Meeting Mass Consumption Needs:
Some Options

Labdhi Bhandari

This article discusses the role of industrial sector in meeting mass consumption needs. Product mix of the consumer products industry in the organized sector primarily caters to elitist markets. The problem is further accentuated by the restrictions imposed on large industrial units, monopoly houses, and multinationals on the one hand, and the relative lack of success of small and cottage sectors in catering to mass consumption needs on the other. The author suggests a systematic approach for identifying product areas requiring public policy attention and determining the roles of various sectors of industry for meeting mass consumption needs.

Public policy measures for meeting consumption needs of Indian masses have largely been confined to essential commodities like foodgrains, sugar, edible oil, and cotton textiles. Attention has also been focused on some manufactured products prone to shortages such as cement, cultural paper, and tyres and tubes. Besides essential commodities, there are other products which meet mass consumption needs. They include prepared and processed food items, household products, and consumer durables. This article deals with the role of the industrial sector in meeting mass consumption needs.

The problem of availability of products for satisfying mass consumption needs is discussed first. The reasons for the current unsatisfactory situation are analysed and strategic options available are identified. An attempt is then made to evaluate the alternatives and indicate the direction the consumer products industry can take to meet mass consumption needs.

Consumer Products Industry Ignores Mass Markets

Unlike primary commodities, per capita availability of manufactured consumer goods has, by and large, increased over the years with the notable exception of cotton textiles (Kansal, 1974; Government of India, 1977). Despite the increase in total availability, the organized sector of the consumer products industry has not really made much headway in developing mass markets.

For a detailed discussion of the concept of mass consumption needs, see Bhandari and Vora (1977).
the mass market. The product mix primarily serves the relatively well-off urban consumer, neglecting lower income urban consumer as well as a large part of the rural market. Even in urban India, the behaviour of the organized sector clearly indicates an increasing trend towards an elitist product mix. While the prices of packaged consumer products have increased sharply over the last few years, the availability of such products to the common consumer has, if anything, declined. An analysis of the availability of brands in different price categories for four products, viz., razor blades, packaged tea, toilet soap, and talcum powder, indicates that the availability of low priced brands has either actually declined or marginally increased in the wake of substantial increase in the availability of high priced brands (see Figure 1). In the case of textiles, the share of mill-made coarse and lower medium cloth in the total cloth availability has declined significantly (Bhandari and Vora, 1977). Similar trends have been identified in washing powder, tooth paste, hair oil, etc. (Sen Gupta, 1975). It is clear that the organized sector of the industry has been upgrading its product mix towards high priced products and that the challenge of developing mass markets is not being met by it.

The basic reason underlying the unsatisfactory availability of mass consumption goods is the relative lack of purchasing power with the masses. In the long run, better income distribution and increase in disposable income can alter significantly the living standards of masses. However, until such shifts in income levels take place, other mechanisms have to be found to improve the availability of mass consumption goods. A well-planned effort to promote production of low cost functional goods, suitably designed to meet the needs of the masses, could to some extent alleviate the problem. That it has not been seriously attempted is obvious from the indifferent attitude of planners towards consumer product industries. In the absence of planned efforts a situation has arisen in which a number of highly sophisticated and competing products, catering to the affluent segments of consumers, are being produced whereas relatively low cost functional products to serve the needs of poorer consumers are not produced at all.

The industrial and other policies of the government may have contributed to this phenomenon in two ways. Firstly, the restrictions on the growth of large industries, monopoly houses, and multinational corporations have possibly had the unintended effect of restricting the availability of consumer products. This phenomenon can be better understood if one considers the structure of consumer products industry. The Monopolies Enquiry Commission’s report for 1965 states that the share of top three enter-

2. This analysis is based on market data collected by the Operations Research Group, Baroda, in their retail store audit surveys. Brands were classified on the basis of 1976 prices and sales and stocks in each category were worked out for the last six years.
prises in several consumer products ranged between 63 and 100 per cent (see Table 1). While there may have been some erosion in the dominance of individual units, and perhaps a substantial structural change in some products, market observations suggest that there has been no significant change in the structure of many of these industries. Multinational corporations continue to enjoy large market shares in several consumer product industries. Restrictions have been imposed on the expansion of monopoly houses, multinationals, and large industrial units. Thus in an environment of restrictions on capacities and/or raw material supplies, it is not surprising that the organized private sector industry has employed a profit maximization strategy of upgrading its product mix towards high-value products which cater to elitist markets.

