

Liberalization and Its Impact on Market Competitiveness of Small Scale Industry: A Study of Selected Consumer Electronics Units in Delhi

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Abstract

Indian markets are pushed to become the best-rewarding markets for both-domestic and International Investors. With market liberalization, increasing consumerism and the entry of more foreign players, Indian markets are exhibiting exemplary progress. The Indian consumer is rapidly evolving and the market is exposing the consumer to a host of new choices by international brands selling their products at competitive prices. According to a McKinsey Global Institute (MGI) study titled 'Bird of Gold': The Rise of India's Consumer Market, the total consumption in India is likely to quadruple making India the fifth largest consumer market by 2025. Urban India will account for nearly 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025. Every big firm is reaping the opportunities but small firms are still struggling with their products. The present research paper studies the impact of liberalization on small-scale industrial sector with special reference to consumer electronics Industry.

The study is based on the survey of officials of government agencies and industry associations on one hand and the owner-managers of the selected units on the other hand. The basic objective is to examine the views of the officials and owner-managers regarding the impact of liberalization on Small Scale Sector. Delhi, national capital territory has been selected for conducting survey of consumer electronics units which is a focal point for small electronics units. Sample of 25 units were surveyed from the selected region keeping the criterion that at least some of the selected units have undergone the changes because of liberalization .Secondly it has been confirmed during the field survey whether the unit is the registered unit, if not whether its original investment in plant and machinery is less than or equal to the official limit. For the purpose the official definition of small scale industries has been followed. The selection of sample for survey was based on convenience and judgment sampling. Keeping the above mentioned facts in mind, the desirable samples have been obtained.

Key Words: Liberalization, Small Scale Industries, Market Competitiveness

Survey Area and plan

Delhi, national capital territory has been selected for conducting survey of consumer electronics units which is a focal point for small electronics units. Sample of 25 units were surveyed from the selected region keeping the criterion that at least some of the selected units have undergone the changes because of liberalization .Secondly it has been confirmed during the field survey whether the unit is the registered unit, if not whether its original investment in plant and machinery is less than or equal to the official limit. For the purpose the official definition of small scale industries has been followed. The selection of sample for survey was based on convenience and judgment sampling. Keeping the above mentioned facts in mind, the desirable samples have been obtained. To understand the cause and consequences of liberalization in the small-scale units, the primary objective of the study, the researcher has personally undertaken survey at two levels. First, an interaction took place with the institutions

that are involved in the promotion of small-scale units. The researcher also contacted the officials of various supportive organizations like Central Radio and Electronics Merchant association (CREMA) and Electronics Industry Association of India (ELCINA) that are involved in promotion and development of electronics industry for vital information. This was followed by a survey of industrial units in the selected industry. The study was supplemented with the data collected from secondary sources as well.

Survey Analysis and Findings

The electronic industry in India constitutes just 0.7 % of the global electronic industry. Hence it is miniscule by international assessment. However the command in the Indian market is growing rapidly and investments are flowing and curving in to boosting manufacturing capacity. The growing Indian market for electronic products is over US\$25 billion and it exceeded US\$ 70 billion by 2010 and is projected to exceed US\$158 Billion by 2015. Among the electronics industry, the consumer electronics market is one of the largest segments in the electronics industry in India. With a market size of Rs.22,000 crore catering to a population of more than 100 crore people, the consumer electronics industry in India is poised for strong growth in the years to come. It is moving at a rate of 10-12% every year. The researcher has found interesting trend as far as consumer electronics is concerned. It is not only washing machines, televisions or DVD players but also gaming tools are flourishing at high rate. The research study and different review of literature has given number of reasons for the growth of consumer electronic segment in India.

