CHAPTER 6

MARKET CHARACTERISTICS AND MARKETING STRATEGY COMPARISON

IN THIS CHAPTER

The fragmented character of TV market and the strategies to cope up with fragmentation are discussed. The marketing strategies of CROWN and UPTRON are discussed and compared.

6.1 INTRODUCTION

Electronics Industry is characterised by high technological obsolescence and high growth rate. In such a rapidly changing environment the task of formulation and implementation of strategy is difficult but important. In the following pages the strategies adopted in view of the market characteristics by CROWN and UPTRON are discussed.

6.2 MARKET CHARACTERISTICS OF TV RECEIVER INDUSTRY

i) Degree of Competition : Intense competition has existed right from the inception of the Industry. This has been due to a large number of firms jumping into the market. From a mere 4 units in 1970 the number had jumped to 85 in 1981 and to around 700 in 1988. The small units with low overheads compete successfully with the bigger ones as the economies of scale are not available.

ii) Fragmentation : There is a high degree of fragmentation (Chapter 4). In B & W TV receiver production the top 50 units account for only 58% of the total production. In the Colour TV receivers the top 50 units produce 81% of the total Colour TV production. No single unit or a group of units commands a significant share of either production or market.

iii) Product Line Standardisation : Due to the policies of the Govt. of India relating to local production of TV picture tubes and Central Excise tarriff classification three product lines namely 36 cm monochrome, 51 cm monochrome and 51 cm colour have become a standard offering of almost all the manufacturers.

iv) Geographic Dispersal : While some geographic concentration in the production has been observed the consumers are spread all over the country (56% geographic area) even in remote villages.

v) Dependence on Doordarshan : The demand for the TV receivers is dependent primarily on the quantity (extent of population covered) and quality of Doordarshan broadcast. This is a major factor over which Industry has no control.

6.3 STRATEGY IN FRAGMENTED INDUSTRY

Michael Porter[1] while discussing the reasons for the existence of fragmented industry (refer to Chapter 4, Section 4.7) has suggested ways and means to over come or cope with fragmentation. One of the obvious answers to fragmentation is consolidation. Of the several approaches to consolidation suggested by Porter only one namely "Make acquisitions for a Critical Mass"[2] is relevant in the context of TV Receiver Industry in India. It is difficult to build share incrementally because the very causes of fragmentation prevent it.

When underlying industry economics prevent consolidation the three means to cope up with fragmentation as suggested by Porter[3] are

i) Tightly Managed Decentralisation : Since the fragmented industries are often characterised by the need for intense coordination, local management orientation, high personal service, and close control, an important alternative for competition is tightly managed decentralisation. Rather than increasing the scale of operations at one or few locations, this strategy involves deliberately keeping individual operations small and as autonomous as possible. This approach is supported by tight central control and performance oriented compensation for local managers.

ii) Bare Bones/No Frills : Given the intensity of competition and low margins in fragmented industries, a simple but powerful strategic alternative can be intense attention to maintaining a bare bones/no frills competitive posture - that is, low overhead, low skilled employees, tight cost control, and attention to detail. This policy places the firm in the best position to compete on price and still make an above average return.

iii) Backward Integration : Although the causes of fragmentation can preclude a large market share, selective backward integration may lower costs and put pressure on competitors who cannot afford such integration.

Many units of TV receiver industry in the country have followed the above strategies. A few instances are :

i) Most of top 10 brands (CROWN, DYANORA, TEXLA, WESTON, UPTRON and EC TV) have more than one unit producing TV receivers. In some cases they are owned by the same management (e.g. CROWN) while in others it is a subcontracting arrangement (e.g. UPTRON).

ii) Backward integration has been resorted to by TEXLA (Cabinets and B & W picture tubes), CROWN (Electronic tuner and B & W picture tubes), UPTRON (Colour picture tubes and Electrolytic capacitors) and DYANORA (Scanning components and B & W picture tubes).

iii) A bare bone/no frills strategy can be seen in the Material, Brand and Technology (MBT) programme of the Electronics Trade and Technology Development Corporation (now knwon as ET & T Ltd.) a Central

Public Sector unit under the DOE. Two models, one 36 cm monochrome portable and one 51 cm colour have been standardised and material kits supplied to a large number (estimated to be more than 100) of small manufacturers for assembly and marketing under a joint brand name of ET & T and the manufacturers.

6.4 MARKETING STRATEGY OF CROWN

The marketing strategy in private sector firm CROWN which has evolved over the years is that of focus on the distribution channel.

Middleman was considered as the most important element in persuading a buyer to purchase a particular brand. The concept of tightly managed decentralisation has been used effectively.

