

CHAPTER 7

SUMMARY AND CONCLUSIONS

IN THIS CHAPTER

Summary and Conclusions are presented. The future of TV receiver industry is discussed alongwith some ideas for further research.

7.1 INTRODUCTION

The present study is a modest attempt to examine the marketing strategy of some units in the Consumer Electronics Industry. A very high growth rate of Electronic Industry in general and TV Receiver Industry in particular during the eighties prompted the study.

On survey of literature it was found that there is a gap in knowledge about the marketing strategy adopted by units of TV receiver industry. Present attempt is to study this gap by selecting two units, one from the private sector and the other from the public sector.

The major objectives of the study are :

- (1) To study the marketing objectives, and growth strategy of the selected units;
- (2) To study their market segmentation and structure;
- (3) To study the marketing mix elements; and
- (4) To make a comparative study of the marketing strategies adopted by them.

Two units, one from the public sector and one from the private sector, were selected on the basis that they commanded the highest market share (by number of TV sets sold) during the period of study 1981 to 1988. In addition, it was also ensured that selected units were active throughout the period of study. Thus CROWN from the private

sector and UPTRON from the public sector were chosen for the study.

Data was obtained from the Data Bank and Information Services Division of Deptt. of Electronics, Govt. of India, internal records of the selected units and through indepth interviews with the concerned officials of Deptt. of Electronics and Industry.

The broad conclusions that emerge from the study are given below :

7.2 CONCLUSIONS

Electronics Industry in India has witnessed a very high growth rate during the eighties. It rose from 26% per annum during the sixth five year plan to 35% per annum during the seventh five year plan. The planned development of the Industry was taken up on the initiative of the Atomic Energy Commission of the Govt. of India. As a result a separate Department of Electronics (DOE) and Electronics Commission were set up to develop and regulate the Industry. On the advice of the DOE almost each state government also set up a State Electronics Development Corporation with the objective of developing the Electronic Industry in the State.

The process, of liberalisation in Govt. policies started in 1981, has continued since then. In this a number

of areas were delicensed and others broadbanded. Imports were liberalised by expanding the Open General Licence list and import duties and excise duties were rationalised and reduced in a large number of cases.

The share of India in electronics consumption of the world, is small. It has, however, doubled in the eighties because of the planned development of the Industry.

The expansion of the Doordarshan after 1982 and the decision of the Govt. of India to introduce colour transmission the same year brought in an unprecedented growth opportunity for the TV receiver industry. During the eighties this industry grew at an average annual growth rate of 52%. The rapid expansion, low capital requirement, easy availability of technology and virtually no entry barrier led to the setting up of a large number of units for producing both B/W and Colour TV receivers. Consequently, a highly fragmented market both in terms of production and marketing has developed in the country.

The DOE has regulated the product to the extent that the Industry standardised around three screen sizes, namely, (i) 36 cm monochrome; (ii) 51 cm monochrome; and (iii) 51 cm colour. This standardisation was enforced through allowing local manufacture of picture tubes of the above three types only and classification in the Central Excise.

A major reason for the fragmentation of the Industry is the sales tax exemption allowed by most state governments to new units set up in their industrially backward areas.

Of these two leading brand names CROWN, which is a private sector unit, accounted for the highest market share (9.1%) of the TV receiver market in the period 1981 to 1988. Among the public sector companies UPTRON commands the highest share (4.4%) during the period 1981 to 1988. The calculation of market share has been done on the basis of number of TV receivers sold.

Both CROWN and UPTRON offer a full line product mix consisting of 36 cm monochrome, 51 cm monochrome and 51 cm colour TV receivers. The length of the product mix has increased over the years. This has been at a faster rate in case of UPTRON than in CROWN.

UPTRON following its corporate philosophy of being "a cost effective organisation" has mainly followed a cost plus approach in pricing. On the other hand CROWN has a competition-oriented approach. UPTRON charges a price below the industry average whereas CROWN charges above the industry average.

A significant difference exists in the distribution set up of UPTRON and CROWN. Although both

handle their dealers through either their own branch offices or distributors, the degree and manner of control exercised by each is very different. In case of CROWN the trade margins at both the distributor and dealer level are kept confidential. These are varied from middleman to middleman on the basis of performance. The distributors are tightly controlled by the CROWN management and the distributors in turn control the dealers. UPTRON being a public sector undertaking is open to public scrutiny and accountability. They offer only fixed trade margins which are generally well known.

Both CROWN and UPTRON have gone in for backward integration. CROWN has set up a unit to manufacture Electronic Tuners and has acquired interest in a B & W picture tube plant. UPTRON has set up units to manufacture Colour Picture Tubes and Electrolytic Capacitors.

To maintain a competitive price, UPTRON has followed the practice of developing OEM suppliers especially in such product lines where its costs are higher (e.g. 36 cm monochrome). CROWN feels that a strict quality control can be exercised only if all the sets are manufactured under its own control. It has accordingly not gone in for OEM supplies.

Both CROWN and UPTRON have not developed any theme in their advertising campaigns. There is a preference for POP, hoardings and wall paintings. The use of mass media

does not find much favour with CROWN. UPTRON has shifted to corporate image building through the institution of UPTRON TV Serial Awards.

Table 7.1 presents a brief comparative view of all the elements of marketing mix and overall strategy of CROWN and UPTRON.