India has an increasingly affluent middle class population that, on the back of rapid economic growth, has made the country's consumer electronics industry highly vibrant and dynamic. The industry has been witnessing considerable growth in recent years due to several factors, such as retail boom, growing disposable income and availability of easy finance schemes. But still, the consumer electronics goods, like refrigerators, microwave and washing machines have low penetration in the country, representing vast room for future growth. This is attracting many foreign majors to the country. So India has flourishing Consumer Electronics Market. It has also been noticed that since the penetration of several products like TVs and refrigerators are reaching saturation in the urban areas, the markets for these products are shifting to the semi-urban and rural areas. This indicates that there is vast scope for small units through new market developments. There is potential future for home appliances, audio/video appliances, mobile handsets, and PC market if key strategies could be developed to get success in competitive environment.

The researcher has deeply studied the selected industry in which ground notion of small units in Delhi gives a clear idea that these units were set-up when there were deep regulations and policies on importing electronics items and on the entry of large scale units into the production of numerous products. By exploiting the immediate local demand to earn quick profits, small –scale units have been producing various electronics items like radios, TVs, TV components, calculators two-in –ones, push-button telephones, voltage stabilizers, invertors, car stereos. Demand for electronic products such as TVs, audios, calculators in the eighties and for push-button telephones, car stereos, invertors, and computers in the nineties, tempted various small unit owners to exploit the immediate local demand. It has been noticed that the units with clear vision of expansion were able to establish themselves. They were able to grow beyond the local market and build proper factories with afterward

technologies. It was also noticed that these small units intended at exploiting the immediate demand. It was also observed that these units have been shifting from the production of a product with a weakening demand to a product with an increasing demand.

Every industry thrives on some supporting factors. In this connection, there are few factors governing the growth of electronics industry:

- Research & development played an important role to the increased productivity and higher-value added electrical and electronics products.
- Foreign investments accelerated growth in production and export as well. To expand their business, foreign companies have done huge investment which leads developing countries in establishing production units.
- Global industries like Medical, Telecommunications, Industrial & Automotive Industries have been affably supported by electrical & electronics industry.
- Increase in income changed living standards of the common mass. As a result, it increased the demand of electronics especially consumer electronics products globally.
- Electric & Electrical industry is highly fragmented which comprises of many small and medium size enterprises resulting into a huge industry.
- Asia Pacific region is emerging as the most spinning place for the consumer electronics industry, as the markets remain still encroached.
- Innovation has played outstandingly in this industry. It led to a consistent demand for newer and faster products and applications.

About Sample Units

For the purpose of analysis researcher has surveyed 25 small-scale industrial units located in Delhi and producing consumer electronics. Some of the products produced by these units are telephones, DVD players, VCD Players, radios, games calculators, car stereos, tape recorders, LCD TV. The information has been congregated on various aspects which the researcher feels as an important base to study the impact of liberalization and the information collected has been categorized and sorted out as under:

Registration of Units

[Table presents the information regarding registration of units].

Table: 1

Registration of units	Number of units	Percentage (%)
Registered	7	28
Unregistered	18	72
Total	25	100

Source: Questionnaire

Table 1 presents that 28% of the sample units surveyed carry SSI registration whereas 72% units are unregistered. Registration of an existing or proposed small scale enterprise is voluntary and not compulsory. It has no statutory basis. But, registration is beneficial for the enterprise itself because it makes the unit eligible for availing the benefits given by the Central or State Governments for the promotion of SSIs. Some of the incentives so obtained by them relate to credit guarantee scheme; priority sector lending; capital subsidy; reduced customs duty; ISO-9000 certification reimbursement; power tariff subsidies; exemptions under tax laws; etc.

Business set-up

[Table 2 shows the type of business set up of surveyed units]

Table: 2

Business set-up	Number of units	Percentage (%)
Proprietorship	16	64
Partnership	2	8
Limited	7	28
Total	25	100

Source: Questionnaire

Table aforesaid highlights that 64% of the sample units’ fall under proprietary category, 8% units is partnership firms and 28% units are limited companies.

Management of units

[Table 3 forwarding the number of units managed by owners and managers].

