A Case Study of the Marketing Problems of Small Scale Industries

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Abstract
The small scale industries play a significant role in the economic development of the country by stimulating entrepreneurial skills, generating employment opportunities and contributing to export. In India, the industry has shown creditable progress in terms of output, employment, export etc. during the last decade. The progress has been hampered as the industry faces various problems relating to production, marketing, finance and personnel. The present study examines the marketing problems of small-scale industries working in the district of Varanasi. The study opines that the marketing problems has arisen mainly due to cut throat competition from other industries, adoption of cost oriented pricing, lack of advertisement, non branded products etc. The paper is empirical in nature based on primary data collected from the survey of 101 SSI units operating in Varanasi.

Keywords Small scale industries, Production, Marketing, Finance, Personnel

Introduction
Marketing occupies a critical role in the economic development of a country. It acts as a multiplier of development. It mobilises latent economic energy, contributes to the rapid development of entrepreneurs and managers, and finally, makes possible economic integration and fuller utilization of whatever assets and productive capacity an economy already possesses. It also determines firm’s commercial ability to prosper in a competitive environment, contributes to the development of a flourishing industrial society, revolutionises the life of people both as human beings and as consumers and converts the limited human needs into unlimited wants and further to actual demand. In particular, the tempo of industrialization banks greatly on the advancement of marketing tools and techniques. The pace of the development of small scale industries also hinges on the soundness of marketing practices and policies. The tools and techniques of marketing helps in widening and diversifying the market by creating awareness, providing information, generating conviction and impelling to action.

The small-scale industry is the hub of many economic activities in a developing country like India. It has emerged over the years as a highly vibrant and dynamic industry of the Indian economy. Within a decade these industries have showed commendable progress in terms of employment, number of units, output and export. During the period under study, the employment provided by the small-scale industries recorded 1.38 times growth; the number of units registered 1.32 times rise; their output showed 2.66 times increase; and their exports registered three fold growth. Thus, if we go by these figures of growth of small-scale industries in India, we may apparently come to the conclusion that they do not face any marketing problems at all. While these figures speak volumes about the performance of small-scale industry as a whole, they may not disclose the marketing problems faced by individual units in various segments. Again, they may not disclose the impact of opportunities lost.

Methodology
Objective: The present study purports to examine the marketing problems of small-scale industries working in the district of Varanasi. In particular, the study aims at:

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1. To assess the problems regarding situation analysis, marketing objectives and selection of target market.
2. To identify the problems regarding 4 P’s i.e., Product, Price, Place (distribution) and Promotion.
3. To evaluate the problems regarding implementation and control.

**Scope:** The present study is fundamentally exploratory and descriptive in nature and is a case study of small-scale industries located in the Varanasi district. The small-scale units covered in this study belong to thirteen industries, namely Banarasi saree, powerloom saree, embroidery, saree printing, ready-made garments, hosiery, food, wood, chemicals, engineering, zaree, glass beads and enamelling.

**Period:** The study covers a ten-year period starting from 2000 onwards.

**Sample:** The samples have been taken from the register of the industries maintained by the District Industry Centre (DIC), Varanasi on the random basis. Initially, a sample of 250 units belonging to different categories were taken, but in the course of survey it was observed that a large number of units have disappeared from the actual place of work. It may be noted that every year several units are registered with the DIC but due to one reason or the other most of them could not survive on sound footing and eventually die in due course of time. Further, there were units which could not response our queries satisfactorily. At last, we had to satisfy with only 101 units which could response our queries in a satisfactory manner.

**Tool:** Questionnaire has been used to collect data from the respondents. However, secondary data have also been used wherever found necessary. First of all, structured questionnaires were supplied to sampled units. In addition, other research techniques like personal interviews; observations etc. have also been adopted for the purpose of obtaining valued information.

