

## INDIAN MANUFACTURING AND MARKETING ENVIRONMENT

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### **ABSTRACT**

Present article intends to highlight various facts related to the Marketing, Manufacturing Environment of India. The industrial scenario reveals that Indian industries and products are attaining world class level. The liberalisation process, besides intensifying competition, has helped manufacture to achieve advantage. Rural market is an emerging area. It is both opportunity as well as challenge for the marketers. There is a need to design suitable strategies to top the growing rural market. The Small and Medium Enterprise (SME) Sector also show some sign of improvement. Since this sector has to compete with global players, it requires to formulate effective strategies for manufacturing and marketing the Product.

**Keywords-** Liberalisation, strategy, products, competition, Environment, Manufacturing, Marketing,

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**INTRODUCTION:**

Indian economy has grown tremendously with the advent of policy of liberalization, privatization and globalization since 1991. Almost all sectors of the economy have achieved noteworthy progress and achieved the distinction of second fastest economy of the world after only China. With the modest beginning in 1949, Indian car manufacturing and marketing has attained the important milestone.

Markets all over the world are witnessing an unlimited potential for global business and marketing development. The Socialist-based economics in Europe, Indian and other countries have chosen free enterprise system and have adopted market driven economies. India has adopted policies of liberalisation, decontrol and delicensing for the new economy and industrialization process. Awareness of people in the environment is demanding freedom from pollution and conservation of exhaustible natural resources. Eco friendly products with Eco labels are receiving special performance in all markets. Developing countries like China and India are receiving huge inflow of foreign investment in capital and technology and entry of numerous MMCs. Many Indian Companies have also extended their business in other parts of the world.

It has grown in size and prosperity. Both the middle class and the upper middle class population constitute a lucrative market for all types of good. They are now reaching out to satisfy their higher levels of psychological wants after satisfying the basic economic needs. The potential of this market segment in India is now almost at par with the total potential of major European countries like, U.K., France and Germany.

According to the third annual edition of Accenture Research, “Masters of Rural Markets: From Touchpoints to Trustpoints - Winning over India's Aspiring Rural Consumers,” rural consumers are particularly aspiring or striving to purchase branded, high quality products. Consequently, businesses in India are optimistic about growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets. The report highlights the

better networking among rural consumers and their tendency to proactively seek information via multitude sources to be better informed while making purchase decisions. Importantly, the wider reach of media and telecommunication services has provided information to India's rural consumers and is influencing their purchase decisions. In line with general trend, rural consumers are evolving towards a broader notion of value provided by products and services which involves aspects of price combined with utility, aesthetics and features, and not just low prices.

The hinterlands in India consist of about 650,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

Market size.

India's per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US\$ 20 billion mark by 2018 and reach US\$ 100 billion by 2025@.Recent Developments.

Following are some of the major investments and developments in the Indian rural sector.

- The Ministry of Rural Development is expecting to achieve its annual targeted length of 48,812 kilometers of rural roads by March 31, 2017 under the Pradhan Mantri Gram Sadak Yojana (PMGSY), which has reached a completion stage of 67.53 per cent (32,963 kms) as on January 27, 2017.
- The National Bank for Agriculture and Rural Development (NABARD) plans to provide around 200,000 point-of-sale (PoS) machines in 100,000 villages and distribute RuPay cards to over 34 million farmers across India, to enable farmers to undertake cashless transactions.
- Magma Fincorp, a Kolkata-based non-banking finance company (NBFC) plans to expand its operations in South India, with specific focus on rural and semi-urban markets to help the company grow rapidly.
- The Ministry of Textiles has signed memorandum of understanding (MoU) with 20 e-commerce companies, aimed at providing a platform to artisans and weavers in different handloom and handicraft clusters across the country to help them sell their products directly to the consumer.
- The Ministry of New and Renewable Energy (MNRE) has an annual target of setting up one lakh family size biogas plants to the states and union territories for FY 2016-17.
- Indian Institute of Technology-Madras (IIT-M) has entered into a three-year partnership with Nokia Networks to create technology solutions which will enhance broadband connectivity in rural India.
- The United Economic Forum (UEF), an organisation that works to improve socio-economic status of the minority community in India, has signed a Memorandum of Understanding (MoU) with Indian Overseas Bank (IOB) for financing entrepreneurs from backward communities to set up businesses in Tamil Nadu. As part of the agreement, entrepreneurs who have been chosen by the UEF, will get term loan / working capital requirements from the bank. The UEF will appoint mentors to guide entrepreneurs for successful implementation of the project, with both IOB & UEF periodically monitoring the progress of the project.
- Tata Motors, India's biggest automobile company by revenues, plans to aggressively expand its network with a focus on rural markets. The company is aiming to more than triple its

network to 1,500 over the next three years from 460 now, making it the biggest such expansion by a passenger vehicle maker in the country so far.