Table: 3

Management of units	Number of units	Percentage (%)
Managed by owners	20	80
Managed by non-owner managers	5	20
Total	25	100

Source: Questionnaire

Table 3 reveals that 80% of the units are managed by owners whereas 20% units are managed by managers. These 20% units gave diverse motives for appointing managers and the basic reason was to look for performance expectations of the other staff members and this could be well managed by managers as It is becoming a critical issue to improve the support system for small units so as to provide them with appropriate advice on solutions to their managerial issues and the smooth acquisition of management resources, by attentively responding to their widely diverse needs.

Education and professional expertise of owner

[Table 4 shows the level of education and professional expertise of owners].

Table: 4

Level of education.	Number of owners	Percentage (%)
Higher education and professional	10	40
Higher education but non professionals	13	52
Only schooling	2	8
Total	25	100

Source: Questionnaire

Table 4 reveals that 40% of the owners in the sample units surveyed have higher education and are professionals, 52% of the owners have completed higher education but are not professionals and 8% of the owners have just completed their schooling. Here the professional word indicates not necessarily the professional degree but some professional diploma or expertise gained. Hence, we can analyse that there is lack of professional education which is important for consumer electronics industry which is highly technical.

Experience of the owner

[Table presented below gives the information about the experience of owners in their field].

Table: 5

Experience	Number of owners	Percentage (%)
Less than 10 years	0	0
10- 20 years	7	28
More than 20 years	18	72
Total	25	100

Source: Questionnaire

It was difficult to found the experience of owners because of two reasons. Firstly if we look the year of establishment than experience is quite rich with the owners but on the other hand if we look into the establishment which are now run by the second generation, where the founder owners have expired than it comes to less experienced owners. Researcher has tried to gather maximum information and it was found that 28% of the owners have experience between 10 to 20 years and 72% of the owners have more than 20 years of experience. This indicates the rich experience among owners in their business line.

Market Profile

Market profile covers market demand, level of market competition, force of market competition, product development, quality of product, product market, product

pricing, importance of brand name and packaging. These all factors are crucial for small units and thus form an important part of study.

Market Demand

[Table presenting the views of owners/managers with respect to market demand]

TABLE: 6

Market demand	Number of units	Percentage (%)
No problem	11	44
Problem	7	28
Serious problem	7	28
Total	25	100

Source: Questionnaire

Table aforesaid presents that owner in 44% of the sample units consider that demand is not a problem but 56% of the owners feel that market demand is problem. Out of these 56%, 28% of the owners feel that it is a serious problem. These 56% units consider that awareness among consumers about good brands, quality and innovation has posed a big challenge resulting into tough product markets for them. Most of the consumer electronics products today are getting more and smaller, slimmer and smarter. All this is possible because new and more advanced technology is being used to manufacture these equipments. In this tough competition, the market demand for products of small businesses is low compared to large firms. Given their small operational scale, Indian electronic firms are unable to respond to market challenges. Market responsiveness does not necessarily entail price, quality, quantity but it is a combination of various factors such as communication, transparency, delivery timeliness, social and employment and wealth creation. All these have a bearing on the sourcing decisions of buyers.

Level of market competition

[Table 7 highlights the views of owners/managers for market competition with respect to level of competition]

Table: 7

Market competition	Number of units	Percentage (%)
No competition	5	20
Slight competition	5	20
Severe competition	15	60
Total	25	100

Source: Questionnaire

With deli censing, decontrol and deregulation, Indian Industry has suddenly been exposed to global competition. Since last decade, India has witnessed what global players have achieved and what they are capable of achieving. They have to find out their strengths and weaknesses. No doubt they are becoming aware of competition on

their turf. In this scenario, every small unit complains of increased competition, lower order books and shrinking margins. Almost all owners in units surveyed consider that market has become competitive. But to be specific, the researcher found that 80% units consider that markets are increasingly competitive. The difference was found only in the level of competition. Out of 80%, 60% feel that the level of competition has become intense. 20% units do not sense any difference in market competition as they feel that they have a niche market for their products. The researcher wanted to be clear in terms of competition, so owners were asked about the attributes of competition. It was found that most of the firms defined market competition in terms of quality and price. These variables have major impact on demand.