TABLE 7.1

Sl. No.	ITEM	CROWN (Private Sector)	UPTRON (Public Sector)
1.	MARKET SHARE	9.1% in overall sales from 1981 to 1988. Decline in the market share of Colour TV over the period 1982 to 1988.	4.4% in overall sales from 1981 to 1988. Decline in both the B & W and Colour TV market share over the period 1981 to 1988.
2.	PRODUCT MIX	Full Line. Length of product mix increasing over the years.	Full Line. Length of product mix increasing at a faster rate than that of CROWN.
3.	PRICING	Higher than the Industry Average by about 3% - Competition Oriented	Lower than the Industry Average by about 1.5% - Mainly Cost Maintained
4.	DISTRIBUTION	Channels tightly controlled through own offices and distributors. Trade margins are kept confidential and vary from middleman to middleman on the basis of performance.	Through own offices and distributors. Trade margins are fixed and fairly well known.

TABLE 7.1 Contd....

Sl. No.	ITEM	CROWN (Private Sector)	UPTRON (Public Sector)
5.	PROMOTION	Emphasis on POP, Hoardings and Wall Paintings. No specific theme or appeal in advertising. In the initial years there was emphasis on mass media like press, TV.	Emphasis on mass media in the initial years now shifted to Corporate Image building through UPTRON awards. Emphasis also on POP, Hoardings and Wall Paintings.
6.	BACKWARD INTEGRATION	Yes, in Electronic tuner and B & W picture tubes.	Yes, in Colour picture tubes and Electrolytic Capacitors.
7.	OEM SUPPLIES	None	Yes, mainly in 36 cm monochrome line.
8.	OVERALL MARKETING STRATEGY	Focus on 'Channel Push' through higher trade margins.	Focus on creating a 'Demand Pull'.

7.3 IN FUTURE

Although finally compiled figures regarding the production of TV receivers in 1989 have not yet been released at the time of completion of this study, both the officials of DOE and Industry predict a decline in production by 10 to 15% below the level in 1988. The figure, quoted is 5.0 million for 1989 against 5.7 million in 1988.

A number of explanations have been offered for

this decline. The main culprit is cited to be the increase in excise duty on both the B & W and Colour TV receivers in the budget of 1989-90 when it was presented in the Parliament. Although the increase on B & W was withdrawn four weeks later, the industry circles rightly feel that it damaged the tempo of the market. For the first two quarters of 1989-90 the Industry was having a tough time due to increased inventories and drop in sales. Small sized units closed down and some bigger units resorted to lay offs.

The situation has improved in the past six months but the tide is not yet turned.

Taxation today plays a key role in determining the final price of a TV receiver. It is estimated to be 30% of the consumer price in a monochrome receiver and about 50 to 60% of the consumer price in case of a colour receiver. In future the demand will therefore be strongly influenced by the taxation structure.

There is considerable difference of opinion on the future demand of TV receivers. Some officials of DOE and DGTD still feel that 1989 was just a shock year and the industry will grow to achieve the target of 12 million sets per annum by the terminal year of eighth plan (Refer Note 1 at the end of Chapter 1). Others feel that demand will stabilise around 6 to 7 million per annum. This view is

held by the components group of the DOE which has refused to clear additional projects to manufacture colour picture tubes and electronic tuners as the existing units are capable of meeting the demand in the eighth plan.

Due to a policy decision that no foreign exchange will be provided for new units in the consumer electronics industry due to the current balance of payments situation it is unlikely that a new product or technological change will hit the Indian market.

A flat screen Liquid Crystal Display TV has already appeared in the Japanese market. It eliminates the heavy picture tube of the receiver. Another development of High Definition TV has also been completed and is waiting for the acceptance of international standards to be launched commercially. This is not likely to hit the Indian market in the next 5 to 10 years as it would require the upgradation of transmission facilities at a very substantial cost. In a situation of resource crunch the Govt. of India may not favour a shift to High Definition TV.

Another important environmental factor that might influence the TV receiver industry is the grant of autonomy to Doordarshan through Prasar Bharati. Will it improve the quality of broadcast? If so, then what will be its impact on the demand of TV receivers? These developments need to

be carefully watched.

Apart from backward integration strategy being followed by larger units there is some evidence of cartels developing at the top. For instance CROWN and DYANORA have acquired a joint interest in B & W TV picture tube manufacturing plant. CROWN and BUSH also cooperate as they are both using NEC Japan kits and in Delhi CROWN and BUSH hoardings are back to back.

As the quality of TV programmes affect the demand of TV receivers, will the larger units consider a diversification into TV programme production and thereby exercise some control over the medium? So far there is no evidence but some industry officials have been talking about it.

7.4 IDEAS FOR FUTURE RESEARCH

From this study it has been concluded that public sector unit UPTRON is charging a price below the industry average whereas CROWN is charging above the industry average. By comparing the pricing policies of other major public sector (EC TV, KELTRON and KONARK) undertakings with private sector (DYANORA, BUSH, BPL, ONIDA, VIDEOCON, TEXLA) units of TV industry, the hypothesis that public sector leads the price can be put to test.

The market entry and positioning of three major

colour TV producing units namely VIDEOCON, ONIDA and BPL need to be investigated to test the hypothesis that success in B & W TV production and marketing has not led to success in colour TV production and marketing.

Another hypothesis that the demand of TV receivers is positively correlated with the quality of TV programmes needs to be tested. A measure of the quantum of this impact also needs to be developed.