- Bharti Airtel is applying for a payments bank licence and has involved Kotak Mahindra Bank as a potential investor in the venture, in a bid to tap significant revenue opportunities from the Reserve Bank of India's financial inclusion initiative. Payments banks are meant to fan out into the rural, remote areas of the country, offering limited but critical services such as money transfers, loans and deposit collection. While banks have the knowhow, telecom companies have the network, making it an ideal match.

### **Government Initiatives-**

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption.

- The Government has introduced various reforms in the Union Budget 2017-18 to uplift the rural markets. Some of the key highlights of the Budget are-
  - Rs 187,223 crore (US\$ 28.08 billion) has been allocated towards rural, agriculture and allied sectors.
  - The Allocation for Pradhan Mantri Aawas Yojana-Gramin has been increased from Rs 15,000 crore (US\$ 2.25 billion) to Rs 23,000 crore (US\$ 3.45 billion) in the year 2017-18 with a target to complete 10 million houses for the houseless by the year 2019.
  - The pace of roads construction under Pradhan Mantri Gram Sadak Yojana (PMGSY) has been accelerated to 133 kms per day as against an average of 73 kms per day during the years 2011-14.
  - The allocation to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has been Rs 48,000 crore (US\$ 7.2 billion) in the year 2017-18, which is the highest ever allocated amount.
- The Government of India is looking to install Wi-Fi hotspots at more than 1,000 gram panchayats across India, under its ambitious project called Digital Village, in order to provide internet connectivity for mass use, as well as to enable delivery of services like health and education in far-flung areas.

- In the Union Budget 2017-18, the Government of India mentioned that it is on course to achieve 100 per cent village electrification by May 1, 2018.
- The Government of India has sought Parliament's approval for an additional expenditure of Rs 59,978.29 crore (US\$ 8.9 billion), which will be used to support the government's rural jobs scheme, building rural infrastructure, urban development and farm insurance.
- The Government of India plans to integrate villages with country's economic mainstream by purchasing around 80,000 mini-buses, which will connect over 125,000 villages to markets and thereby provide access to better job and education prospects.
- Prime Minister Mr Narendra Modi has launched the National Rurban Mission with the aim of enabling cluster based development and creating smart villages which will complement the smart cities initiative.
- The Government of Gujarat plans to undertake several steps to promote micro, small and medium enterprises (MSMEs) in the state, including setting up a separate department for this segment and providing dedicated industrial estates for MSMEs.
- The Union Government plans to build 2.23 lakh km of roads in the rural areas and has proposed a total spending of Rs 27,000 crore (US\$ 4.05 billion) until March 2017.
- E-commerce players like Flipkart, Snapdeal, Infibeam and mobile wallet major Paytm have signed Memoranda of Understanding (MoUs) with the government to reach rural areas by connecting with the government's common service centres (CSCs) being setup in villages as part of the 'Digital India' initiative.
- With the increasing demand for skilled labour, the Indian government plans to train 500 million people by 2022, and is looking out for corporate players and entrepreneurs to help in this venture. Corporate, government, and educational organisations are joining in the effort to train, educate and produce skilled workers.
- The Union Cabinet has cleared the Pradhan Mantri Krishi Sinchae Yojana (PMKSY), with a proposed outlay of Rs 50,000 crore (US\$ 7.5 billion) spread over a period of five years starting from 2015-16. The scheme aims to provide irrigation to every village in India by converging various ongoing irrigation schemes into a single focused irrigation programme. The Government of India aims to spend Rs 75,600 crore (US\$ 11.34 billion) to supply electricity through separate feeders for agricultural and domestic consumption in rural areas. This initiative

is aimed at improving the efficiency of electricity distribution and thereby providing uninterrupted power supply to rural regions of India.