Force of competition

[Table highlighting the views of owners/managers regarding force of competition]

Table: 8

Force of competition	Number of units	Percentage (%)
Opportunity	5	20
Threat	20	80
Total	25	100

Source: Questionnaire

There is lot more opportunities to be explored in the future in consumer electronics industry as it is on high growth rate path. In the recent years the industry seems to have sizably benefited from retail boom, growing purchasing parity among consumers and several finance schemes. There has been a remarkable change in the level of competition and as a result market has changed drastically. It is again perception of owner to consider this change as an opportunity or threat. 80% of the owners found it as threatening whereas 20% found the change as an opportunity for their units. These 80% units include both 60% and 20% units which found the level of competition severe and slight respectively.

Product development

[Table 9 depicts concern about product development with the owners of units]

Table: 9

Product development	Number of units	Percentage (%)
High concern about product development	4	16
concern about product development	5	20
Little concern about product development	16	64
Total	25	100

Source: Questionnaire

Product development is not a result of single factor. Cost of product development, organizational capability and knowledge are important factors which are responsible for product development. These factors put a limitation to the concern about the development

In 36% units, owners are concerned about product development and out of 36%, 16% are very much concerned about new products as they feel that the major reason for market competition is new products in the market. In 64% units, owners are little concern about product development. These owners feel that because of resource constraints they are unable to carry product development process. 36% owners which are concerned about product development too feel that they require good amount of resources.

Quality of product

[Table 10 highlights the concern about quality of product among surveyed units].

TABLE: 10

Quality strength	Number of units	Percentage (%)
Concern about quality strength	11	44
No concern about quality strength	7	28
Little concern about quality strength	7	28
Total	25	100

Source: Questionnaire

It has become apparent in the era of globalization that in order to survive in an open market and meet the customers' expectations, small units have to manufacture quality products. The large companies strives to deliver “high-quality, reliable products that their customers can use with confidence. Owners in 44% units are concerned about quality strength, 28% owners have little concern about quality strength whereas 28% owners didn’t show any concern about quality. They are more concerned about the outlook of the product. 44% owners who are concerned about quality strength are the same which feel that market demand is not a problem. They have view that they can generate demand for their product on the basis of quality and price.

Product market

[Table presented depicts the product market of the sample units surveyed]

Table: 11

Product market	Number of units	Percentage (%)
Specific customers	5	20
Domestic regional	7	28
Domestic national	13	52
Total	25	100

Source: Questionnaire

As far as product market is concerned, the intact electronics industry group in sample serves the domestic market. They uncover that their products cannot compete with large players because of technology and features. Some of them have specific customers while others sell at national level. There are units which only sell in northern region. Table 10 shows that 20% of the units sell their product to specific customers, 28% to domestic regional markets and 52% to domestic national markets. It has been noticed that large-sized companies see more prospects in terms of intensive growth strategies through market penetration in the domestic market, with future prospects being identified in terms of new product development in the domestic market, rather than in exploring new market development possibilities in overseas markets. Small/medium-sized companies are more concerned with market development through identifying new untapped segments in the domestic market.

Importance of brand name

[Table 12 highlights the views of owners/managers on importance of brand name]

Table: 12

Brand name	Number of units	Percentage (%)
Significant	12	48
Insignificant	13	52
Total	25	100

Source: Questionnaire

One of the questions many product managers are asking in the current electronics marketplace is whether the brand of the product matters to the shopper. It is a matter of perception among owners versus shoppers. Shoppers do consider brand name while buying consumer electronics. In intense competition brand name matters and as far as our sample units are concerned; they produce consumer items in which brand name is a matter of substance. It was found that owners of 48% units feel that brand name is significant whereas 52% feel it is insignificant. This indicates that almost more than 50% of units consider it insignificant. The owners who feel it is significant have realized that people want value for money so they are following brand names because of eminence which large firms are offering.