Secondly, it is believed, though erroneously, that the small-scale and cottage sectors are meeting the needs of mass markets. There are several reasons why the small-scale and cottage sectors in the present structure cannot meet mass needs satisfactorily. Limitations such as technical competence and marketing knowhow prevent these sectors from providing reasonably priced quality products. Very often the consumer is forced to settle for inferior quality products of the small scale and cottage sectors either because he cannot afford good quality products of the organized sector or because such products are not available. The government has protected the small scale sector by reserving 177 items, many of mass consumption nature, for exclusive manufacture in the small scale sector (Government of India, 1975). As a result, the organized sector industry, which had been licensed earlier to produce some of these items, has upgraded its products to maximize the value of limited output. In the absence of significant competition from the large scale sector, the small scale sector has tended to concentrate on affluent urban markets rather than develop mass markets.

It is possible for the small and cottage sectors to meet the consumption needs of masses in some product areas provided proper assistance is given. However, there are many product areas where the entry of these sectors is barred in terms of technology and marketing knowhow.

Suggested Approach

Attempts have been made in the past to make some of the essential commodities available to the masses at reasonable prices with the help of dual pricing and a public distribution system. For products like cotton textiles and toilet soaps, the organized sector industry has been ordered to produce a specified quantity of products in the form of controlled cloth and Janata soap. These measures were adopted to meet the exigencies of given situations and were, by their very nature, reactive rather than being elements of a well-planned effort to promote availability of mass consumption goods. Meeting consumption needs of the Indian masses to any degree of satisfaction is a herculean task. Even in the limited field of manufactured consumption goods several sectors of the industry are involved: large and small, public and private, individual, and cooperative. A systematic approach for determining the roles of different sectors and directing their resources is suggested in Figure 2.

It may be useful to start by carefully analysing needs of various segments of the population to identify product areas which require the attention of policymakers. This approach has the advantage of not restricting the product areas to existing product forms and thus leaving the field open for innovative solutions. Once product areas are identified and overall availability evaluated, it is necessary to ask the following question: are available product forms suitable for meeting the needs of masses? The two major criteria to be used in answering this question are (a) product characteristics and (b) the price
at which it can be made available to relevant consumer segments. For example, health food products are perhaps suitable for children in poorer segments in terms of nutritional characteristics; however, such products are beyond the reach of these segments. On the other hand, products like bicycles or torches, which some rural consumers can afford, may not be very suitable to these consumers in terms of their design.

For other product areas, research and development efforts are needed to find appropriate ways of meeting the needs. For example, it may be possible to produce a low cost, high nutrition processed food based on local cereals, pulses, and other raw materials, and a technology may be developed to make such a product in forms acceptable to relevant segments (e.g., children). Often such developments are possible only when work is initiated with a specific brief which clearly indicates the needs in terms of performance characteristics and price constraints. In many product areas, it may be necessary to modify process technology, as distinct from product design, for finding suitable ways to meet the demand. While research and development efforts of the organized industry account for the major share of R & D efforts in con-
sumer product industry, they are aimed at affluent consumers rather than the relatively poor mass consumers. There is need, therefore, to identify product areas where low cost functional products need to be designed and technology developed for producing such goods.

**Role of the Organized Sector**

Assuming that satisfactory product forms are available or can be developed, the major criteria for determining the roles of various sectors are the complexity of technology and the level of investment. In some areas, complex technology and/or capital intensive projects are likely to meet the needs of the common man due to either significant economies of scale or superior product/process design. In such cases, the organized sector of the industry would have an important role to play. However, to what extent the private sector would be willing to play such a role and to what extent the public sector should enter such areas would depend on potential returns. If a reasonable return in short to medium run is available, the private sector can, and should be encouraged to, enter and expand in such areas. However, if returns are unlikely without compromising the price-quality relationship, the public sector may enter such areas to meet the needs of masses. Thus, it may be more appropriate for a public sector corporation like Modern Bakeries to produce and market low priced high nutrition processed food, or fortified *pav* or *chapathi* for the urban poor at little or no profit rather than compete with the private sector by producing bread and cakes. Similarly, the public sector should design and produce a really inexpensive watch rather than produce expensive automatic watches for affluent segments of the population.

**Role of the Small Scale Sector**

In areas where neither complex technology nor capital intensive methods is unnecessary, the small scale and cottage sectors should be encouraged and assisted to play an important role in meeting mass consumption needs. There are many areas where economies of scale are either not significant or offset by savings in distribution costs. While the government has encouraged small entrepreneurs to participate in the production of mass consumption goods, success has been limited. The government has a comprehensive assistance programme to help small units at all stages; however, several problems, particularly those related to marketing, continue to limit the growth. Provided proper assistance is forthcoming, the small scale sector has the potential of playing a very significant role in meeting mass consumption needs.

