	8,614	20,681	51.46	8,015	12,549	68.06
2. Ghani Oil	21,322	12,787	233.98	21,803	12,510	230.42	23,595	9,692	251.11
3. Village Leather	17,961	15,715	1,151.90	18,258	15,857	176.75	15,210	21,085	197.09
4. Cottage Match	736	2,000	2.93	467	1,924	5.72	709	2,482	11.86
5. Manufacture of Cane Gur and Khandsari	-	94,328	324.12	-	1,08,796	364.94	-	1,07,058	476.53
6. Palm Gur Making & other Palm Products	-	2,26,793	302.20	-	2,92,452	284.12	-	3,04,694	358.45
7. Non-edible Oil and Soap	1,515	82,625	63.31	1,159	46,327	39.86	1,469	97,275	94.83
8. Handmade Paper	3,446	449	26.24	3,441	488	31.22	3,382	494	32.85
9. Eco-keeping	-	1,38,291	110.26	-	1,47,012	115.67	-	1,50,421	137.80
10. Village Pottery	31,211	22,565	142.83	30,748	22,985	180.93	27,220	20,203	188.65
11. Fibre	25,461	11,669	142.98	30,852	14,530	185.80	39,117	18,711	247.77
12. Carpentry and Blacksmithy	6,506	2,138	55.78	6,889	2,845	67.74	7,905	2,514	100.01
13. Lime Manufacturing	3,664	1,444	12.64	5,575	4,642	20.97	2,694	4,228	25.55
14. Coal (Kathana) Gas	-	-	-	-	-	-	-	-	-
15. Collection of Forest Plants & Fruits for Medicinal Purposes	44	79,272	2.15	1,320	7,743	6.63	114	41,051	12.18
16. Shellac	3	352	0.18	5	84	0.05	2	40	
17. Manufacture of Gums and Resins	38	2,766	1.11	44	185	2.09	338	169	1.30
18. Manufacture of Katha	25	1,600	4.34	5	250	1.60	15	211	0.41
19. Fruit Processing & Fruit Preservation	52	296	0.65	205	632	1.00	106	349	1.54
20. Bamboo and Cane	1,415	997	7.94	1,479	1,875	11.14	2,398	2,467	16.34
21. Manufacture of Household Alum. Utensils	32	-	0.33	49	9	0.93	56	12	0.67
TOTAL II	1,23,982	7,14,560	1,629.93	1,36,947	7,02,627	1,780.32	1,32,039	7,96,620	2,215.84
TOTAL I + II	2,44,950	15,56,229	3,182.31	2,62,617	15,75,274	3,589.87	2,39,224	15,73,181	3,847.02

Source: KVIC Annual Reports.

TABLE 3

PRODUCTION OF VARIOUS CONSUMER GOODS IN VARIOUS SECTORS

Year	Matches			Paper			Chinaware and Pottery			Edible Oil			Household Soap			Leather Footwear		
	LS	SS	VS	LS	SS	VS	LS	SS	VS	LS	SS	VS	LS	SS	VS	LS	SS	VS
	Rs. in crores			Rs. in crores			Rs. in crores			in tonnes			Rs. in crores			Rs. in crores		
1969	13.5	NA	NA	113.6	NA	NA	8.1	NA	NA	12,589	NA	NA	NA	NA	NA	NA	NA	NA
1970	11.6	99.0	NA	128.7	7.4	NA	6.7	5.4	NA	8,290	NA	NA	651.8	45.9	NA	12.4	7.4	NA
1971	11.3	10.0	NA	128.2	11.6	NA	NA	6.6	NA	NA	NA	NA	729.1	55.5	NA	12.7	8.5	NA
1972	10.3	11.6	NA	126.5	13.5	NA	NA	8.2	NA	NA	NA	NA	829.9	63.1	NA	11.2	10.3	NA
1973	10.6	NA	NA	126.7	NA	NA	NA	NA	NA	25,130	NA	NA	599.2	NA	NA	11.6	NA	NA
1974	10.7	NA	NA	134.3	NA	NA	NA	NA	NA	25,710	NA	NA	561.1	NA	NA	11.1	NA	NA
1975	9.3	NA	NA	135.7	NA	NA	NA	NA	NA	29,250	NA	NA	745.9	NA	NA	12.6	NA	NA
1976	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1978	NA	NA	1.7	NA	NA	1.3	NA	NA	6.4	NA	NA	37.5	NA	NA	4.5	NA	NA	9.2

- Sources: 1. SSI Sectors: Report on Census of Small Scale Industrial Units, Vols. I & II, 1977.
2. Factory : Monthly Abstract of Statistics for Matches.
Statistical Outline of India, 1975 and 1978 - for Matches.
Annual Survey of Industries - for Chinaware and Pottery and Edible Oil.
3. Village : Statistical Outline of India, 1978.
4. Production of Edible Oil: 1969-70 data from Annual Survey of Industries and 1973-75 data from the Oil & Oil Seeds Journal, 29(3), January-March 1977.
- LS - Large Scale Factory Sector (DCTD Units)
SS - Small Scale Sector
VS - Village Sector
NA - Not available

Notes: For matches the monthly average production was taken from Monthly Abstract of Statistics and multiplied by 12 to get per year production. The price of Rs.490/- per million stick was arrived at by using units and volume figures from Annual Survey of Industries, 1970. Per year production multiplied by price is the value arrived at for factory sector. For Paper, the per year production in tonnes is multiplied by Rs.1953/- to get the factory sector figure. The price per ton was arrived at by figures from Annual Survey of Industries, 1970.