Product pricing

Table 13 shows the product pricing strategy of units surveyed.

Table: 13

Product pricing	Number of units	Percentage (%)
Specific product pricing strategy	3	12
No specific strategy	22	88
Total	25	100

Source: Questionnaire

As far as product pricing is concerned the small units do not follow any specific method of pricing. They apprehend the cost, add margin and set prices accordingly. But if one notices the local products offered in the market, they are obtainable at different prices to the customers. 12% of the units follow specific product pricing strategy whereas 88% does not follow any specific strategy. They are not bothered about competition or target market. The key with setting a small business pricing strategy is to plan carefully and monitor more carefully. It's the little things that will bite you when you're not looking for pricing strategies.

Packaging

[Table presenting the views of owners/managers regarding importance of packaging to them] **Table: 14**

Packaging	Number of Units	Percentage (%)
High Concern about packaging	5	20
Concern about packaging	8	32
Little concern about packaging	12	48
Total	25	100

Source: Questionnaire

The importance of packaging is paramount in consumer electronics industry. To retain the functionality, to stay safe, to perform well and have a good look are some of the important features of packaging which play a vital role in consumer electronics. Owners in 20% of the units were highly concerned about packaging whereas 48% owners had little concern about packaging. These 48% owners associate packaging only with the product protection. They feel that it has no association with marketing whereas 20% owners who are highly concerned about packaging feel that attractive packaging can attract customers easily and put more efforts on packaging and labeling. 32% owners were neither highly concerned nor they were little concerned about packaging. They go for packaging but with little concentration.

Supply Chain

[Table 15 reveals information about integration in supply chain in sample units]

Table: 15

Supply Chain	Number of units	Percentage (%)
Lack of integration in supply chain	18	72
Integration in supply chain	7	28
Total	25	100

Source: Questionnaire

Table highlights that there is lack of integration in supply chain in 72% units where as 28% units have good supply chain. The Indian market for electronic equipment has been expanding rapidly with average growth for all segments in excess of 25% per

annum. This has been continuing for last few years and in all probability will continue this trend due to low market penetration rates and opening up of semi-urban and rural markets in India. This is a great opportunity for industry, not only for local companies, but also for global players, to participate in this growth. Development of local supply sources and increased value addition is necessary and imperative if this market is to be serviced efficiently. To succeed in today's competitive electronics marketplace, consumer electronics retailers and manufacturers must operate lean and disciplined supply chains. As the pace of promotional events and product introductions continues to increase, companies often find themselves caught between rapidly changing customer demands and relatively fixed production and logistics constraints.

Logistics

[Table showing information about logistics conditions in units surveyed]

Table 16

Logistics	Number of units	Percentage (%)
Inadequate	18	72
Adequate	7	28
Total	25	100

Source: Questionnaire

Logistics includes all the process involved right from purchasing the raw materials until the product is delivered to the customers. As a manufacturer of consumer electronics one need robust and flexible supply chains, enabling him to make timely and informed decisions in response to changes in demand and supply. One can gain competitive advantages in supply chains by adopting new approaches in logistics. 72% of the owners commented that they have inadequate logistics which delays procurement of raw material and delay continues till product delivery to customers. 28% owners gave review that logistics system is adequate. These 28% owners are those who said that they have integration in supply chain. Inadequate logistics and poor supply chain makes it difficult for small players to procure raw material at viable cost. The restriction that these smaller players have is that they cannot emerge beyond a definite level. The result is that they are left with limited capacities.