**Marketing problems of small scale industries**

For the purpose of analysing marketing problems in a better way the present study groups these problems keeping in view the major components of marketing planning. As stated earlier, the major steps involved in marketing planning are: situation analysis, marketing objectives, selection of target market, composition of marketing mix and implementation and control. With a view to identify marketing problems categorically, the questionnaire supplied to the sample units contains questions regarding these problems. It may be noted that none of the sample units could disclose their marketing problems as required for the present study. All most all the sample units stated mainly their general problems. According to them, the major problems are: lack of finance, lack of raw materials, lack of infrastructural facilities, lack of government support, high cost of production, lack of skill workers, lack of training facilities etc. Ultimately, no other alternative than adopting a virtual indirect approach of eliciting the view of the sample units on their marketing problems was left. Under an imaginary condition, we have discussed different issues including the marketing issues of the industries. Apart from this, we have also discussed the marketing problems with a few knowledgeable persons of the city of Varanasi though in general. In the course of these discussions, we could get the impression that none of the small-scale units ever go in deep to identify the problems relating to marketing. Everywhere they find other problems except marketing. For example, every small-scale unit has opined that there is tough competition in the market; the other units producing the same products are their rivals and the foreign goods are the main competing products etc. None of the units have expressed the views that the product quality, the designs, the price, the channel members, the promotional techniques of other units are the major competitive factors for them. Perhaps, the small-
scale units consider the individuals as their competitors, and competition not as the marketing problem. The marketing problems discussed below are based on the discussion with the entrepreneurs and knowledgeable persons. The problems of marketing are presented on the line of marketing planning. Thus, problems relating to situation analysis, marketing objectives, selection of target market, product policies and practices, pricing policies and practices, distribution policies and practices and promotion policies and practices as also the problems relating to implementation and control have been presented. It may be mentioned here that these problems may be taken as illustrative not as conclusive form.

(i) Problems regarding situation analysis

As stated earlier, marketing planning begins with an analysis and evaluation of the situation under which a marketer works or intends to work. The situation analysis concerns with an in-depth analysis of different environmental conditions and firms own strengths and weaknesses etc. If a firm fails to make an appropriate analysis of environmental situation, it is not possible to design an appropriate marketing planning. The small-scale industries operating in Varanasi possess a very little knowledge and understanding of the environmental forces within which they work. The lack of awareness about different situations prevailing in the market makes the marketing strategy planning of the small-scale industries weak and less effective. The shortcomings in this regard have been taken as the major problems relating to environmental conditions of the small-scale units which are put as under:

1. Lack of relevant information of demographic features.
2. Lack of relevant information regarding economic factors.
3. Lack of relevant information about appropriate technology.
4. Lack of sufficient entrepreneurial skills and talents.
5. Lack of eagerness to ascertain socio-cultural influences.
6. Unnecessary reliance on traditional methods and approaches.
7. Lack of seriousness to ascertain the changing pattern of customers’ buying behaviour.
8. Insufficient information about actual and potential competitors.
9. Lack of information regarding key competitors’ planning and strategies.

It is, thus obvious that the major situational problems of the small-scale industries of Varanasi are: insufficient information about demographic features, lack of appropriate information regarding economic factors, such as, rate of economic growth, increase in per capita income, consumption pattern, per capita disposable and discretionary income, lack of eagerness to gather information about appropriate technology, etc. It is also evident that entrepreneurs engaged in the small-scale industries are deficient in entrepreneurial skills, talents, visions, initiative and innovativeness. This is apparently clear from the fact that these entrepreneurs unnecessarily rely on traditional methods and approaches. For example, since most of the entrepreneurs are shadowed by middlemen’s. Similarly, the entrepreneurs are not very much serious with regard to ascertaining the changing pattern of customers’ buying behaviour. Apart from the above, the entrepreneurs have insufficient information about actual and potential customers; they lack information regarding their key competitors’ planning and strategy with regard to marketing strategy, such as, the way of selecting target markets and the methods of concentrating on them; the product policies and strategies, pricing methods and policies etc. In this connection, it is important to note that none of the entrepreneurs possess the statistics regarding competitors’ sales volume. It appears that these situations exist because none of the small-scale units have an efficient management team. As a result, these units lack appropriate production and financial plans.
On the basis of above facts, it may be concluded that so far as the situation analysis is concerned, the entrepreneurs are extremely poor. They need to realize that without marketing planning no other plans are going to succeed as expected. As a result, the growth and prosperity of their units would remain a mere dream. In real terms, a few percentage points increase in sales and profit are not the real index of business success. It is, therefore, necessary that the entrepreneurs engaged in small-scale industries should take initiative, though gradually to formulate marketing strategic planning and for that very purpose they should make a critical appraisal of environmental conditions. They should assess the economic conditions on factual basis. They should possess required information about their existing and potential customers and finally they should gather relevant information about their existing and potential competitors as also about key competitors. Now-a-days, much more information can be obtained through electronic media which can be availed of even on payment system. Thereafter, on the basis of information so gathered, they should assess their own strengths and if they find any deficiency, efforts should be made to remove such deficiencies.

(ii) Problems regarding marketing objectives

For effective marketing planning it is essential to determine marketing objectives. No doubt, the small-scale industries working in Varanasi possess their marketing objectives but these objectives are not based on suitable standards. For example, customer satisfaction, profit maximization, increasing sales and building image of the enterprise are the major objectives of these units. These objectives appear to be of short term nature. The small-scale units identify the same objectives as their business goals. What is required is that marketing objectives should be based on the strengths and opportunities of the enterprise and these objectives should match with their marketing activities. In a true sense, the small-scale industries operating in Varanasi have the following problems regarding the marketing objectives:

1. Lack of understanding of setting marketing objectives.
2. Lack of expertise to make a permutation and combination of marketing objectives keeping in view the changing scenario of the market.
3. Lack of appropriate co-ordination between marketing objectives and other objective of enterprise.
4. Lack of realization of the role of marketing objectives in the progress and prosperity of the enterprise.