Figures of Factory Sector for Household Soap and Leather Footwear are arrived at by taking monthly average figures from Monthly Abstract of Statistics, December 1973 26(12), p. 11 for the year 1970 and December 1976 29(12), pp. 10 and 11 for the rest of the years multiplied by 12 to get production per year. An average price of Rs.8 per pair for footwear and Rs.2,800 per ton for soap has been taken. This price is arrived at by taking units and value figures from Annual Survey of Industries, 1970. Production per year is multiplied by average price to get the production in terms of value.

NUMBER OF WORKERS IN DIFFERENT SECTORS

(Industrywise)

Sl. No.	Name of the Industry	Factory Sector	SSI Sector	Village Sector Total	Full-time	Part-time
1.	Non-edible Oil and Soap	58,000	NA	1,01,000	3,000	99,000
2.	Leather Footwear	19,000	10,733	36,000	18,000	18,000
3.	Match	20,000	31,249	4,000	1,000	3,000
4.	Paper	80,000	6,244	5,000	4,000	1,000
5.	China-ware and Pottery	14,403	7,935	50,000	32,000	18,000
6.	Edible Oil Mill	58,000	NA	33,000	11,000	22,000

Sources: 1. Village Sector: Statistical Outline of India 1978. The figures relate to the year 1974-75.

2. SSI Sector : Report on Census of SSI Units, 1977.

3. Factory Sector: Annual Survey of Industries, Pocket Book of Labour Statistics, 1976.

Table 5

MAJOR CLASSES OF GROWTH STRATEGIES

INTENSIVE GROWTH	INTEGRATIVE GROWTH	OUTER SYNERGISTIC GROWTH
A. Market Penetration	A. Backward Integration	A. Financial Development
B. Market Development	B. Forward Integration	B. Skill Development
C. Product Development	C. Horizontal Integration	C. Stability Development

Table 6

DISTRIBUTION INFRASTRUCTURE FOR CONSUMER PRODUCTS IN INDIA

PUBLIC/QUASI PUBLIC

Sales Depots Certified by KVIC (1978) Approx.	24,000
Fair Price Shops (1974)	221,724

CONSUMERS COOPERATIVE STORES

Primary (1977)	142,75
Wholesale Stores (1977)	424
Wholesale Branches	2,640
Department Stores (1977)	150

HANDLOOM SECTOR

Co-optex- Selling outlets (1978)	325
Agencies (1978)	189
U.P. Industrial Cooperatives Association (1978)	21
U.P. Handloom Development Corporation (1978)	30
Karnataka Handloom Development Corpn. (1978)	22
West Bengal (Cooperatives) (1978)	Approx. 25
West Bengal Handloom Dev. Corporation (1978)	20

COIR BOARD

In addition, stores of most other State Handloom Development corporations, Central Cottage Industries Corporation and HREC are also there (1978)	14
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OVERALL DISTRIBUTION OUTLETS

No. of Wholesale Establishments	195,000
No. of Retail Establishment	3290000

Sources:

Fair Price Shops: Food Statistics, 1975.
 Consumers' Cooperative Stores: "Consumers' Cooperative Stores", National Cooperative Consumers', Federation Ltd., 1976, New Delhi.

Handloom Sector: Annual Reports of various Organizations.

Overall Distribution Sector: United Nations Statistical Year Book, 1974 (Year of Information - 1966).

Table 7

VARIOUS TYPES OF OUTLETS AND THEIR SALES IN INDIA

<u>OUTLET TYPE</u>	<u>TOTAL OUTLETS</u>	<u>TOTAL YEARLY SALES (Rs. Lakhs)</u>
Grocers	14,18,124	3083,40
General Stores	1,23,183	597,60
Chemists	29,534	275,40
Co-op./Super Market	15,816	250,80
Restaurants	40,385	79,80
Panbidi Shops	2,40,766	180,90
Bangle Stores	5,662	12,30
Others	1,90,454	742,50
	20,63,924	5222,90

Source: Based on Census of Outlets, ORG, Baroda.

Appendix 1

A MARKETING SYSTEMS FRAMEWORK FOR IDENTIFYING GROWTH

OPPORTUNITIES AND STRATEGIES

I. INTENSIVE GROWTH STRATEGIES

A. Increasing Use of Present Products in Present Markets: (Market Penetration Strategy)

1. Increasing present customer's rate of usage

- a. Increasing the unit of purchase e.g. box of matches, larger soap bars, bigger pack of honey etc.
- b. Advertising other uses e.g. medicinal use of honey as laxative for purification of blood, curing of ulcers of tongues; use of hand-made paper for greeting cards and personal communications etc.