The need for providing marketing assistance to the small scale sector has long been recognized (Government of India, 1968). The small and cottage sectors suffer from inadequate marketing inputs to enable them to compete in the market and build a loyal consumer franchise. A study of small industrial units conducted five years ago had this to say about the marketing problems faced by this sector:

> ...marketing problems in small enterprises mainly arose out of the little scope that existed to launch on an aggressive sales policy by developing their own distribution channels, and creating, expanding, and maintaining demand for the products manufactured. Nor was it always possible for these to create an image for their products through sustained advertisements. As such in many cases they were forced to depend on specialized merchant houses in case of end products or on large manufacturing concerns in case of ancillary items for their sale. ...(NCAER, 1972)

Marketing assistance includes not only promotion and distribution of products manufactured by this sector, but also assistance in designing appropriate products for chosen segments of the market. In some instances, it may be necessary to develop appropriate technology which the small scale sector can use. It should be given facilities to produce and market products of uniform quality at reasonable prices.

Encouraging results have been obtained where marketing inputs have been provided to the...
small scale sector by franchising the production of brands that are well marketed or by taking over marketing operations of a small scale unit by a distributing company. Several engineering products and consumer durables are manufactured by small franchises. Infant feeding bottles produced by a small scale unit have been successfully marketed by an organization specializing in nation-wide marketing and distribution. The success of MAFCO (Maharashtra Agro-Foods Corporation) in marketing meat and poultry products is an example of what marketing inputs can achieve in a traditional product area.

**Strategic Options for Providing Assistance**

Several mechanisms are available for providing assistance to small and cottage sectors. These include:

(a) providing marketing assistance through organizations like the National Small Industries Corporation (NSIC) or industry federations;

(b) independent marketing companies or distribution houses taking up the distribution/marketing of products of the small scale sector;

(c) consumer product companies with large marketing networks marketing related products;

(l) organizations in the consumer cooperative sector like the National Cooperative Consumer Federation (NCCF) marketing products of the small and cottage sectors; and

(e) setting up cooperative body/bodies in the public or (producers') cooperative sector which will have franchise type arrangement with units in the small scale sector.

If the small sector is to be provided assistance, the potentially effective mechanism should meet the following needs:

(a) need for good quality, low cost, functional consumer products for mass markets; (6) need for a decentralized network of manufacturers; (c) need for developing and transferring technology appropriate to the small scale sector; (f) need for marketing knowhow to promote these products; (e) need for building market power to ensure wide distribution at reasonable trade margins; (0 need for an efficient distribution setup.

The efforts of organizations like the NSIC in providing marketing assistance have generally not been successful. For example, a study group concluded that "... such activities (marketing) should be confined to the rendering of assistance to small units in obtaining government contracts" (Government of India, 1963). These bodies at central or state levels have failed in marketing products since the needs of the small sector are specialized. Moreover, it is likely that what is needed is assistance in actual marketing rather than advisory services these organizations provide. This is also indicated by the NCAER study.

...marketing management is a specialized job involving techniques of demand creation and sales promotion. In a majority of cases, small industries, it was found, do not have the necessary training in this regard. With limited size of operations and finance many units were unable to hire specialized services or engage in own sales promotion. Hence in many cases, the units had to make often unsatisfactory marketing arrangements. In hardly a third of the units contacted did separate sales organizations exist. (NCAER, 1972)

There is need for marketing knowhow as well as organizations to develop and serve markets which may be catered to by a small unit. It would, therefore, be useful to consider only those alternatives which render actual marketing assistance.

Among alternatives, the use of marketing resources of existing organizations like distribution companies, consumer product companies, and cooperative organizations is worth considering-
ing. However, the distribution capabilities of NCCF and other consumer cooperative bodies are fairly limited when compared to those of distribution companies or large consumer product companies (Bhandari and Vora, 1976). Large consumer products companies have advantage over distribution houses in marketing related products of the small scale sector since the former can render assistance in product design and manufacturing process. Many consumer products companies with large marketing networks are multinationals and the government policy prohibits them from distributing products manufactured by others.

While large consumer products companies may provide marketing support to small and cottage sectors, the problem is how to motivate them. Unless licensing and other policy measures are sufficiently liberalized, they may not be interested in developing low cost functional products and designing manufacturing processes for producing them in the small sector.