- To promote agriculture-based businesses, the Government of India has started ‘A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship’ (ASPIRE). Under this scheme, a network of technology centres and incubation centres would be set up to accelerate entrepreneurship and to promote start-ups for innovation and entrepreneurship in agro-industry.
- The Government of India plans to form a committee to study various innovations and submit their reports to the concerned Department or Ministry. The programme called the ‘Nav Kalpana Kosh’ aims to improve rural areas at various levels, such as governance, agriculture and hygiene.

As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smartphones. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach.

Market research firm Nielsen expects India’s rural FMCG market to reach a size of US\$ 100 billion by 2025. Another report by McKinsey Global Institute forecasts the annual real income per household in rural India to rise to 3.6 per cent 2025, from 2.8 per cent in the last 20 years.

### **PRESENT MANUFACTURING AND MARKETING ENVIRONMENT IN INDIA:**

India’s new prosperity and market potential are attributed to the Governments ongoing commitments to economic reforms introduced in 1991 with the New Industrial Policy. The new reforms have allowed India to rebuild its economy and forex reserves, reduced inflation and most important improved competition and efficiency in the market place by relaxing substantially economic trade and investment controls and reducing duties, taxes and interest rates.

The noted economist John Keynes, in his 1926 lecture “The End of Laissez-Laire” had affirmed a qualified optimism about market as an instrument for growth and welfare. For India,

globalisation is to be taken in terms of “economic globalisation”. A sustained pro-market campaign by the world bank and by the renowned economists like Jagdish Bhagwati and T.N. Srinivasan argues that globalisation would not only generate higher growth and efficiency, but also improve mass well-being. It will improve welfare by generating returns to resources that are relatively abundant in Indias, such as skilled and unskilled labour.

Globalisation in the world not only includes transaction of goods and services but also international capital flows.

International trade deals with exports and imports of both goods and services as well as invisible. As a member of WTO. India has to meet many obligations. The implications of WTO are rapid globalisation and more challenges for the indigenous industry, agriculture, service sectors and R & D initiatives etc.

Some of the implications of WTO, which pose a challenge for India, are as under:

01. Trips Agreement
02. Agreement on Textiles and Clothing (ATC)
03. Agreement of Agriculture.
04. General Agreement on Trade in Services.
05. Anti-Dumping Agreement.
06. Labour and Environmental Issues.

Each of the aboure challenges, if tackled presents itself as an opportunity as well India can get access to the vast world markets.

The liberalisation process has helped a lot the knowledge sector in India. India’s distinct comparative, as also competitive advantage in the sphere of knowledge based industries has been acknowledge world wide with the emergence of new knowledge based industries such as IT, Telecom, Pharma, Software and IT enabled services etc.

### **INDIAN RURAL MERKET:**

India’s growing rural market has been experiencing increased demand of consumer good monsoons have improved the rural economic conditions. In the countryside poverty may be widespread, but there are regions a here tractors and agricultural machines have replaced bullock



cars and old traditional methods of farming. Silent green and white revolutions are responsible for agricultural prosperity in many regions.

But the huge untapped rural of 650 millions consumers loose some problems as follows...

01. Rural markets are very widely scattered with many villages many constitute few hundred residence in each.

02. The rural demand is closely associated with farming and hence it offers seasonal needs.

03. For many rural areas, the road connectivity is poor and hence physical distribution poses a problem.

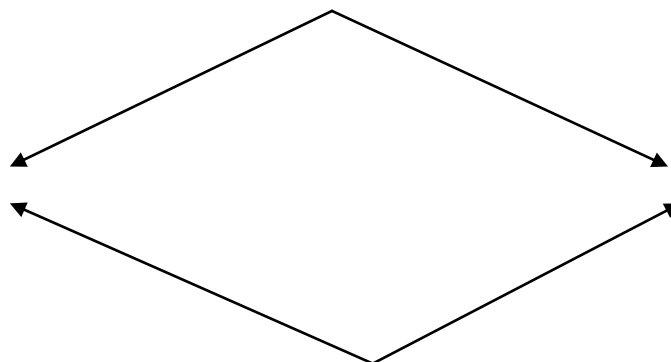
04. Consumer goods and agricultural commodities face higher distribution cost due to insufficient infrastructure facilities of transport and were housing.