2. Attracting Competing Sector's Customers

- a. Establishing sharper product differentiation e.g. personalized match boxes, suitability of khadi fabrics to our weather conditions due to its porosity (helps perspiration absorption), and feeling of masculinity etc.
- b. Increasing promotional effort.

3. Attracting Non-Users

- a. Inducing trial use through sampling and price inducements
- b. Pricing up or down
- c. Advertising new uses e.g. use of banana fibres materials for apparel, use of bamboo reeds for forks and knives, boards for interior decoration etc.

B. Selling Present Products in New Markets:
(Market Development Strategy)

1. Opening additional geographical markets

- a. Regional expansion
- b. National expansion, e.g. extension of palm gum sugar and Meera to north India, artistic terra cotta pottery made in Gujarat to South India.
- c. International expansion e.g. artistic handloom curtains, handmade paper, palm fibre products etc. to North American, European and African markets.

2. Attracting other market segments

- a. Developing product versions to appeal to other segments, e.g. Redsigned matka (done by NID) to act as mini refrigerator for urban middle income segments, sweets made from Cane Gur for children, colourful garments made from Khadi and handloom for youth market segments.
- b. Entering other channels of distribution, e.g. selling village industry products like cane gur and khandsari, soap, and edible oils through fair-price shops and consumer cooperations; handlooms through KVIC shops and National Textile Corporations' shops etc.
- c. Advertising in other media, e.g. through college magazines for 'youthful' khadi garments.

C. Developing New Products for Present Markets:
(Product Development Strategy)

1. Developing new Product Features:

Adapt (to other ideas, developments), modify (change colour, motion, odor, form, shape), magnify (stronger, longer, thicker, extra value), minify (smaller, shorter, lighter), substitute

{other ingredients, process, power), rearrange (other patterns, layout, sequence), combine (blend, alloy, assortment, purposes, appeals, ideas): e.g. glazing of certain pottery items; making druggets instead of simple 'dards'; leather bags, garments, leather handgloves for miners and steel burkers in addition to making footwear, making cattle feeds from oil cakes etc.

2. Developing Quality Variations:

e.g. further purification and perfumification of coconut, mustard and amla oil for use as hair oils.

3. Developing additional sizes etc (Product Proliferation)

e.g. bulk packs of processed vegetables and fruits for restaurants, hotels and student messes.

II. INTEGRATIVE GROWTH STRATEGIES

A. Backward Integration

Manufacture the 'raw' materials or equipment required for present product lines e.g. manufacturing ghanis and gher gas plants; making sticks and manufacturing simpler chemicals for cottage matches; mining lime and clay deposits etc.

B. Forward Integration

Manufacturing downstream products from existing products e.g. making glass bottles for honey, other packaging materials like wooden boxes and tin packs for packing preserved fruits and vegetable, manufacturing medicines from medicinal plants etc.

C. Horizontal Integration

Extension to related products; extension of technology or knowhow, materials, plant and equipment utilization, channels of distribution and sales force, goodwill and brand name; lateral conglomeration; e.g. in addition to manufacturing aluminium utensils, manufacture aluminium vessels for industrial use like cans for

milk; extend the pottery technology to manufacture clay structural products like drainage and water pipes, low tension insulators, and housing materials; increase the recovery ratio of oil from Ghanis or have solvent extraction; have a family brand name for Tiny and Rural Units' Products (say TRU), and individual product line brand names for various homogeneous product lines (say, TRU OIL, TRU POT, TRU LEATHER) and promote these brand names for consumer awareness and loyalty.

III. OUTER SYNERGISTIC GROWTH STRATEGIES

A. Financial Development:

Diversify financial resource base e.g. tapping financial resources from Commercial banks in addition to cooperative banks and even floating loans and bond issues in the general money market.

B. Skill Development:

Diversify skill base e.g. sharing facilities for technology development and artisans' training between KVIC establishments and weavers' services centres (for handlooms) for clothing industry; between KVIC and Coir Board for fibre industry; developing closer relationships among KVIC and CSIR laboratories and other (research, designs and development) organisations etc.

C. Stability Development:

Reduce the vulnerability of present system e.g. adding product lines to balance the seasonality of sales in KVIC outlets due to predominance of sales of khadi in certain months; advance planning of introduction of new technologies or product lines to counter obsolescence of existing product lines due to changes in consumer behaviour or emergence of cost uncompetitiveness.

Notes: The conceptual framework for this table is based on
(1) H.I. Ansoff, "Strategies for Diversification", Harvard Business Review, September-October 1957 (2) David J. Luck and Arthur E. Prell, Market Strategy, pp. 175-183.
(3) A.E. Osborn, Applied Imagination, third edition, pp. 286-287.