There are many advantages in utilizing the services of existing consumer product companies or distribution houses. Many have access to a very large network of trade channels with infrastructural facilities of physical movement and storage of goods on the one hand and sales and distribution organization on the other. The cost of carrying a few additional products through their system is likely to be marginal. Moreover, expertise in the product line would also benefit the producer in the small sector. A successful attempt was made in this direction by a large multinational company many years ago. However, the company had to give up its arrangements owing to the government's posture. A re-examination of the restrictive policies towards multinationals would be necessary since a major share of marketing and distribution resources is held by them. With a well thought-out mechanism of checks and balances, the resources can be utilized to mutual advantage.

Setting up specialized organizations in the public or producers' cooperative sector deserves serious consideration. The tasks of such organizations would include identifying consumer needs; utilizing the network of research, development, and design institutes for developing appropriate products and technologies; developing a network of units in the small and cottage sectors which would produce to standard specifications; and engaging in actual marketing and distribution. These organizations should also provide marketing inputs in packaging, branding, pricing, and promotion, in addition to selling and distribution. Their emergence as major suppliers should give them market power to bargain with the trade for ensuring good distribution at competitive prices. Decentralization of manufacturing facilities, e.g., franchised small scale manufacturers, would be a major consideration in their operations.

For successful working it would be necessary to set up a number of regional organizations dealing in perhaps a dozen or so related products. These could be either in the public sector or in the producers' cooperative sector. The performance of some organizations in the cooperative sector has been very encouraging. However, the objective is likely to be better served if the organizations are in the public sector. There are possibilities of conflicts of objectives if such organizations are producers' cooperatives.

Regardless of the form these organizations may take, setting these up would be difficult. The nature of their tasks is such that large sums of money need to be spent on developing product designs and markets. It is also not easy to develop effective marketing and distribution networks. The problems of organization and staffing are likely to be very important and time consuming. Finally, there are several potential problem areas in the relationships between such
bodies and supplier units.

The options can be evaluated as in Table 2. Organizations specially set up to provide required assistance are likely to be most effective in meeting the needs. However, their road to success is fraught with difficulties. The policymakers should seriously consider the options of encouraging large and multinational corporations in marketing products of small and cottage sectors and setting up specialized marketing corporations.

### Table 1 Structure of the Consumer Products Industry

<table>
<thead>
<tr>
<th>Name of Product</th>
<th>Share of Top Three Enterprises(%)</th>
<th>Share of Multinationals (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant Milk Food</td>
<td>100.0</td>
<td>49.9</td>
</tr>
<tr>
<td>Biscuits</td>
<td>62.7</td>
<td>39.7</td>
</tr>
<tr>
<td>Soap</td>
<td>77.5</td>
<td>58.7</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>77.6</td>
<td>77.6</td>
</tr>
<tr>
<td>Talcum Powder</td>
<td>76.7</td>
<td>68.1</td>
</tr>
<tr>
<td>Razor Blade</td>
<td>95.0</td>
<td>NA</td>
</tr>
<tr>
<td>Matches</td>
<td>100.0</td>
<td>NA</td>
</tr>
</tbody>
</table>


### Table 2 Evaluation of Alternatives

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Assistance through State Organization or Federation</th>
<th>Large Distribution by Cooperatives</th>
<th>Distribution by Marketing Companies</th>
<th>Public or Cooperative Sector Marketing Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design of good quality, low cost functional products</td>
<td>X</td>
<td>L</td>
<td>L</td>
<td>M-H</td>
</tr>
<tr>
<td>Developing suitable technology</td>
<td>X</td>
<td>L-M</td>
<td>L</td>
<td>M-H</td>
</tr>
<tr>
<td>Developing decentralized network of franchised producers</td>
<td>X</td>
<td>M</td>
<td>L-M</td>
<td>M-H</td>
</tr>
<tr>
<td>Providing marketing and distribution inputs</td>
<td>L</td>
<td>H</td>
<td>L-M</td>
<td>M-H</td>
</tr>
<tr>
<td>Creating market power</td>
<td>L</td>
<td>M-H</td>
<td>L-M</td>
<td>M-H</td>
</tr>
<tr>
<td>Efficiency of marketing and distribution operations</td>
<td>L</td>
<td>M-H</td>
<td>L-M</td>
<td>M-H</td>
</tr>
</tbody>
</table>

Note: H=High effectiveness; M=Medium effectiveness; L=Low effectiveness; X=No effectiveness.
References


5. ---------, Ministry of Industrial Development and Company Affairs, Small Scale Industries in India (New Delhi, 1968), pp. 120-5.