05. Financial in capabilities of the rural small retailers prohibit in keeping varied stocks. When we are talking about rural marketing, it would be necessary to explain rural marketing. Actually rural marketing consist to two words: “Rural” and “Marketing”. The first denats an “environment” and Second a “Process” both terms have their own descriptive parameters and analytical and objective dimensions. Their synthesis in a meaningful developmental activity and society at large is the case of the rural marketing process.

Rural environment in a developing country is generally discussed in terms of socioeconomics parameters the essence of which is summarized. In the concept of the circular chain reaction as below...

**Low Saving**

**Low Investment**



**Low Income**

**Low Productivity**

Above chain term adversely affects social factors such as education, health, housing and sanitation. Marketing as a process is aptly defined as a means deliver a better “Standard of living” and more than a Mere exchange of goods and services to satisfy human needs and wants. While the latter is more a functional and product oriented concept, the farmers is a farm more comprehensive socio-economic concept.

**SUITABLE STRATEGIES FOR RURAL MARKETING:**

The wise marketers should choose a centrally located town known as feeder town for serving a large cluster villages around it. This villagers are satellite dependent on the town nearest to them. The feeder town plays the role of distribution as well as collecting centre. The farmers sell their farm products to consumer goods and agricultural inputs.

With the onslaught of liberalization & globalisation, the Indian Corporate Group- must understand the dynamic of the micro-economic environment under which their business operate.

**BUILDING COMPETITIVENESS IN MANUFACTURING AND MARKETING:**

In order to select the desired competitive position of a business it is necessary to being with the assessment of the Industry to which each belongs. We should understand the fundamental factors that determine its long term profitability prospects because this indicator embodies and overall measure of industry attractiveness. The widely used farm work for understanding the industry environment in proposed by Michael Porter in his five forces model given below

The aim of SWOT analysis is to match likely external environmental changes with internal compabilities to test these out and challenge how an organinsation can capitalize on new opportunities or detend itself against future threats.

Finally, the competitiveness result from the management facilitating a changed process and modifying and old maxim- “Survival of the Fittest” to read “Survival of those who can keep pace with the change”.

### **THE IMPROVED MARKETING CONCEPTS:**

The Indian market structure in the perspective of market segmentation reveals that the market phenomenon of regional market segmentation does exist.

In each regional market, few firms dealing with commodity enjoy some amount of monopoly power, though their share in the national market may be small.

Such firms price cost margin performance and the regional market power stand in good situation for their regional market segmentation.

In India, liberalization has led to the delicensing of most of the equipments, entry of major global players, with the reduction of excise and custom duties.

This is evident in the automobile, TV and the mobile phone sets segments. As a measure of improving the after sales service, especially in the consumer durable segment, both the domestic and foreign companies, are relying on the performance of their dealers or of third party agents.

### **SME SECTOR AND COMPETITIVENESS:**

On the onslaught of the globalisation and liberalisation, the SME sector should also march forward to attain competitive character in the twenty first century.

There is no usefulness for the SEM sector entrepreneurs to compete directly with large industries MNCs; instead, they should attempt to do the following.

01. Taking up manufacturing or services of substitute items being offered by large industries or MNCs through market segmentation to a target group of costumers.
02. Taking up contract manufacturing jobs on behalf of large industries or MNCs according to their specified quality and service.
03. The important aspect to be borne in mind that marketing is more difficult than manufacturing. The first hand entrepreneur should first gain marketing experience before commencing a new venture. Many SME units have failed due to lack of marketing ability.
04. There is no use spending money advertisement or sales promotion by SME units. Instead, the entrepreneur must analyse and work out efficient and less expensive distribution network and arrange to keep direct contact with customers as for as possible. They may also look for extending distribution system to rural areas with sizeable population.

**INNOVATION:**

In the face of globalisation and liberalisation in the twenty first century, only those companies that lean to live and breathe continuously innovation will thrive in this stimulating world. Innovation is a practical way to ensure the long term health of the organisation. The best innovation is user-driven. In the ideal innovative culture, there is a harmony of interests between customer, employee and the management.

Innovative organisations are not only encouraging product and process innovation but are also creating bright future. Innovations in manufacturing and marketing have become crucial and comprehensive in today's economy. The innovation process has three major components. The first stage is getting ideas, the second stage is turning ideas to reality and the third stage is getting the product to the market and marketing a huge success; which includes activities like distribution, pricing, marketing and public relations etc. Innovation is risk management and if organisations are committed to innovation, they need to have a very high tolerance for risk and failure.

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