Distributors are used as units of control and are allowed a high level of autonomy in dealing with the dealers. Their compensation is also linked to the performance. While CROWN exercises a tight control over the distributors it does not manage the dealers who are allowed to be managed by the distributors.

As a policy CROWN has priced its products marginally higher than the industry average. This is on the assumption that a higher price is associated with higher quality in the minds of the consumers. Further the costs being the same in industry this has left CROWN with a higher level of surplus to be used for promotion through higher trade discounts.

In order to maintain a higher price level it was felt that quality of the product should be better. As a result CROWN took a strategic decision of producing all the sets it would sell. No OEM suppliers have been used.

CROWN's present policy of decentralisation of production is only to avoid local sales tax. As the incidence of sales tax is high (it may be as much as half the value added by the manufacturer) and exemption is available for new units it has become a common practice in the TV industry, as a whole, to manufacture sets in Semi Knocked Down kit form and ship them to a unit which enjoys sales tax exemption for final assembly. These sets are sold back to the "brand".

There is no evidence of any concerted attempt by CROWN to develop a unique brand image or position. Only after mid eighties it has been talked of as the most sold set in the country. This also has been at a low key.

While its performance in B & W field has been consistent the colour TV segment has lost market share continuously. This is attributed to the entry of specialist

Colour TV companies (BPL, Videocon and ONIDA) in the mid eighties.

6.5 MARKETING STRATEGY OF UPTRON

The corporate philosophy of this public sector unit being that of a "Cost Effective Institution", UPTRON has focussed its marketing strategy on the price. The underlying reasons being :

i) Due to product line standardisation price is expected to play a more significant role in achieving higher market share.

ii) By lowering the price there will be an overall increase in the market size.

iii) Lower prices will yield higher volume sales which can give the company a better bargaining strength with its suppliers.

iv) Lower prices will be an effective way to counter localised competition, a characteristic of the fragmented industry.

It was recognised early that a low price may be perceived as a lower quality. To overcome this a substantial budget was earmarked for the mass media in the initial years to create a brand image.

To maintain a lower price UPTRON decided to shift some of its production to sub-contractors. This was mainly the 36 cm monochrome. In this product line labour intensity as a percentage of product price is the highest compared to 51 cm monochrome and colour TV receivers. The small manufacturers pay lower wage rates to its employees and can therefore offer the same product at a lower price. UPTRON started developing such OEM suppliers right in 1982 and one of its promoted unit namely Calcom Electronics (P) Ltd., New Delhi is reported to be the largest manufacturer of 36 cm monochrome sets in the country supplying to over a dozen other brands (e.g. EC TV, KONARK, etc.).

Apart from lower price and subcontracted manufacture UPTRON used the concept of "demand pull" to attract the customer. The mass media, hoardings and wall paintings were the main promotools used.

Later in 1986 there was a shift from use of these promotools to build a corporate image through the institution of UPTRON TV serial awards. This enabled the brand to get a large coverage in the mass media without actually paying for it.

Through a sales promotion scheme in 1986 UPTRON offered discounts to the new customers by sending discount coupons to its old customers. The satisfied old customers were expected to spread the message through word of mouth.

Two pitfalls occured in the implementation of the strategy. A mass failure of the sets of one of the OEM suppliers in 1983 led to a drop in the sales in that year. A second pitfall was in the implementation of the discount coupon scheme. Forged coupons and delays in sending gifts promised to the old customers were the reasons for discontinuing the scheme.

UPTRON entered the market after gaining experience in producing TV sets as an OEM supplier to EC TV. A penetration strategy was used alongwith medium level of mass media advertising to pull the customers.

6.6 COMPARISON OF MARKETING STRATEGY OF CROWN AND UPTRON

UPTRON focussed its strategy on price whereas CROWN focussed on the distribution channel. UPTRON was guided by its corporate philosophy and public sector objective of keeping the consumer interest above that of the middlemen. CROWN being a private sector and a partnership firm is not open to any public accountability. As such it has used this as a strength to create a tightly managed but flexible decentralisation in its distribution set up. This option is not available to UPTRON as it is not possible for a public sector unit to discriminate amongst middlemen.

UPTRON's marketing strategy is that of low price and Demand Pull whereas CROWN's marketing strategy can be described as Channel Push with marginally higher price.

REFERENCES

1.	M.E. Porter	:	Competetive Strategy - Techniques for Analysing Industries and Competitors; The Free Press; New York,, 1980, Pages 196-200.
2.		:	Ibid; Page 204.
3.		:	Ibid; Page 207-210.