(iii) Problems regarding selection of target market

In modern times, the selection of target market is one of critical decision making areas for the marketer. Selection of target market helps in developing product planning and strategy, setting prices of the product, selecting suitable channels of distribution and holding potential and existing customers. Without exactly knowing the customers, it becomes difficult to assess performance and level of customers’ satisfaction. As a matter of fact, the entrepreneurs engaged in the small-scale industries in Varanasi are of the opinion that they select target markets. But it appears that their selection of target market is not based on sound footings. The problems which stand in the way of selecting target market may be summarised as under:

1. Insufficient information about the potentiality of market.
2. Lack of information regarding distribution of population according to age, sex, income, family size, education etc.
3. Lack of adequate knowledge about life style and personality of customers.
4. Lack of information about user’s status, usage rate, benefits sought attitudes, etc.
5. Insufficient understanding and expertise of procedure of segmenting market.
6. Unnecessary reliance on past experience and practices regarding the selection of market.
7. Lack of appropriate data for measuring the efficacy of different markets.
8. Lack of eagerness and enthusiasm in searching new and high potential markets.

(iv) Problems regarding to product policies and practices

Product policies and practices occupy an important place in marketing mix strategy. Decisions regarding various aspects of products facilitate in product planning, price fixing, selection of channels of distribution and designing promotional campaign. These decisions are essential for the marketers of different categories. The small-scale industries operating in Varanasi also develop their product policies and strategies on the basis of past experience and traditions. These industries do not formulate their product policies on the basis of modern tools and techniques of marketing. The major problems standing in the way of designing appropriate product policies and practices may be summed up as under:

1. Lack of appropriate product planning and strategy based on chosen market segments.
2. Lack of quality raw materials and accessories.
3. Lack of suitable product specifications, grading and standardization.
4. Lack of appropriate techniques for evolving different qualities of product for satisfying different categories of customers.
5. Lack of design development facilities in the unit.
6. Lack of appropriate strategy regarding product items, product lines, and product mixes.
7. Inadequate information of competitor’s product planning and strategies.
8. Lack of a systematic and regular programme for product innovation and development.
9. Lack of appropriate branding policies.
10. Lack of awareness about the role of packaging.
11. Lack of modern packaging facilities in the unit.
12. Inappropriate labelling policies and practices.

(v) Problems regarding pricing policies and practices

As is known to us, pricing is a vital constituent of marketing mix, which in turn, is an inseparable part of overall marketing planning. Decisions regarding pricing are important in several ways, such as, they are a vital motivational factor for the customers to buy the product and they act as the basis to measure the level of customers’ satisfaction. In today’s competitive business world pricing has become an important competitive tool. All this shows that an effective pricing policy helps in increasing sales and maximizing profit. It also helps in attracting and holding customers, and in protecting the enterprise from legal interventions. The small-scale industries of Varanasi have also been following specific pricing policies and strategies. However, if the total pricing scenario is analysed closely one may easily come to the conclusion that the pricing policies and strategies followed by the small-scale industries are not, in a true sense, in consonance with the modern marketing policies and practices. This is due to the fact that these pricing policies and strategies are not based on sound calculations. The major problems which weaken the pricing policies and practices of the small-scale industries may be put as under:

1. Inappropriate pricing planning and strategy.
2. Insufficient information about key competitors’ pricing policies and practices.
3. Insufficient information regarding the prices of competitive products and of substitutes.
4. Low productivity.
5. Increasing cost of production due to rising material costs.
6. Undue reliance on traditional method of pricing.
7. Lack of integrated approach toward pricing strategy and policy.
9. Lack of appropriate approach toward assessing price changes, if any.
10. Application of adhoc approach for computing final prices of different products.

(vi) Problems regarding distribution policies and practices

We know that channel of distribution is the route through which product passes from the hands of manufacturers to the hands of consumers. The decisions regarding channels of distribution influence greatly the availability of right product in right condition at right time at right place which, in turn, affect the success of the marketer and the level of customers satisfaction. The small-scale industries operating in Varanasi follow, in a larger part, their traditional policies and practices regarding the channels of distributions. It appears that they do not have any high ambition for making the system of distribution effective and efficient. Now-a-days, when selling can be done ‘online’, the traditional methods are not going to benefit the small industries in the long run. The major problems relating to channels of distribution are as under:

1. Lack of appropriate distribution planning and strategy.
2. Lack of eagerness and enthusiasm to evolve a new pattern of distribution system.
3. Lack of information about genuine distributors/middlemen.
4. High expectation of middlemen with regard to credit.
5. Greater dominance of middlemen in the market.
6. Lack of appropriate planning and strategy relating to transportation, inventory, warehousing etc.
7. Virtual absence of effective distribution network in the individual unit.
8. Exploitation by middlemen.