Limited Capacities

[Table presenting the views of owners/managers with respect to capacity of the unit to emerge beyond a level]

Table: 17

Capacity	Number of units	Percentage (%)
Limited	18	72
Unlimited	7	28
Total	25	100

Source: Questionnaire

Table 17 highlights that 72% owner’s feel that they have limited capacity whereas 28% owners feel that they can emerge beyond a level as they have good supply chain and logistics. Small players can’t store raw materials in bulk therefore they can’t emerge beyond a certain level. It becomes difficult for them to exploit the opportunities available. Additionally, inadequate logistics and improper supply chain managements created huge problems for the smaller players. The units which feel the lack of integration in supply chain also feel that this creates huge problem for small players as they have limited capacity to exploit the opportunities. The delay in raw material delays the entire process. They can’t store the material as they don’t have facilities of storage.

Sources of Information

Efficient use of value business information is crucial in attaining long-term and sustainable economic growth of the Small enterprises. It is established that small enterprises operate in a business environment that is characterized by patchy, scrappy and incomplete information. It is a situation where an awareness of markets, technology, policies, regulations and finance is limited because businesses fail to receive timely business information. Small enterprises in consumer electronics need to have access to adequate information to enhance output and to assist market access.

Information sources

[Table 18 depicts the information sources used by surveyed units]

Table: 18

Information source	Number of units	Percentage (%)
Single source	12	48
More than single source	13	52
Total	25	100

Source: Questionnaire

Sources of information include supply of information and accessibility to information which indicates ease of access or difficulty in access to information. Access to information can take the enterprise to next level. Let us examine the surveyed units in this context. 48% units have just single source of obtaining information about technology, market and other factor, whereas 52% units have more than one source. It was found that units either with single source or more generally rely on telephone directories or newspapers or their personal contacts to reach to market information. Some of them are still not aware of digital marketing. Most of the units are not aware of permission marketing which can act as a strategic tool to them. Limited access to market information makes them unaware of threatening products, new rivals, new development, and recent policies.

Accessibility to information

[Table 19 depicts the position of sample units regarding accessibility to information]

Table: 19

Accessibility to information.	Number of units	Percentage (%)
Problem	17	68
No problem	8	32
Total	25	100

Source: Questionnaire

With the environment improvement of electronic commerce, small and medium-sized enterprises also march into the stage of practical development. But in developed nations, to acquire comprehensive and thorough knowledge of different sources to access the information, small enterprises have to work hard. Their market intelligence, technological advancements, human skills, all has to be perfect. More than half of the units surveyed expressed it that accessibility to information is a problem. 32% units don't sense it as a problem whereas 68% units find it as a problem. Out of these 17 units, 12 units which have just single source of information find it too difficult to access to information and units which have more than single source too find problematic to access information. Important sources of market intelligence are away from their reach and therefore they are not able to know about technological advancements and innovations. They also fail to get adequate information about consumer's choice, taste and preferences of the type of product. The above problems do not allow them to stay in the market.

Conclusion

The survey analysis and findings depicts that small units in consumer electronics segment basically lack in market competitiveness. Introduction of new technology and identification of market changes have emerged as most important competencies but because of insufficient funds and inadequate government policies, they are not able to upgrade and modify technology. They are not aware of latest technologies and even if they are aware they are not able to cope with them. This is the reason that they lack in key areas related to marketing product, pricing, place as well as promotion. This is the difference between large and small organizations that the level of focus given on competencies development by large organizations differs significantly from small enterprises. Findings of the study imply that small units should be proactive as large organizations in making changes in terms of various market changes and improving product markets. They have to work hard at least to give latest product where the large firms are capable of giving augmented one as India's consumer electronics devices market, defined as the addressable market for computing devices, mobile handsets and AV products, is projected at about US\$29.4bn in 2011. This is expected to increase to US\$50.6bn by 2015, driven by rising incomes and growing affordability. Spending on consumer electronics devices is projected to grow at an overall CAGR of 14% through 2015, with the key segments including low-cost mobile handsets, color TVs, set-top boxes and notebook computers. Therefore Small units have to be strong in their entire value chain of primary and supporting activities.

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