(vii) Problems regarding promotional policies and practices

Like product, price and channels of distribution, promotion is a vital component of marketing mix. It is significant because it creates awareness and conviction in the mind of ultimate consumers. In fact, without knowledge and understanding no customer is going to buy a product particularly the product of durable nature. It is, therefore, imperative for the marketer to inform the target market about the relevant attributes of the product, the price at which the products are available and the place at which the products have been made available for buying. The onerous job of communication is performed by different constituents of promotion, such as, personal selling, advertising, sales promotion. The entrepreneurs engaged in the small-scale industries in Varanasi lack the awareness and understanding of the vital role played by different components of promotion. The major problems regarding their promotion policies and practices may be expressed as under:

1. Lack of long-term promotion objectives.
2. Lack of appropriate combination of different tools of promotion.
3. Undue reliance on personal selling.
4. Lack of appropriate advertising budget.
5. Insufficient funds for promotion.
6. High cost of promotion.
7. Lack of eagerness to reap benefits from the support measures provided by government and other agencies for promoting the products of small-scale industries.

(viii) Problems regarding implementation and control

As stated earlier, implementation and control is the last stage in designing a marketing plan. Without implementation a plan may simply be considered as a mental child and without control if a plan is implemented, it may be regarded as an errant boy. It means when a plan is formulated it needs to be implemented effectively and controlled efficiently. As regards the marketing of small-scale industries in Varanasi is concerned, it may be concluded that it is half heartedly formulated and scatteredly implemented. As a result, exercising control becomes difficult.

Conclusion

The preceding analysis reveals that the small-scale industries located in Varanasi have been facing huge marketing problems. It encompasses a host of problems in assessing environmental situation, in establishing marketing objectives, in formulating product policies and practices, in designing pricing policies and strategies, in evolving effective distribution system and in developing persuasive promotional policies and programmes. Besides, whatever marketing strategy planning is evolved, it is not also implemented and controlled in an effective manner. It appears that the small-scale industries located in Varanasi are weak and inefficient not only in formulating marketing planning but also weak in the implementation and control of such a plan. It is thus obvious that the entrepreneurs running the small-scale industries lack at least the expertise in the area of general management and the total quality management.

Effective management requires leadership plus administrative skills in planning, organising, directing and controlling the entire business operations. Because of limited financial resources and inability to hire professional managerial personnel, small-scale units lack specialisation in the execution of various functions of management. The majority of small-scale units are sole proprietorship organisations and as such these units are highly personal in nature, i.e., the single man’s show. It is very difficult to take quick decisions in all respects and implementing these decisions promptly since the sole proprietor is neither a production oriented engineer nor sales oriented merchant. He has no time to look after other functions. Moreover, the majority of sole proprietors are illiterate or have low level of education and lack managerial skill. They also do not possess the qualities like motivation, sense of commitment and business morality. Consequently, the small-scale units suffer from dearth of efficient management and poor managerial skill resulting in sickness of units.

Thus, it is evident that SSI sector faces difficulties at every stage of their activities, whether it is buying materials for production, organising production, selling products in the market, they are put to a number of difficulties. No wonder than that their products are small in quantity and shoddy in quality. Therefore, more concerted efforts, particularly in the area of marketing, are required on the part of the Government, Entrepreneurs, Promotional agencies and Financial agencies, so that the growth rate of SSI sector can be accelerated further.
In spite of such weaknesses, no one can ignore the fact that the SSI sector has been playing a very significant and strategic role in Indian capital scarce and labour abundant economy of continental dimensions. “The role played by this sector in the rapid economic development of Japan, Korea, Taiwan etc. is well known. The latest example, however, comes from Italy where during the last 20 years the dynamic role played by the small-scale industries has transformed the nature of Italian economy from agricultural to industrial, and from a ‘sick child of Europe’ to one of the most vibrant countries of Europe.” In India, the SSI sector has not only performed well, but has performed better than organised industries in terms of growth, exports and employment generation. Though, neither the promotion of small-scale industries nor the large scale industries alone will contribute towards the industrial development of the country. For the rapid and healthy industrialisation of the economy what is needed is an admixture of both small and large scale sector. Therefore, the further development of small-scale industries must be seen as complementary to medium and large scale industries.

References


